

Evaluation of Business Steps Extension (e-business)

A report prepared for *emda*

Ekosgen Consulting (UK) Ltd

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A report to *emda*

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EXECUTIVE SUMMARY

This report presents the findings of the evaluation of the Business Steps (e-business) programme which has operated in the East Midlands region between August 2007 and March 2010. The evaluation was carried out between March and May 2010 and draws upon survey responses from 520 programme supported businesses, the views of stakeholders, as well as desk-research and analysis. A further 19 in-depth interviews with supported businesses were completed as case study material.

The primary aim for the Business Steps programme was to assist and accelerate small and medium-sized enterprises' (SMEs) use of technology in business, and to help move them up the e-adoption 'ladder' through business workshops and events and, in some cases, small grants.

Overall, the programme has supported 4,800 businesses and this is a considerable volume of activity to deliver. The programme targeted businesses that already had some level of ICT adoption rather than non-adopters, and this was borne out by the evaluation survey which finds that only 6% of respondents did not use ICT prior to engaging with the programme. The business survey also suggests that the programme has successfully progressed supported businesses up the e-adoption ladder, particularly with regards to e-commerce and mobile working. A very high proportion (84%) of businesses stated that the programme had improved their business performance due to better internet presence and more advanced forms of activity such as online trading.

Views from stakeholders and those involved in delivering the programme have generally been positive, both about the ability of the programme to address an identified market failure and about the quality and effectiveness of delivery. The demand for ICT support from businesses is evident and the views of the programme organisation, content and design is good.

The programme has also demonstrated Strategic Added Value (SAV) across a range of fronts, not least the strong engagement from businesses and the role of the programme in securing further investment in ICT amongst businesses. The delivery model works well and is reflective of mature delivery arrangements and good partner awareness and engagement. Further refinements, as have been introduced over the three years, rather than wholesale changes would appear the most appropriate course of action over the next two years, an approach currently being adopted.

There remains strong evidence of a market failure amongst SMEs in the take up and adoption of ICT, most evident amongst the smallest businesses in the region although it is also clear that the increases in ICT take up is slower at the upper end of the ladder than at the lower end, where more and more businesses operate with basic ICT. This suggests a continued need for progression through the ladder, particularly towards more advanced ICT usage.

The net GVA impact of the programme has been good and the returns on investment have been above national benchmarks. Based on *emda's* investment of £2.5m, the GVA return on investment has been 1:4.5 to date and, when future anticipated GVA impacts are included, the return rises to 1:12 (compared to a national benchmark of 1:8). Within the full group of business beneficiaries, the highest returns have been achieved by SMEs with 11-50 employees (estimated return on investment of 1:55 for these businesses).

Overall, the programme has met an identified need and has generated considerable benefits for supported businesses. The project has fulfilled its key objective to demonstrably improve business performance and move increasing numbers of SMEs up the e-adoption ladder, although more could always be done to continue this process. There will be a requirement to demonstrate even greater value for money and returns on public sector investment in the future and the recommendations below are designed to ensure that the impacts of the interventions are maximised over the next two years of the Transformational ICT pilot.

Recommendations

The Business Steps programme has generally been well-received and the following recommendations are designed to support further refinements to programme design and delivery.

Governance and set-up

Recommendation 1: That Steering Group meetings are reinstated for the Transformational ICT pilot with sub-regional/Local Authority representation (as well as Business Link and *emda*).

Recommendation 2: That wherever possible in the future, contracting arrangements are simplified to allow the Local Authorities to provide top-up funding more readily.

Delivery

Recommendation 3: That consideration is given to how Business Link advisors can be kept abreast of programme and content development.

Programme Focus and Reach

Recommendation 4: That the programme continues to build and nurture relationships with Local Authorities to maximise both the top up financial contribution but also to increase access to the widest range of businesses.

Impact and Strategic Added Value

Recommendation 5: That the programme retains its open approach to helping all businesses but makes efforts to maximise engagement with small-size SMEs (those with 11-50 employees) that offer the greatest returns in terms of improved productivity.

Recommendation 6: That the programme considers organising a group of themed workshops, that could bring together several elements of e-business support.

Recommendation 7: That future e-business support helps businesses to engage with the ICT marketplace better, helping businesses to understand their own needs more clearly.

Recommendation 8: That future ICT support explicitly focuses on increasing productivity/GVA and that future monitoring enables GVA to be assessed effectively.

Marketing and Dissemination

Recommendation 9: That case studies are developed for disseminating the benefits of the programme and to act as a further tool in recruiting and engaging businesses.

1 INTRODUCTION

1.1 This report presents the findings of the evaluation of the Business Steps (e-business) programme which has operated in the East Midlands region between August 2007 and March 2010. The evaluation was carried out between March and May 2010 and draws upon survey responses from 520 programme supported businesses, the views of stakeholders, as well as desk-research and analysis. A further 19 in-depth interviews with supported businesses were completed as case study material.

The Business Steps (e-business) Programme

1.2 The primary aim for the Business Steps programme was to assist and accelerate small and medium-sized enterprises' (SMEs) adoption and use of technology in business, and to help them move up the e-adoption 'ladder' through business support and a small grant element. The link between adoption of Information and Communications Technology (ICT) and productivity enhancements is implicit in the programme rationale. The programme has been specifically focused on those already on the e-adoption ladder rather than non-adopters of ICT.

1.3 The Business Steps programme (2007-10) itself developed out of the East Midlands First Steps programme (2004-07) which operated on a sub-regional basis. Both were designed to respond to the identified market failure in ICT and e-adoption in small and medium-sized businesses (regularly gauged through the regional e-adoption survey). First Steps proved a popular and effective means of providing ICT support to SMEs and the project was regionalised at the start of the Business Steps three year funding period. As such, the Business Steps programme refined and adapted the existing First Steps programme. The e-business drive is continuing in much the same format for the 2010-12 period under the Department for Business, Innovation and Skills (BIS) Transformational ICT pilot project, although this extension does not include the capital grant element of Business Steps.

1.4 The evaluation report therefore seeks to identify the extent to which the programme successfully overcomes that market failure in supported businesses, and comments on the volumes and market penetration of the programme.

Evaluation Aims

1.5 This evaluation report is principally designed to assess both the impact and effectiveness of *emda's* investment in the three year programme. At the headline level, the evaluation identifies the extent to which the programme has met its intended aims and objectives and assesses the impact and return on investment for the Agency's outlay. In particular, it seeks to identify the extent to which the programme successfully overcomes the e-business market failure in supported businesses, and comments on the volumes and market penetration of the programme. In greater detail it assesses the contribution and impact of both the revenue support, principally events and action planning workshops, and the capital grant elements.

1.6 The Business Steps evaluation also aims to highlight any examples of good practice arising from the last three years so that lessons can be learned that may help the effective delivery (and return on investment) of the Transformational ICT pilot. The evaluation brief set the following questions:

- What the project has achieved, the project benefits and for whom;
- The extent to which the project was delivered in line with the original plan;
- The level of awareness of the project in the region;
- The satisfaction with the service amongst supported businesses;
- The appropriateness of delivery arrangements;
- The contribution of the programme to the RES and Business Support Strategy;
- The Strategic Added Value of the programme;
- The target outputs that have been achieved;
- The lessons that can be achieved and examples of good or innovative practice;
- Whether there have been any unexpected outcomes; and
- Success factors or factors hindering success.

Approach to the Evaluation

1.7 The approach to this evaluation has been to ensure that the study is founded on extensive feedback and evidence gathered from the business beneficiaries. To this end, data was gathered, via an online survey tool, from 520 Business Steps supported businesses across the region. These businesses were drawn from across the three years of the programme, from urban and rural areas, all parts of the region, all programme elements and covering a wide variety of SME experiences in ICT. This has provided the evaluation team with a rich data source from which to draw robust conclusions.

1.8 As well as the focus on the beneficiary experience, the approach to the study has involved widespread consultation with stakeholders, including those responsible for the delivery of the programme. The full list of stakeholders is provided at Appendix B. In addition, the evaluation has reviewed the general economic and policy context within which the programme has operated, and reviewed the levels of e-adoption amongst the region's business base. The evaluation has also used evidence from 19 more detailed case studies with supported businesses to provide a more qualitative perspective from businesses.

1.9 Overall, the approach to the study has been to use all available evidence to understand whether the programme has met its objectives, whether it has achieved a good return on investment for the Agency and whether there are lessons that can be learned for the future delivery of ICT support in the region going forwards.

Structure of the Report

1.10 The report is structured in the following way:

- Chapter 2 reviews the nature of the region's business base and levels of e-adoption and the prevailing policy context under which the programme has operated;
- Chapter 3 analyses the reported performance of the Business Steps programme in terms of expenditure and outputs;
- Chapter 4 presents the evidence from the 520 business survey respondents;
- Chapter 5 assesses the commercial benefits and net impacts arising from those supported businesses;

- Chapter 6 reviews the strategic and operational performance of the programme, drawing on the stakeholder and delivery staff consultations, highlighting the Strategic Added Value (SAV) of the programme;
- Chapter 7 presents the case study analysis; and
- Chapter 8 presents the summary and conclusions, along with some recommendations for its future delivery.

2 REGIONAL CONDITIONS AND DRIVERS

2.1 This Chapter outlines the market failure of ICT usage and adoption for SMEs in the region and reviews the national and regional policies designed to address this market failure. This places the Business Steps programme in context and also sets out the scale and depth of the market failure. In reviewing ICT usage and adoption, the Chapter draws on the 2009 e-adoption survey in the region, assessing trends in the changes in e-adoption and business behaviour since the first regional report in 2006.

ICT Usage and e-Adoption: Market Failure

2.2 The annual e-adoption survey in the East Midlands profiles the extent of SME technology uptake. Whilst there has been an increase in basic computer usage amongst SMEs since 2006, there remains a significant proportion of SMEs yet to adopt ICT within their business (23%)¹. Amongst those that have adopted ICT in the business, a third (36%) trade online and a similar proportion (31%) undertake mobile working.

2.3 Advanced ICT applications and processes such as Web 2.0, Customer Relationship Management (CRM) systems and mobile working offer businesses new opportunities to reach customers and raise productivity. Uptake of advanced technology amongst SMEs has not increased at the same rate compared to uptake of more basic ICT. This is important feedback for the Business Steps programme which seeks to progress businesses up the ladder to these more advanced forms of ICT.

2.4 There is a continued trend amongst smaller SMEs (nine or fewer employees) to lag behind larger SMEs in e-adoption, including uptake of advanced ICT applications. The survey found that larger SMEs are more likely to recognise and attribute productivity benefits to the implementation of ICT processes. Survey findings also show that the construction and hotel/restaurant sectors had the highest proportions of non-adopter and basic use businesses, whilst financial intermediation and manufacturing were most advanced.

2.5 The findings indicate a need for continued support and awareness raising in relation to ICT. A relatively high proportion (59%) of surveyed businesses with an internet connection stated that online activity will be of continued importance and a further 13% stated it will be essential. Over half (55%) of all businesses using a computer do not access any form of external ICT support and 40% do not have an internal IT resource.

2.6 The survey suggests businesses are unaware of their online potential, with two thirds of SMEs with a website updating this on an ad hoc basis. SMEs had some awareness of next generation Web 2.0 based technologies although, with the exception of Google Maps, usage levels were low. The report details that non-adopters did not implement ICT as they failed to see the relevance to their organisation (42%) or thought it to be of no business benefit (38%). This is of note, even though the e-business programme does not specifically target these particular companies.

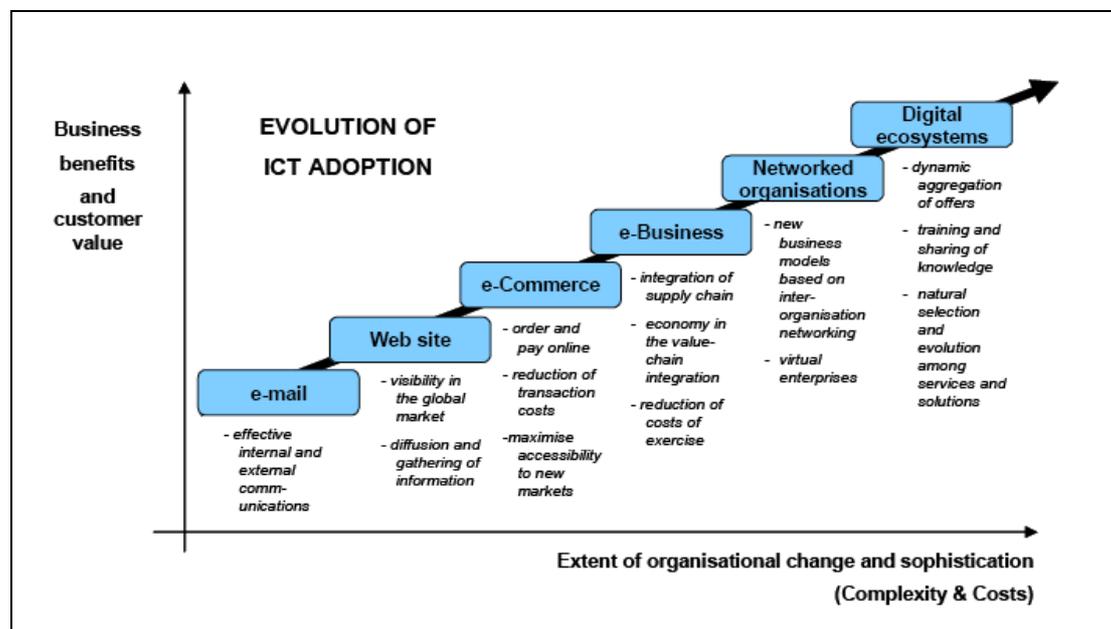
¹ The Challenge of e-adoption in the East Midlands, QA Research, 2009

2.7 The 2009 report points to a continued market failure in ICT usage and adoption in the region, despite progress in certain areas, including those adopting ICT and those taking up basic ICT. There remains market failure in particular amongst businesses with fewer than 10 employees in terms of the value of ICT uptake, and market failure in more advanced forms of e-business.

The Benefits of e-Adoption

2.8 The Business Steps programme, in common with the previous First Steps programme, is underpinned by the concept of the e-adoption or ICT ladder. As shown in Figure 2.1, there is a positive correlation between the extent and sophistication of e-adoption within an organisation and business benefits.

Figure 2.1: Evolution of ICT adoption



Source: A Guide to Regional e-adoption Initiatives for Businesses & Communities, ERISA, 2005

2.9 The Business Steps programme is predicated on an explicit objective to move businesses up the e-adoption ladder. The 2009 e-adoption report identifies the value, in terms of output and productivity, of more advanced forms of ICT². The larger SMEs that recognise and attribute productivity benefits to the implementation of ICT processes are also the ones likely to be most competitive and capable of growth.

The Scale of Market Failure in the Region

2.10 The most recent Office for National Statistics (ONS) Business Demography statistics release (2008) shows there were 158,365 active VAT and PAYE registered businesses in the East Midlands, representing 8% of the national total. The majority of businesses are small SMEs, with nine or fewer employees (89% of the total). Applying the results of the e-adoption survey suggest that approximately 28,000 small SMEs in the region are non-adopters, 60,000

² Ibid

do not trade online and 65,000 do not offer mobile working. This is a considerable pool of businesses to work with to increase e-adoption levels.

2.11 In reality, VAT registered businesses are estimated as only one third of all businesses in the regional economy and so many more businesses operate below the VAT-registration threshold of £55,000 per annum. These businesses are less likely to be e-adopters than the larger VAT registered businesses. This would increase the number of non-adopters to 84,000, those not trading online to 180,000 and those not mobile working to 195,000. This is backed up by evidence from the Federation of Small Businesses (FSB), many members of which are non-VAT registered and/or micro-businesses which suggests 50% of businesses have no internet access or computing equipment.

National and Regional Policy Context

National Context

2.12 Midway through the Business Steps programme in June 2009, the Government published the Digital Britain report recognising the importance of the digital economy. The report sets out an analysis of the levels of digital participation, the current infrastructure and growth ambitions, including the skills and support needed to achieve a fully functioning digital economy.

2.13 The report underlines (then) central policy commitments issued in New Industry, New Jobs to ensure that businesses are equipped to compete in the global economy. It also aligns with the Going for Growth plan for the economy to ensure a strong recovery, which includes new digital infrastructure - broadband access for virtually all of Britain's homes and businesses. These policy approaches sought to re-energise and reinvigorate ICT support for businesses across the country encouraging them to fulfil their potential.

Regional Approach to ICT Support

2.14 There is a strong drive for productivity in the East Midlands and the Regional Economic Strategy (RES). The e-businesses programme aligns in particular with the theme: Raising productivity: enabling our people and businesses to become more competitive and innovative. The three strategic priorities that come under this theme all sit well with the Business Steps programme, these are:

- Employment, learning and skills: To move more people into better jobs in growing businesses.
- Enterprise and business support: To become a region of highly productive, globally competitive businesses.
- Innovation: To develop a dynamic region founded upon innovative and knowledge focused businesses competing successfully in a global economy.

2.15 The importance of ICT and e-business capability is raised in several areas in the RES. In relation to the employment, learning and skills strategic priority, the RES makes the link between demand for higher level skills and the proliferation of ICT in the workplace and states that individuals should have the opportunity to increase their skills and enable businesses to operate in the digital economy.

2.16 Under the strategic priority, enterprise and business support, ICT skills are noted as a key barrier for SME growth. Similarly, the innovation strategic priority notes the productivity effects of ICT investment and the high number of SMEs not fully utilising the potential, suggesting provision of e-business support is required.

2.17 The RES stated that the provision of ICT infrastructure will be critical to improving the productivity of business and the future competitiveness of the region. The lack of penetration of higher speed broadband into rural areas has particular implications for productivity gains in rural areas.

2.18 Business adoption of ICT technology is therefore widely recognised throughout the RES as crucial for SMEs to operate more efficiently, raise productivity and grasp the opportunities available in the digital economy.

2.19 The Business Steps programme builds on the success of the First Steps programme (2004-07), which was well received by SMEs in the East Midlands and was considered by the Agency as a successful approach. The Business Steps programme was developed as the key regional response to ICT support in the region, alongside capital investment in broadband and sector-based or specific projects to accelerate ICT innovation in the region.

2.20 There are a range of very specific projects that are designed to support more advanced sector-based activity, often involving levels of advanced e-adoption, including BioCity, Nottingham and the range of sector-based innovation networks (i-Nets). However, none of these will operate with considerable volumes in the same way as Business Steps.

Business Support Simplification

2.21 An important consideration in the design of the programme was the requirement to align with the Business Support landscape. The start of the Business Steps programme coincided with two notable and related developments: the regionalisation of Business Link and the development of the Information, Diagnostic, Brokerage (IDB) Model and Solutions for Business products.

2.22 The regionalisation of Business Link, which brought the Business Link under the direct management of the RDA, was designed to simplify and rationalise the business support landscape. Business Link was to be the gateway for all business support, with all businesses signposted to brokered business support following the Business Link advisor diagnostic.

2.23 The IDB model under Business Link also brought with it a rationalisation of business support products. The identification and branding of Solutions for Business products happened mid-way through the Business Steps programme (2008/09 to 2009/10).

2.24 The Business Steps programme was not a formal Solution for Business product, with ICT not covered by the original list. This is now being addressed with the Transformational ICT pilots which may see ICT become an additional Product. Nonetheless, the expectation for the Business Steps programme was always that East Midlands Business (EMB) as the regional Business Link provider would in effect consider the Business Steps programme as a 'product' and would refer businesses to the programme as appropriate. The close cooperation of EMB and the appointed delivery agent East Midlands Chamber of Commerce (EMCC) in engaging businesses was an explicit aim for the programme at the outset.

Sub-Regional Partnerships (SRPs) / Local Authorities

2.25 The sub-regional partnerships worked with *emda* on the programme steering group up until 2008/09 when they were disbanded (apart from Derby and Derbyshire Economic Partnership - DDEP). These responsibilities were then transferred to Local Authorities after the SRPs and they have generally been supportive of the Business Steps programme. Both the SRPs and Local Authorities have also provided top up funding to augment the programme for specific local needs. In policy fit terms, local and sub-regional ICT support has easily been able to augment the region-wide Business Steps programme.

Summary and Conclusion

2.26 There remains strong evidence of a market failure amongst SMEs in the take up and adoption of ICT, and this market failure takes a number of forms including failure to see the relevance to their organisation or thought to be of no business benefit. Market failure is most evident amongst the smallest businesses in the region although it is also clear that the increases in ICT take up is slower at the upper end of the ladder than at the lower end, where more and more businesses operate with basic ICT. This suggests a continued need for progression through the ladder, particularly towards more advanced ICT usage.

2.27 The Business Steps programme has been designed to address this market failure and the programme has fitted well with national and regional policy imperatives. The programme was introduced regionally at the same time as the regionalisation of Business Link and as such the programme has always been able to work closely with the Business Link provider EMB. As the key revenue support programme for ICT in the region, Business Steps is the bedrock of RDA volume investment in ICT which is complemented by capital broadband investment and more specialist ICT support. The SRPs/Local Authorities have brought forward complementary activity over the lifetime of the programme.

3 BUSINESS STEPS PROGRAMME AND PERFORMANCE

3.1 This chapter is split into two main sections. The first presents an overview of the Business Steps programme and its constituent elements, including a review of delivery and governance arrangements. The second section reviews the programme's reported performance against target and associated management information.

Background and Aims

3.2 The *emda* Business Steps programme has been a longstanding element of *emda* support which began with the First Steps programme running from April 2004 to March 2007. This was based on a business support programme developed and delivered in Scotland of the same name, and *emda* agreed to license this and adapt it to be rolled out across the East Midlands on a sub-regional basis. First Steps introduced the concept of a programme of workshops and events that helped businesses improve their e-business specifically rather than in basic ICT skills solely. The First Steps programme supported 2,026 firms to increase their use of ICT in business.

3.3 From August 2007, the programme evolved into Business Steps which was contracted to run until March 2010 and is the subject of this evaluation. One of the main drivers behind the programme was the 2006 regional e-adoption survey which found that there were continuing market failures present in the region around ICT uptake by businesses:

“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.”

3.4 The primary aim for the Business Steps programme was to assist and accelerate SMEs' adoption and use of technology in business and in particular, the programme was expected to:

- Highlight the opportunities and threats arising from an economy where business is increasingly being done electronically;
- Help businesses make an informed Return on Investment decision about the role of Information and Communications Technology (ICT);
- Link the ICT & productivity agendas in the minds of SMEs;
- Deliver demonstrable movement up the e-adoption ladder; and
- Align with the new Business Link's IDB model.

Activities

3.5 The EMCC tendered for and secured the Business Steps contract in August 2007 and, similar to First Steps, activity was principally based around a programme of workshops and business events. There were approximately 20-30 workshops run across the region each month (up to 60 in March 2009) and each workshop was anticipated to attract at least 10-15 delegates. The programme had coverage across all of the six counties although the intensity and distribution of the programme activity was affected by the level of top-up funding

contributed by sub-regional partners. Events covered a wide variety of e-business topics with new ones introduced periodically, and businesses were encouraged to produce an action plan at the end of each session. Activities and support available included:

- Full/half day action planning sessions;
- Advice and guidance from experienced and qualified ICT practitioners;
- Detailed course notes with practical exercises;
- Resources and background materials in an online library; and
- Ongoing support via the e-business Club discussion forums.

3.6 The Business Steps programme also included a capital grant element which had a target to support 300 businesses (at a maximum of £3,000 per company) out of the overall programme target of 3,360 businesses assisted. The grant funding available was therefore relatively small per business, and matched by the companies' own investment. The level of funding for the grant element was increased from February 2008 with the approval of ERDF. This introduced a diagnostic stage into the grant process and increased the level of grant funding to £6,000 (and a new minimum threshold of £2,000). The diagnostic service assigned an IT consultant to applicant businesses to support their bid and action plan.

3.7 The programme also covers the costs of the e-adoption study which is a way of monitoring and reviewing the appropriateness of the programme. Further monitoring and evaluation data is gathered through feedback from the events and workshops, feedback on trainers and venues from delegates, feedback on the trainers from the host/event and feedback on the host/venues from trainers.

Delivery and Governance

3.8 The programme is coordinated by a small EMCC team of three full-time and one part-time member of staff. The team helps coordinate activity by scheduling activity and booking the most appropriate trainers, whilst a nominated contact at each of the programme's five sub-regional partners (SRPs and Local Authorities) help to book the venue and input into the choice of practitioner. The sub-contracted trainers plan the activity itself, track the attendees to ensure they attend (the trainer is paid on the basis of attendees) and facilitate the collection of evaluation data. The trainers develop and update their training materials within the terms of their appointment and are not allowed to deliver content outside of this.

3.9 The EMCC team also handle business enquiries (including those brokered via Business Link) and delegates typically book directly online, usually as a response to a Chamber or Business Link e-shot. Online booking makes it considerably simpler for the EMCC team to manage their caseload. The Business Steps programme is Business Link branded and Advisors are updated regularly and provided with a weekly schedule of confirmed attendees/places for workshops.

3.10 The main source of governance and strategic direction is provided by the programme steering group which includes representatives of *emda*, Business Link, Sub Regional Partnerships (replaced by Local Authorities) and other business support stakeholders. In the early stages of Business Steps, the steering group was convened on a regular quarterly basis although the group did not meet in the final year of the programme.

Programme Performance

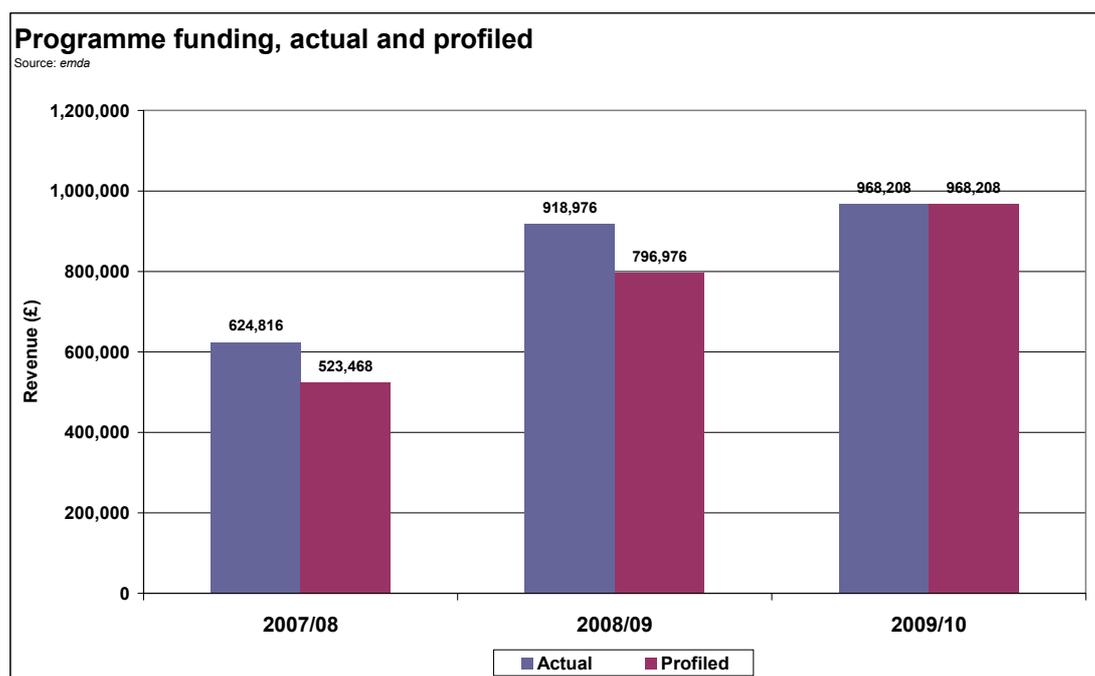
Expenditure

3.11 The Business Steps programme was profiled to spend £2.1m across the evaluation period as detailed in Table 3.1 below. The main profiled costs were primarily associated with delivering the training, including principal content development, venue hire (workshops) and the events. The delivery set up has always been predicated on low staff overheads and the small team reflects this. The 'other costs' are also relatively low with limited resources available for marketing, although this has not hampered high volumes and take up.

	2007/08	2008/09	2009/10	Total	% of Total
Staff salaries and overheads					
Project manager	25,000	42,300	42,300	109,600	5%
Events coordinator	15,800	31,600	32,548	79,948	4%
Administration and grants officer	15,800	31,600	32,864	80,264	4%
Total staff salaries and overheads	56,600	105,500	107,712	269,812	13%
Training delivery					
Technology and e-business briefings	55,930	71,910	71,910	199,750	10%
Technology and e-business workshops	104,693	241,491	240,095	586,278	28%
Technology and e-business conference	-	23,500	23,500	47,000	2%
E-Commerce web academy courses	29,845	-	-	29,845	1%
Adult numeracy / literacy / ESOL		28,200	33,840	62,040	3%
ICT skills for life					0%
Total training delivery	190,468	365,101	369,345	924,913	45%
Other costs					
Business Steps marketing materials	12,925	11,750	11,750	36,425	2%
Module development and production	11,750	11,750	11,750	35,250	2%
e-adoption study	-	52,875	-	52,875	3%
Grant application forms	1,725	-	-	1,725	0%
Total other costs	26,400	76,375	23,500	1,051,188	6%
Total Revenue	273,468	546,976	500,557	1,321,000	64%
Total Capital	250,000	250,000	250,000	750,000	36%
Total Programme	523,468	796,976	750,557	2,071,000	100%
Source: <i>emda</i>					

3.12 Programme expenditure to 2009/10 is detailed in Figure 3.1 below. The programme has committed all of its allocated funding and also drawn in additional funding through ERDF and sub-regional top-up funding (although this is not detailed in Table 3.1 and Figure 3.1).

Figure 3.1: Programme funding, actual and profiled



3.13 Table 3.2 below shows actual and profiled expenditure split by revenue and capital funding. Revenue expenditure was broadly to profile in 2007/08 and 2009/10 but was subject to overspend in 2008/09. Capital expenditure has varied considerably across the three years of the programme with 45% overspend in 2007/08, whilst only 3% of profiled capital expenditure was achieved in 2008/09. These variations reflect the break in *emda* funding during 2008/09 and the additional ERDF/top-up drawn into the programme (not detailed here).

	Revenue		Capital		Total		
	Actual	Profiled	Actual	Profiled	Actual	Profiled	%
2007/08	262,408	273,468	362,408	250,000	624,816	523,468	119%
2008/09	911,976	546,976	7,000	250,000	918,976	796,976	115%
2009/10	456,616	456,616	511,592	511,592	968,208	968,208	100%
Total	1,631,000	1,277,060	881,000	1,011,592	2,512,000	2,288,652	110%

Source: *emda*

3.14 A further £400,000 of Single Programme revenue funding has been agreed for the Transformational ICT pilot (2010/11 to 2011/12) at £200,000 per year.

Outputs

3.15 The core outputs for the programme are: (T4) Businesses assisted to improve their performance; and (T6) People assisted in their skills development (over 6 hours support). The Key Performance Indicators (KPIs) associated with the programme are: KPI16 Businesses assisted to make better use of ICT including trading on-line; and KPI11 Businesses assisted with management / leadership skills needs.

3.16 The Chamber have noted difficulties associated with reporting against the standard T4 and T6 outputs over the evaluation period. For instance, a company may have received 40 hours of support over three years on many separate occasions, but at the same time not received a single instance of support over 6 hours, the length of time required to meet the T4 or T6 output. As a result, the figures shown here are likely to underestimate the full activity that has occurred.

3.17 The programme has performed successfully against profiled outputs. Table 3.3 shows that core T4 and T6 outputs have been over-achieved by 127% and 135% respectively. Performance against KPIs is similarly encouraging particularly KPI11 which over-achieved by 297%. The unit cost of delivering T4 and T6 assists equates to £523 and £771 respectively. These appear to be relatively low with a high volume of companies supported by the programme for relatively low cost.

	2007/08 and 2008/09*		2009/10		Total		
	Actual	Profiled	Actual	Profiled	Actual	Profiled	%
T4. Businesses assisted to improve their performance	3,639	1,860	1,166	1,925	4,805	3,785	127%
T6. People assisted in their skills development	2,421	1,300	838	1,110	3,259	2,410	135%
KPI 11 Management / Leadership	297	45	-	55	297	100	297%
KPI 16 SMEs using ICT	3,639	1,900	1,166	1,885	4,805	3,785	127%

Source: *emda*
*Note: Breakdown for these years was unavailable.

3.18 As a comparison, Table 3.4 details the outputs that the £400,000 of Single Programme funding secured for the Transformational ICT pilot (2010/11 and 2011/12) is profiled to generate.

	2010/11	2011/12	Total	Total (2007/08 – 2011/12)
T4. Businesses supported to improve their performance	300	300	1,025	5,830
KPI16 SMEs using ICT	300	300	1,025	5,830
KPI11 Management /Leadership	20	20	337	634

Source: *emda*

3.19 Importantly, the Business Steps programme was not required to report against jobs created or safeguarded. However, surveyed businesses report significant employment impacts associated with their engagement in the programme and it would be beneficial for *emda* to capture these achievements in its records (as explored in the next chapters).

Profile of Supported Businesses

3.20 Analysis of the programme management information allows a (limited) level of further interrogation, specifically based on the geographic profile of businesses supported, and their urban/rural split³. Two thirds of businesses are based in the counties of Nottinghamshire,

³ Using the Defra classification of Local Authorities as urban or rural areas.

Derbyshire and Leicestershire (see Table 3.5), a profile which is reflective of the business base. Regarding urban / rural split, a higher proportion of businesses were based in Local Authorities classified as urban (60%).

Nottinghamshire	25%
Derbyshire	22%
Leicestershire	20%
Lincolnshire	17%
Northamptonshire	15%
Rutland	0.4%
Source: <i>emda</i>	

Summary

3.21 The Business Steps programme (August 2007 to March 2010) evolved from the preceding First Steps programme and similarly responds to market failures around businesses' uptake of ICT and e-business. The primary aim for the Business Steps programme was to assist and accelerate SMEs' adoption and use of technology in business.

3.22 Activity has focused on an extensive region-wide programme of workshops and events that cover a wide variety of e-business topics, and the programme also included a capital grant element.

3.23 The programme activity is coordinated by a small EMCC team with support from sub-regional partnerships and Local Authorities, and activity sub-contracted to trainers. The main source of governance and strategic direction is provided by the programme steering group which includes representatives of *emda*, Business Link, Sub Regional Partnerships (replaced by Local Authorities) and other business support stakeholders.

3.24 The programme has successfully delivered against expenditure and activity output targets, despite an uneven flow of funding. The high volume of activity delivered by the programme, at a relatively low cost, is similarly a success factor. In terms of activity, this is testament to the maturity and experience of the delivery partner.

4 BUSINESS SUPPORT AND BENEFITS (SURVEY)

Introduction

4.1 The Business Steps beneficiary businesses were contacted in April 2010 to explore how the programme has affected their e-business uptake, position on the ICT ladder and the subsequent impacts on business performance. The survey generated a total of 520 responses from 2,865 valid contacts which is equivalent to a response rate of 18%. This represents a high volume of good quality data that is statistically significant within a confidence level of 95% (+/- 5% margin of error).

4.2 This chapter explores how the businesses became aware of the Business Steps support, the particular challenges they were facing in relation to ICT, satisfaction with the process and type of support accessed, and the associated business benefits. Survey respondents were drawn from all parts of the region, including urban and rural areas, and included input covering the full range of support mechanisms between 2007/08 and 2009/10.

Profile of Surveyed Companies

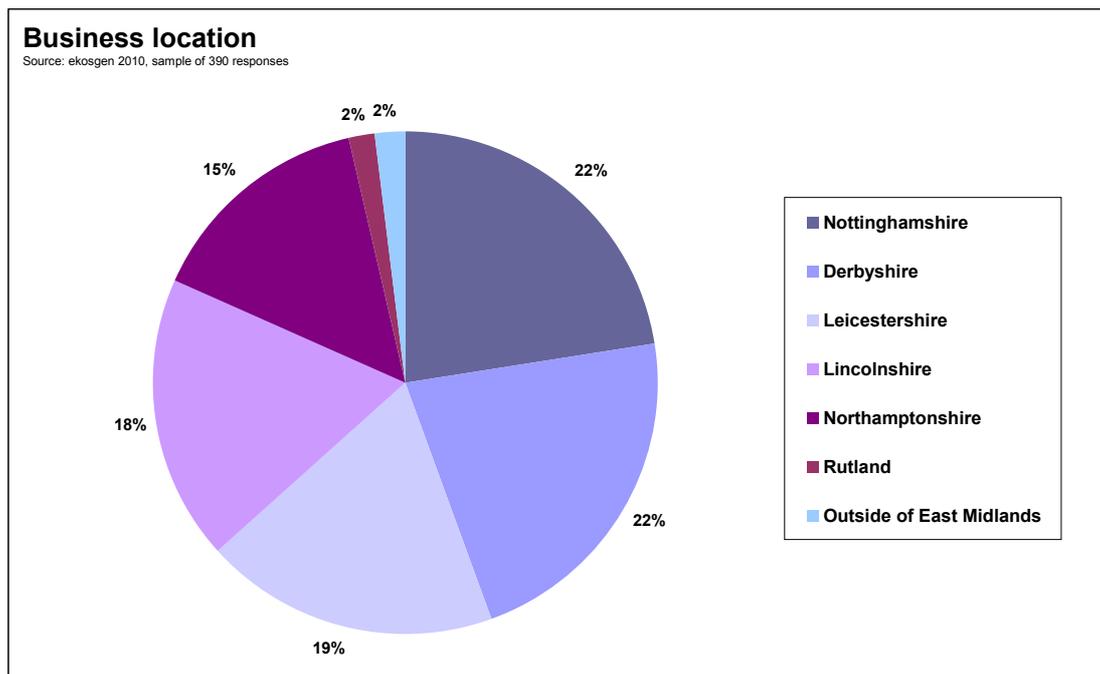
4.3 Geographically, the highest proportions of respondents were drawn from Nottinghamshire (22%) and Derbyshire (22%) and this broadly mirrors their share of the business base in the region (21% and 22% respectively). The survey drew fewer responses from Leicestershire than their share of the region's business base (19% of respondents compared to 22% of the business base) and in Northamptonshire (15% of the respondents compared to 17% of the business base). By contrast, the survey attained 18% of the responses from Lincolnshire businesses, which represent 16% of the East Midlands business base.

4.2 The survey responses reflect the reach of the programme. The programme has been comparatively more successful in reaching businesses in the north of the region than the south. The response rates are good from Lincolnshire although the programme may not have reached proportionately as many rural businesses as those in more urban areas (see below). Unsurprisingly, given its size, there are fewest responses from Rutland businesses, although at 2% this is twice their 1% share of the East Midlands business base⁴.

4.3 The distribution of survey responses received from businesses across the East Midlands is shown in Figure 4.1 overleaf.

⁴ ONS Business Demography data series, 2008.

Figure 4.1: Business location



4.4 Businesses across a range of urban and rural areas have engaged with the programme as shown in Table 4.1. In all, 36% were located in a rural area, identifying their location as the ‘countryside’ or in a ‘village’. A further 17% responded that they were based on the edge of a town or city, and some of these may also be in rural areas.

4.5 Including those on the edge of a town, rural-based survey respondents account for 53% of the sample (or 36% excluding the urban fringe). In comparison, 60% of all East Midlands businesses are located in rural areas (using Defra Local Authority area definitions of a rural area). This suggests there is more that can be done to boost take-up in rural areas.

	Number of respondents	% of respondents
Located in a village	104	27%
Located in a town	99	26%
Located in a city	76	20%
Located at the edge of a town / city	66	17%
Located in the countryside	36	9%
Other	6	2%
Total	387	100%

Source: ekosgen

4.6 The programme has supported businesses across a range of sectors (see Table 4.2 below). This has included most commonly retail (20%), manufacturing (17%) and community, social and personal services (14%) businesses. The high proportion based in the retailing sector is of note given that the sector is not typically supported by economic development programmes (due to high levels of displacement in the sector) yet it is clearly a sector that has sought ICT support through the e-business programme. Overall, the support broadly

mirrors the regional business base, although there are even more retail sector businesses regionally.

	Number	%		Number	%
Retail and repairs	72	20%	Transport and comm.	22	6%
Manufacturing	60	17%	Finance and banking	19	5%
Comm, social, personal services	52	14%	Creative and digital	18	5%
Real estate, renting, business	40	11%	Agriculture, fishing	17	5%
Public admin, educ. healthcare	39	11%	Marketing	17	5%
Business services	37	10%	Other	12	3%
Hotels, restaurants, food outlets	31	9%	Health and education	10	3%
Construction	28	8%	Food and drink	8	2%
IT	24	7%	Tourism	8	2%
Energy and water	22	6%	Other services	6	2%

Source: ekosgen 2010, sample of 360 respondents

4.7 Including sole traders with no employees, 72% of surveyed businesses had four or fewer employees and 85% had fewer than 10 employees⁵. This is unsurprising given the regional business base where 77% of businesses employ four or fewer and 89% employ 10 or fewer⁶. Around one in six, 16% of those surveyed, employed 10 or more, although this is higher than the regional business base where just 11% employ 10 or more. This suggests that the Business Steps programme has attracted proportionately higher numbers of businesses in the medium and larger SME range, those that are strong drivers of economic growth, and this may reflect the perceived credibility of the programme.

	Number of respondents	% of respondents
0	43	13%
1-4	200	59%
5-9	44	13%
10-49	43	13%
50-99	10	3%
100-249	1	0.3%
250+	0	0
Total	384	100%

Source: ekosgen 2010

4.8 The profile of business size by turnover indicates a similar distribution. Business beneficiaries tended to be small in terms of turnover, with more than half of respondents with a turnover of less than £100,000 (54%).

⁵ ONS Business Demography data series, 2008.

⁶ These proportions are VAT and PAYE registered businesses and so the region will have many non-VAT / PAYE registered businesses not including here; the proportion of small businesses in the region will therefore be even higher.

	Number of respondents	% of respondents
£1 to £25,000	95	25%
£25,001 to £50,000	53	14%
£50,001 to £75,000	32	8%
£75,001 to £100,000	25	7%
£100,001 to £250,000	52	14%
£250,001 to £500,000	24	6%
£500,001 to £1m	25	7%
£1m to £5m	22	6%
£5m to £10m	4	1%
£10m to £50m	1	0%
£50m to £250m	0	0%
£250m+	1	0%
Don't know	23	6%
N/A	26	7%
Total	383	100%
Source: ekosgen 2010		

4.9 As shown in Table 5.4, the number of beneficiaries has increased over time. In total, 335 of the 456 survey respondents (73%) had received support in 2009/10, compared to 27% that began support in 2007/08. This reflects a number of factors, including the trend for a number of businesses to have received support on more than one occasion. Businesses have on average accessed 3.3 different types of support and the volume of businesses accessing business support more generally (through Business Link) has also increased significantly over the three years to 2009/10. The survey responses indicate that many businesses received support in both 2008/09 and 2009/10, which suggests businesses value the support (by signing up for a second, third or fourth event or workshop).

	Number of respondents	% of respondents
2007/08	124	27%
2008/09	305	67%
2009/10	335	74%
Don't know	14	3%
Source: ekosgen 2010, sample of 456 respondents		

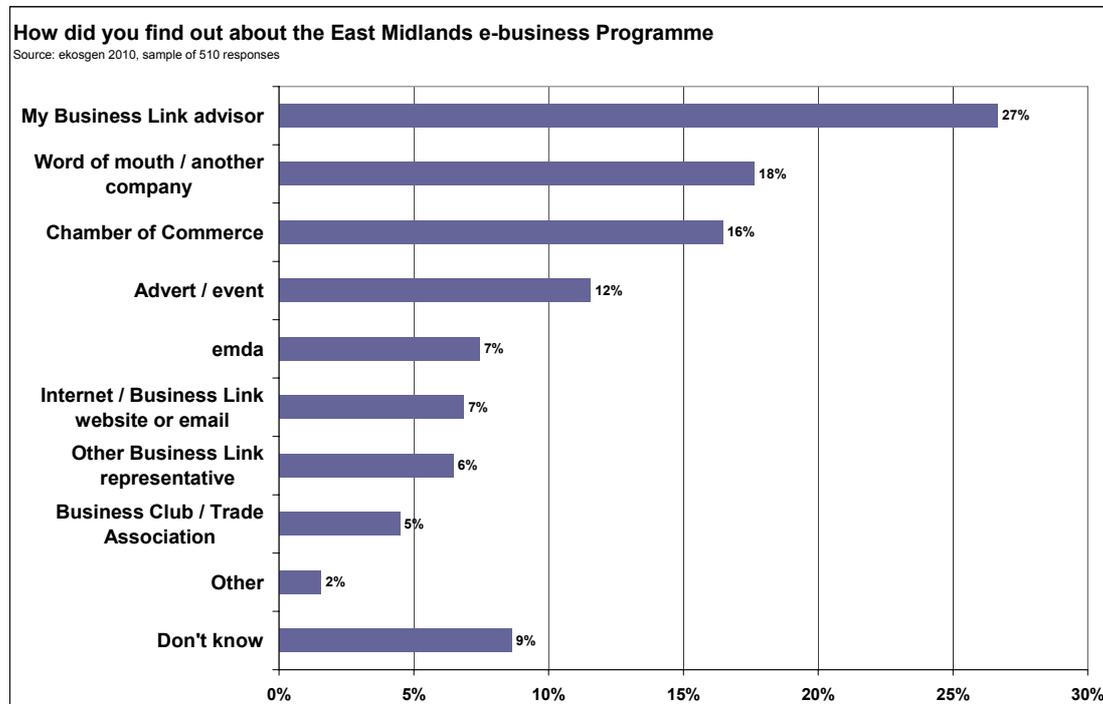
Business Awareness of the Programme

4.10 Business Link was the principal route through which businesses became aware of the programme. In all, 27% of Business Steps participants found out about the programme through their Business Link advisor. This reflects positively on Business Link's penetration of the business base and their levels of company engagement, but also their understanding of the programme and their ability to refer appropriate businesses to the programme. This supports findings elsewhere in the report that indicates that the relationship between Business Link and EMCC (as the delivery organisation) has been good.

4.11 A further 18% became aware of the programme through other companies or through word of mouth, and this suggests that the support is sufficiently well regarded for companies and individuals to recommend it to others. Just one in six (16%) found out about the

programme directly through the Chamber which suggests the programme works well through intermediaries and does not require a high proportion of the programme resources recruiting companies.

Figure 4.2: How did you find out about the East Midlands e-business programme



Business Motivations and Expectations

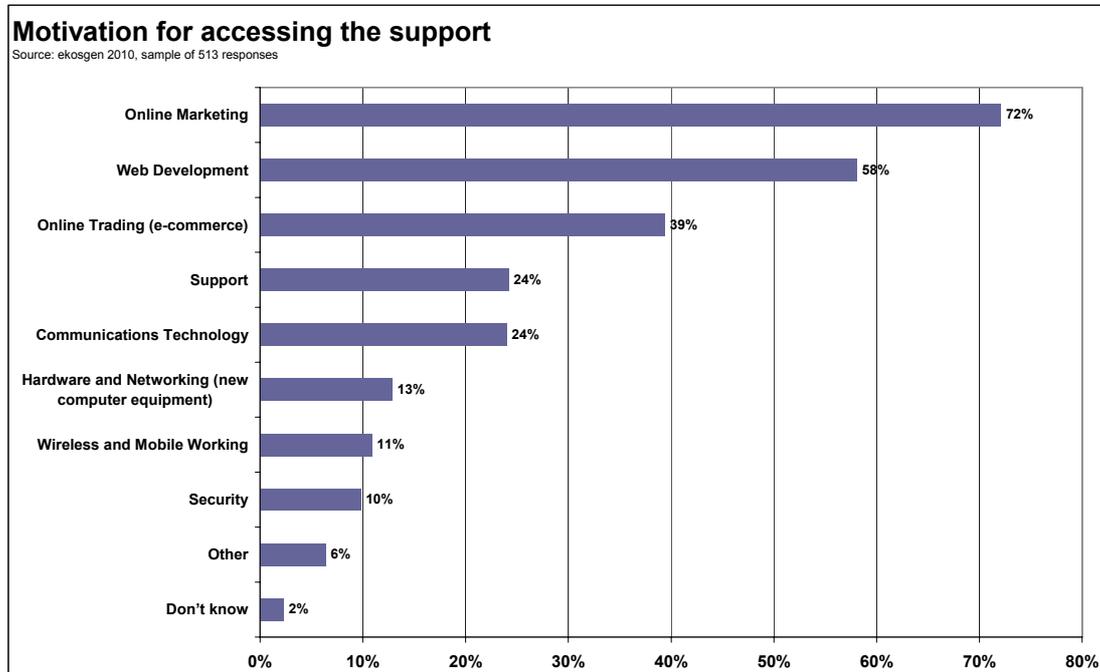
4.12 Businesses sought support from the programme in a wide range of e-business areas. ICT improvements to increase the company’s presence through the internet was the most common area in which businesses sought support (online marketing and web development, 72% and 58% respectively). These forms of support are typically at the lower end of the e-adoption ladder, with online marketing and web development more basic business requirements in the 21st Century, although the high volumes here reflect that businesses new to ICT continue to engage with the programme. It is also true that tools and techniques for developing these areas continue to evolve and businesses are required to refresh their understanding to maintain and develop their internet presence.

4.13 Online trading was the third highest motivation for accessing support and more than one in three (39%) sought support in this area. This is encouraging for the programme and for *emda* as a significant funder since this type of activity is higher up the e-adoption ladder. Businesses in high volumes are therefore seeking to develop online trading, an area that is likely to have become of increased interest to business during the recession as businesses have sought to access new markets.

4.14 Further, one in four businesses (24%) were seeking support for communications technology, also further up the e-adoption Ladder, although only one in 10 (11%) sought support for wireless and mobile working, which may indicate there remains some market failure at this level where SMEs are unsure of the opportunities in this field. Relatively few

businesses (just 13%) sought support for hardware or computer equipment through the programme, reflecting the balance of support to (revenue-funded) advice rather than capital kit.

Figure 4.3: Motivation for accessing support



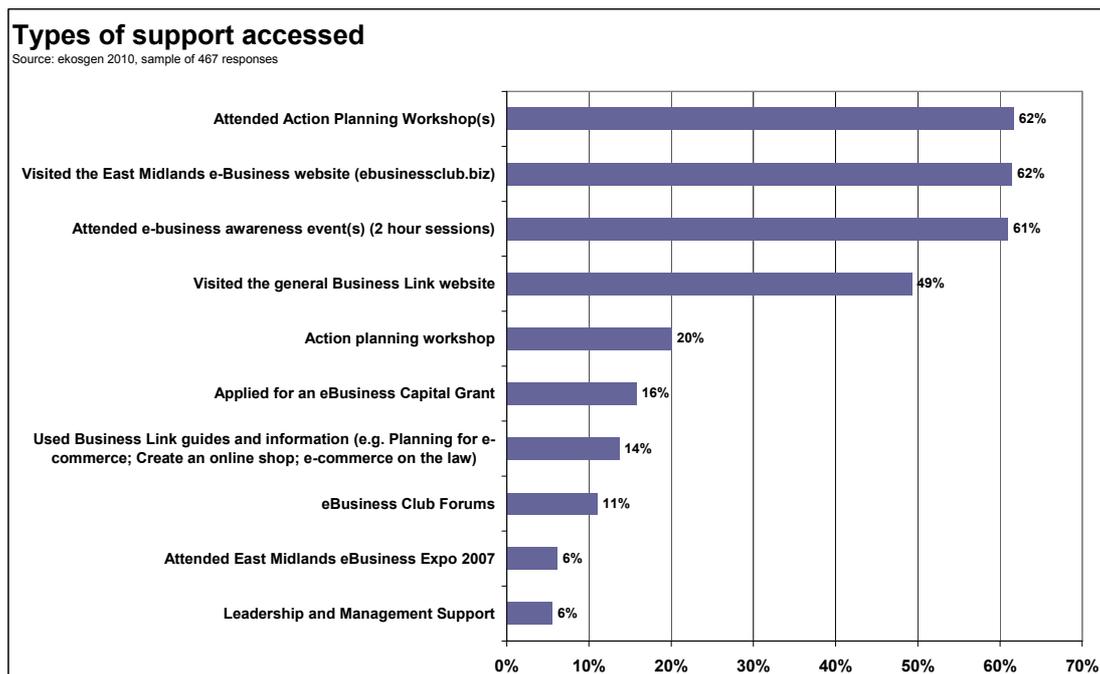
Types of Support Accessed

4.15 The majority of businesses surveyed (at least 62%⁷) had attended at least one of the workshops and this cohort of 288 businesses has provided rich data on the quality and impact of the workshop support. A similar proportion of businesses had accessed the website *e-businessclub.biz*, despite the fact that the Business Steps programme expressly does not advertise the programme through this route. Some 61% had also attended one or more of the sub-regional events, suggesting that businesses have engaged with the programme at a variety of levels, as shown in Figure 4.4. The cross-over with Business Link is also clear, with almost half of all businesses (49%) making use of their website.

4.16 Around one in six businesses (16%, 74 businesses) accessed the e-business capital grant through the programme. This is not an element continued into the two year *emda* supported Transformational ICT project from 2010/2011, although it continues to be funded through ERDF. As described in Chapter 6, the programme has introduced new components through ERDF to improve the quality of the grant support element.

⁷ The proportion is actually likely to be 70% given a survey error which twice allowed businesses to state they had attended a workshop. Seven in ten businesses went on to answer questions about their Action Plan involvement

Figure 4.4: Types of support accessed

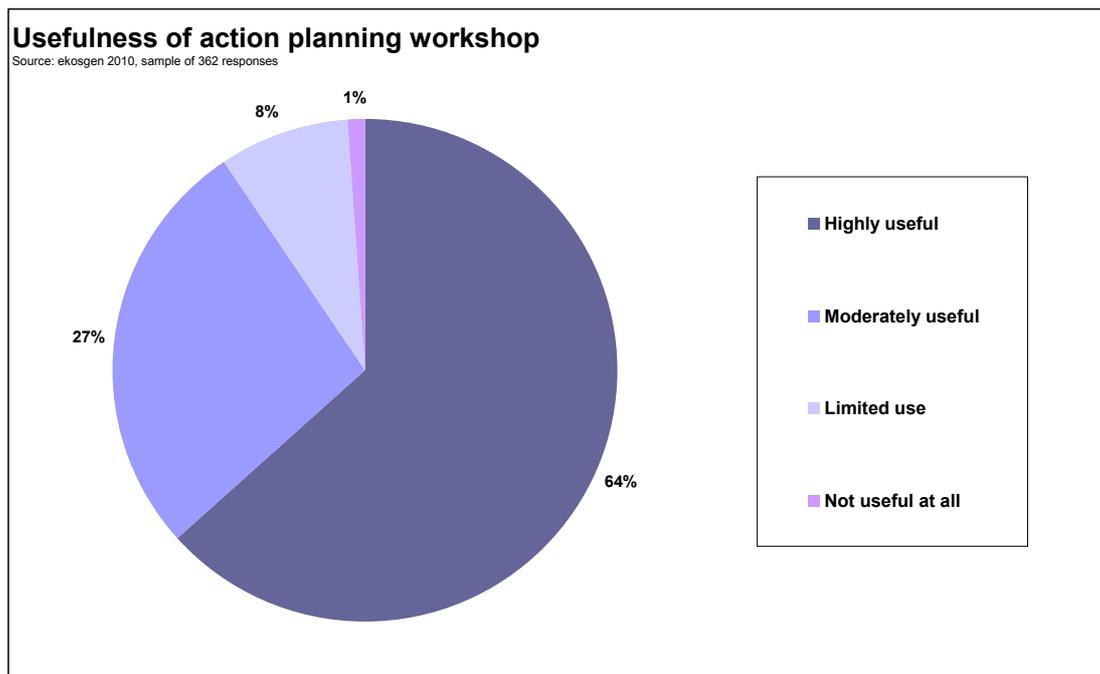


Action Planning Workshops

4.17 The e-business programme action planning workshops are designed to give businesses the skills and knowledge to progress all stages of e-business and technology development. Workshops are based around four key areas of e-business and are designed to assist planning and implementation of selected e-business and technology projects. Businesses complete an action plan during the session to help manage the project. The topics include: web design; e-commerce; online marketing; and technology and communications.

4.18 Businesses were further asked about their action planning support, and some 362 businesses (70% of the total surveyed) stated that they had attended such a workshop. Amongst this cohort, the support was **rated highly useful by 64% of attendees** (see Figure 4.5) and a further 27% considered the workshops to be moderately useful. This is positive feedback with 91% of workshop attendees rating the workshops highly or moderately useful.

Figure 4.5: Usefulness of action planning workshop



4.19 Amongst workshop attendees, almost half were involved in low-level e-adoption support, namely ‘search engine optimisation for beginners’ (49%) and ‘planning a successful website’ (49%). However, there is evidence of significant proportions accessing more advanced e-business sessions, with 27% attending the search engine optimisation advanced session (21% of businesses overall). The range of most popular workshop activity is shown in Table 4.6

	Number of responses	% of responses
Search engine optimisation for beginners	196	49%
Planning a successful website	195	49%
Planning an email marketing campaign (half-day)	128	32%
Search engine optimisation & web 2.0 – advanced	109	27%
Developing a pay per click campaign	83	21%
Let’s start blogging! (half day)	72	18%
Selling on the internet	71	18%
Internet searching techniques (half-day)	54	14%
Marketing your website effectively	49	12%
Selling on eBay (half-day)	47	12%
Optimising your pay per click campaign - advanced	42	10%
Developing Good Web Content (half-day)	36	9%
Setting up a Business Podcast	36	9%

Source: ekosgen 2010, sample of 398 responses, those with more than 30 responses

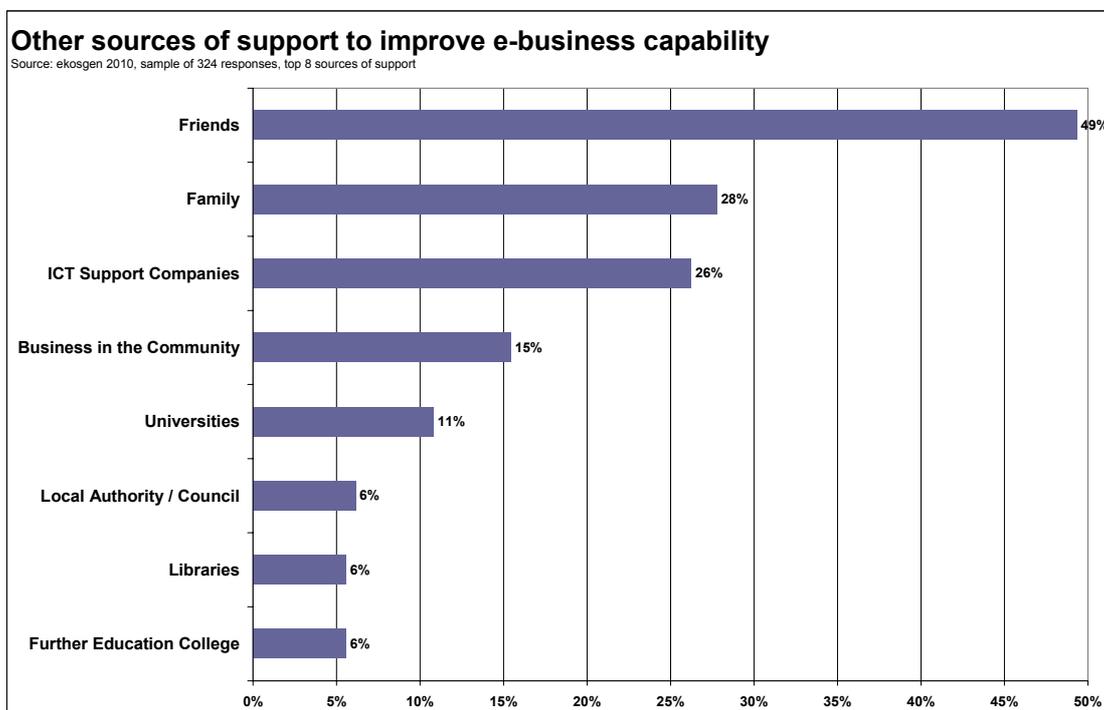
4.20 The e-business programme is continually updated in response to market developments and business demand and there is evidence that there is considerable interest in the business benefits of new areas of ICT activity such as social networking and

communication (with 18% accessing support for blogging) and for accessing popular sales channels such as eBay (12%). More recent sessions made available are those such as Google@Work which 4% had accessed at the time of the survey.

Sources of other e-business Support

4.21 The survey responses show that the main sources of alternative ICT support is via friends (48%) or family (28%), informal and low cost routes. A relatively small proportion, just over one in four businesses (26%), sought e-business support from the private sector through ICT companies and this suggests a degree of market failure: businesses are either unwilling (as a result of cost, or lack of experience or confidence) or unable (they do not know where to look, or lack the technical capability) to access ICT support from the market.

Figure 4.6: Other sources of support to improve e-business capability



Levels of e-business Prior to Support

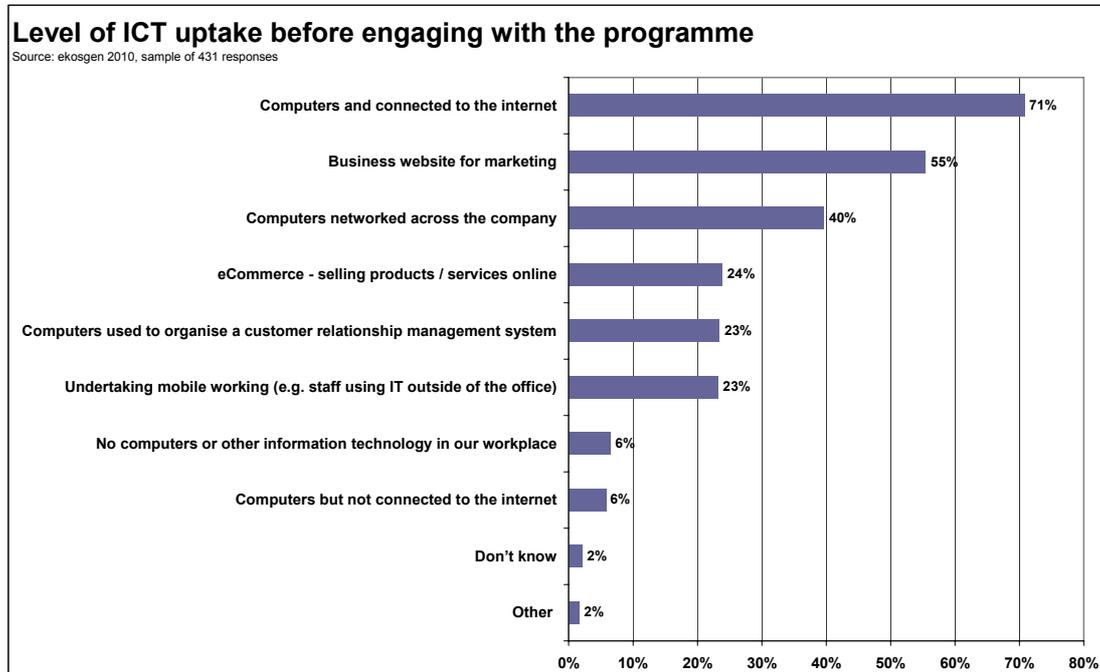
4.22 The survey responses show that prior to support, businesses were already on the first rungs of the e-adoption ladder, which is positive given the programme is targeted at those on the e-adoption ladder rather than non-adopters. Only 6% reported that they had no computers or other forms of information technology in the workplace. The majority of respondents previously had some form of internet access (71%), compared to 72% regionally as reported by the 2009 e-adoption report⁸. A higher proportion of respondents had a company website (55%) relative to e-adoption survey regional levels (43%).

4.23 Uptake of more advanced forms of e-business prior to support were less evident. Approximately 40% of survey respondents operated with networked computers prior to the

⁸The Challenge of e-adoption in the East Midlands, QA research 2009

support and this is slightly higher than the e-adoption regional level (34%). Levels of e-commerce and mobile working were similarly low (24% and 23% respectively), identical to the e-adoption survey levels.

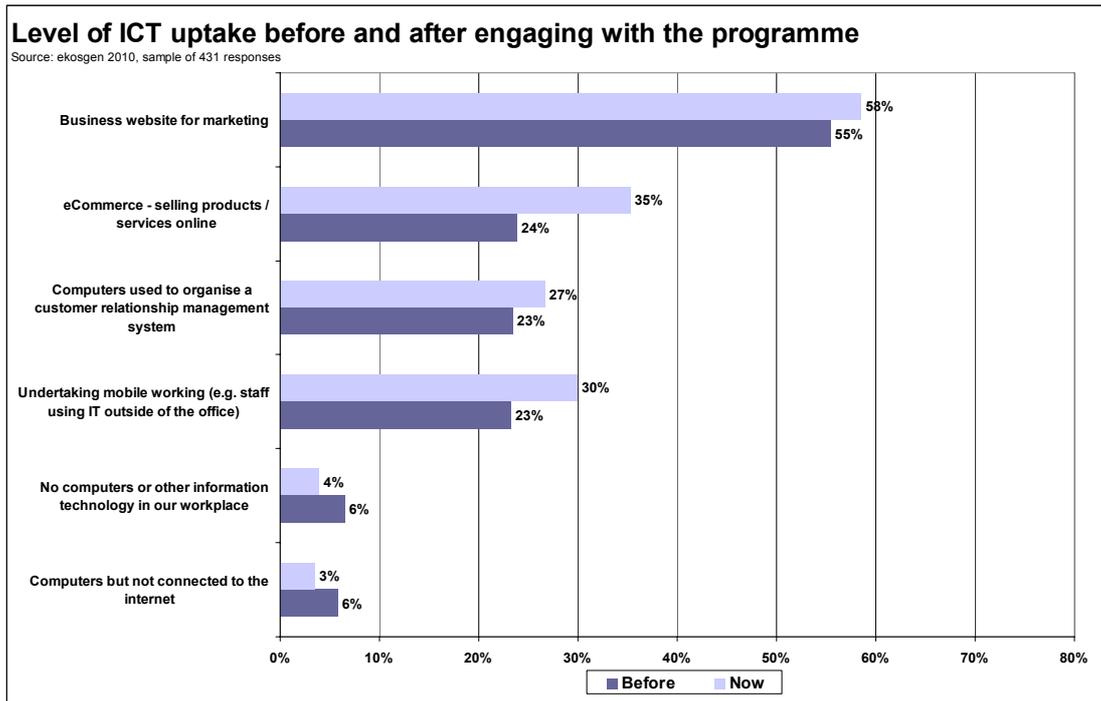
Figure 4.7: Level of ICT uptake before engaging with the programme



4.24 Figure 4.8 shows businesses have climbed the e-adoption ladder as a result of e-business support. e-commerce is the most common area of e-business that respondents have expanded into, previously 24% stated this was a feature of the business, compared to 35% after engaging with the programme. Similarly, higher up the e-adoption ladder, companies reporting mobile working rose from 23% to 30%. This is indicative of a general progression up the e-business ladder.

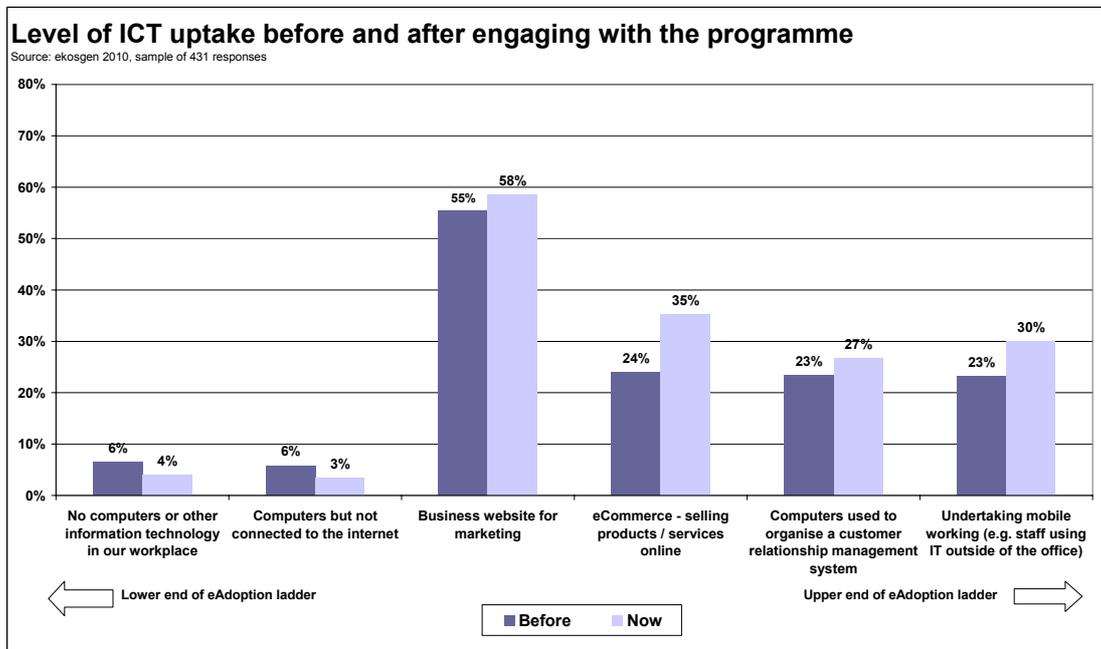
4.25 Small improvements have also been made at the bottom of the e-adoption scale, as businesses have increased their use of general IT and the internet.

Figure 4.8: Level of ICT uptake before and after engaging with the programme



4.26 Figure 4.9 illustrates how businesses are progressing up the ladder as a result of their participation in the programme.

Figure 4.9: Level of ICT uptake before and after engaging with the programme

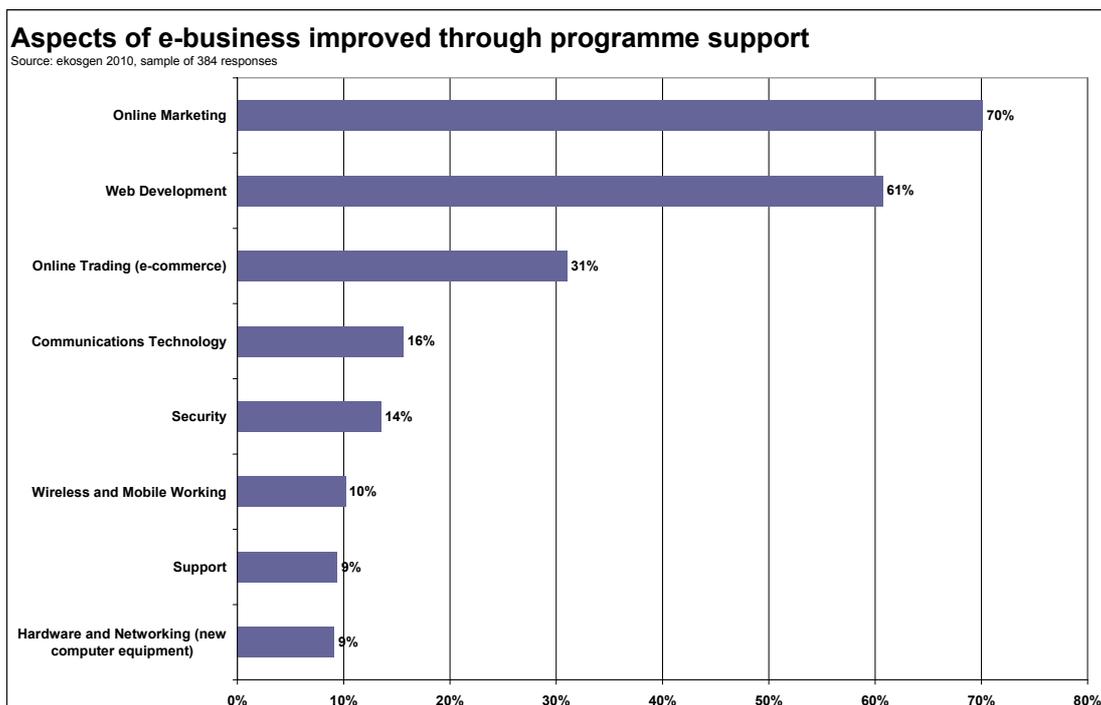


Business Improvements as a Result of Support

Improvements to Date

4.27 It is encouraging that 84% of businesses reported that the programme’s advice and support had led to improvements for their company. Of these improvements, businesses most commonly stated that they had improved their presence on the internet, specifically their online marketing capabilities (70%), their website development (61%), or more advanced forms of e-business such as online trading (31%). These areas broadly reflect businesses’ motivations for accessing support, a message that the programme is typically meeting the needs of businesses.

Figure 4.10: Aspects of e-business improved through programme support



4.28 There are a range of ways in which respondent businesses have benefited as a result of the programme. Two thirds of those reporting improvements (66%) state that these have been improvements to marketing, in some cases significant changes; *“we have achieved complete transformation of our marketing effort.”* At the same time, nearly 60% found that more customers had accessed their business as a result of the support – tangible evidence of impact. As one business reported; *“Our products are more widely seen by the buying public - i.e. we now have orders from abroad via our online shop.”*

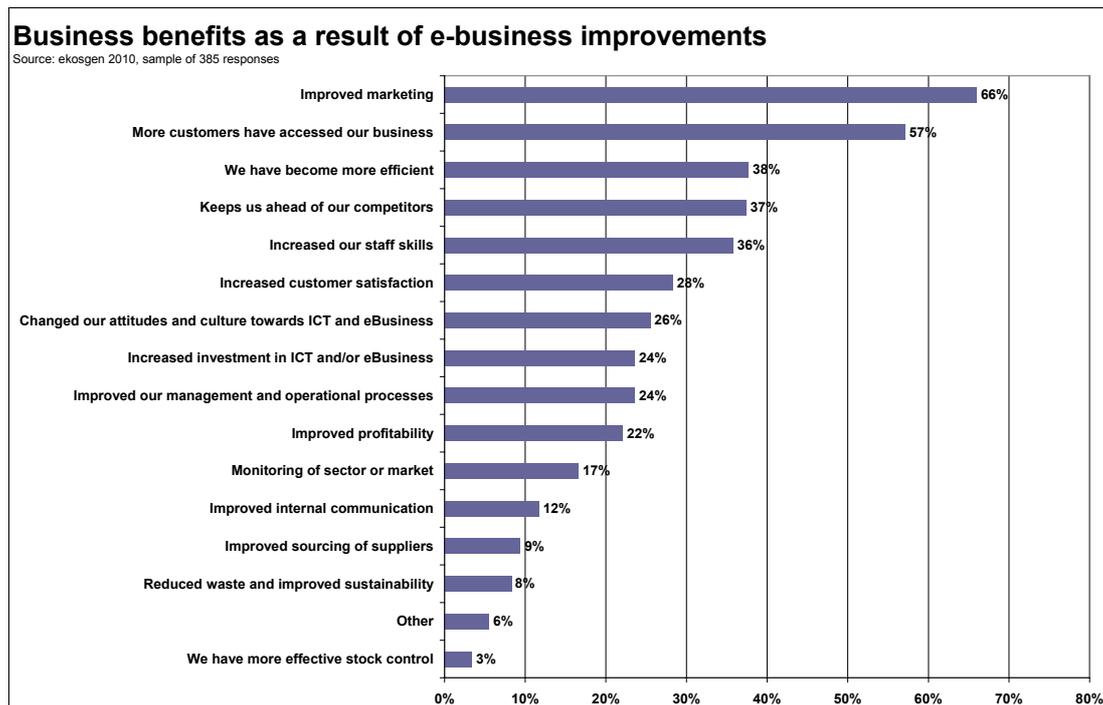
4.29 The more surprising benefits are some of the softer ones reported by businesses, notably:

- More than one in three (36%) report **increases in their staff skills**, a really important benefit of the programme, and one that will help to build capacity in businesses to develop their own ICT skills and literacy in the future. As one business noted; *“We brought IT skills in-house rather than having to outsource. The skills initially learnt*

from e-business workshops have been developed and continue to be a very important part of our on going communications.”;

- More than one in four (26%) have reported that they have **changed their attitudes and culture towards ICT and e-business**, evidence that the programme has awakened interest in supported businesses and awareness of the business benefits and opportunities;
- A similar proportion (24%) have followed this through with **increased investment in ICT and e-business**, and this represents significant leverage for the programme;
- A high proportion are reporting **operational and business efficiencies** as a result of the support, with 38% of those stating an improvement reporting they are now more efficient and 24% improving their management and operational processes;
- Almost three in ten (28%) report **improved customer satisfaction**, which should in turn leads to customer loyalty and sustained sales; and
- Almost one in ten have **improved their sourcing of suppliers**, although given this is one of the market failures in the SME market, this may be an area for improvement.

Figure 4.11: Business benefits as a result of e-business improvements



4.30 The high proportion of these non-commercial factors should be considered is positive, alongside the quantitative data collected through the survey. The additionality of support, gross business benefits and the net impact adjustment factors are reported in Chapter 5

The Role of Grant Support

4.31 Analysing the responses from those that applied for the grant element of the programme, a higher proportion reported improvements in each area of e-business as a result of the support compared to the full cohort of programme beneficiaries (with improvements in online marketing the only exception). Perhaps this is not surprising given that those accessing grant support also received other forms of support, such as the workshops, and that overall the combination of grant support and advice is likely to reflect relatively intensive support. Overall, as one may expect, relatively few of the non-grant recipients improved their hardware or networking.

	Grant Recipients	Total Responses	% point difference
Hardware networking (new computer equipment)	34%	9%	+25%
Communications technology	32%	16%	+17%
Support	21%	9%	+12%
Wireless and mobile working	20%	10%	+10%
Online trading (e-commerce)	39%	31%	+8%
Web development	69%	61%	+8%
Security	15%	14%	+2%
Online Marketing	66%	70%	-4%

Source: ekosgen 2010, grant recipients sample 71, total responses 384

4.32 In terms of more general business benefits, a higher proportion of grant recipients have generated improvements as a result of the support relative to the total sample. For example; *“We have moved our use of IT forward and integrated it with our business far better with the aid of the grant and support.”*

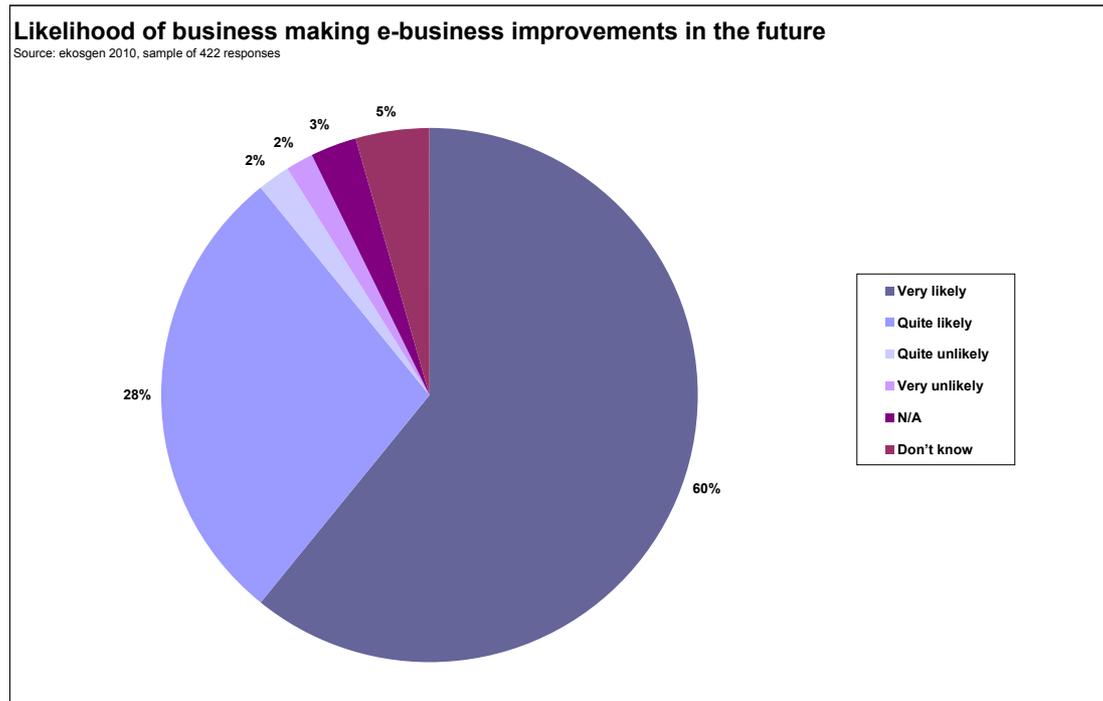
	Grant Recipients	Total Responses	% point difference
Increased investment in ICT and/or e-business	47%	24%	24%
Increased customer satisfaction	49%	28%	20%
We have become more efficient	57%	38%	19%
Keeps us ahead of our competitors	54%	37%	17%
Improved our management and operational processes	40%	24%	17%
Improved profitability	36%	22%	14%
Reduced waste and improved sustainability	22%	8%	14%
More customers have accessed our business	71%	57%	14%
Improved internal communication	24%	12%	12%
We have more effective stock control	13%	3%	9%
Improved sourcing of suppliers	14%	9%	5%
Changed our attitudes and culture towards ICT and e-business	28%	26%	2%
Increased our staff skills	36%	36%	0%
Monitoring of sector or market	14%	17%	-3%
Improved marketing	63%	66%	-4%
Other	0%	6%	-6%

Source: ekosgen 2010, grant recipients 72, total sample 385

Forecast Future Improvements

4.33 **Businesses are likely to continue making e-business improvements in the future**, with 88% very likely or quite likely to experience future improvements in their business. This is an encouraging finding for the programme. This suggests businesses recognise the importance of ICT in an economy increasingly conducted online and the link between ICT and productivity. It would also appear that the action-oriented approach taken in the workshops is effective in encouraging SMEs to take future action.

Figure 4.9: Likelihood of business making e-business improvements in the future



4.34 The majority of respondents reported that future business benefits would most likely be generated in relation to marketing (66%) and/or increased customer contact (57%) alongside other improvements.

Summary and Conclusion

4.35 The survey evidence suggests that the e-business programme is well regarded and meets the needs and expectations of the participating SMEs. In summary, the key observations are as follows:

- The survey respondents are drawn from across the region, and from urban and rural areas, which is broadly representative of the programme as a whole;
- The programme predominantly supports smaller businesses (those with less than 10 employees) and this again reflects the region's business profile. That said, the programme also supports a relatively high proportion of larger SMEs and this group is a key driver of the regional economy;

- The relationship with Business Link appears strong, and one in three surveyed businesses have been referred to the programme by Business Link advisors or representatives;
- Prior to engaging with the programme, businesses were most interested in internet-centred support, typically at the lower end of the e-adoption ladder, although some higher-end activities were also popular (e.g. 40% of businesses sought advice around online trading);
- The majority of businesses (up to 70%) have attended action planning workshops and these have been very well regarded by survey respondents. There is also evidence that business beneficiaries are interested in accessing new workshops covering emerging technologies, such as the business benefits of social networking;
- Very few businesses seek support from the private sector as an alternative form of support, and this may indicate market failure and a need to build capacity in firms to access support;
- The programme is supporting its target market of mid-level e-adopters, with only 6% of respondents that could be described as non/low-level e-adopters (that did not use IT prior to engaging in the programme);
- The programme has progressed supported businesses up the e-adoption ladder, particularly with regards to e-commerce and mobile working;
- A very high proportion (84%) of businesses stated that the programme had improved their businesses, from better internet presence to more advanced forms of activity such as online trading;
- The programme has brought a range of benefits to businesses beyond commercial gains outlined in Chapter 5. Importantly, some of these will clearly build capacity in businesses to improve their ICT in the future (skills, attitude and investment);
- Relatively few business – less than one in ten – report improving their relationship with suppliers as a result of programme involvement and this is a potential area for improvement;
- Grant applicants typically generate larger impacts than non-recipients, although this is likely to reflect more intensive support with the grant and advice working together;
- There are clear future benefits forecast by businesses, in terms of sales and profits, which are detailed along with the gross to net adjustments in Chapter 5;
- The majority of supported businesses intend to continue implementing e-business improvements, which suggests SMEs recognise the productivity gains to be made from moving up the e-adoption ladder.

5 COMMERCIAL OUTCOMES AND ADDITIONALITY

Introduction

5.1 This chapter is split into three main sections. The first section details the *gross attributable impacts* achieved and anticipated by businesses as a result of their engagement with the Business Steps programme. The second section identifies the net impact of the programme using *net impact adjustments* to estimate the proportion of the commercial impacts that would not have occurred without the e-business intervention. The third section analyses the 520 business responses to provide more in-depth coverage of where the net impacts vary. This includes scrutiny over:

- Variation in impacts by *business size*.
- The relative impacts for businesses supported in *urban and rural* areas;
- The effects of the *grant support* element on net impact and returns; and
- The effects of *intensity of support* where businesses have engaged with 3 or more types of support.

5.2 These elements are based upon management records and the 520 attendee survey responses. This approach is in keeping with the RDA Impact Evaluation Framework (IEF+). Appendix A describes and explains the application of the adjustment factors to increases in sales, increases in profits and to employment effects individually. Each of these elements is required in order to assess the net GVA created in businesses and the net GVA return on investment from the Agency's investment.

Gross Attributable Impacts

5.2 Gross attributable impacts for the programme are derived from responses to the survey. The 520 responses represented 18% of the survey sample and this data has been extrapolated to estimate the programme total. Gross attributable impacts refer to the increased or safeguarded sales, profits and employment directly attributed to the e-business programme (before adjustments have been made to discount those benefits that would have accrued to businesses without the project).

Gross Attributable Sales

5.3 The 520 survey respondents reported that the programme had already helped them to achieve increased sales and safeguarded sales of over £9m, of which 45% was new sales and 55% was safeguarded. Extrapolated to the full number of businesses supported by the programme, this is equivalent to £67m in new and safeguarded sales to date.

5.4 Businesses were also asked if they anticipated future sales benefits as a result of their participation in the programme. This added a further £19m in new and safeguarded sales in surveyed businesses (of which 52% are expected to be new sales), and some £140m in total across all supported businesses. Overall, taking achieved and future anticipated sales benefits together, the programme is expected to generate £28m in new and safeguarded sales in surveyed businesses, rising to £207m for the full number of business beneficiaries.

Gross Attributable Profits

5.5 Taking the same approach for increases in profits, the programme has generated gross attributable profit increases to date of £8.5m with a further £30m anticipated in the future. This generates a total gross increase in profits of £39m.

Gross Attributable Employment

5.6 For employment effects, surveyed businesses reported 91 Full Time Equivalent (FTE) jobs created to date with a further 217 safeguarded as a direct result of their involvement in the programme. In the future, these sample businesses expect a further 179 FTE jobs to be created and 303 jobs safeguarded. Extrapolating these effects to the full programme suggests that 669 FTE jobs have been created to date and a further 1,595 have been safeguarded. A further 1,312 FTE new jobs are expected in the future and 2,223 safeguarded. Taking the achieved and anticipated employment effects together, the programme creates 1,980 gross jobs and safeguards a further 3,817.

5.7 At the headline level, these are very positive employment effects, although they should be treated with a degree of caution. Businesses can sometimes over-report employment effects and a better assessment is usually gauged via programme management information. Whilst the e-business programme was not required to report on jobs created or jobs safeguarded as a result of support, it may be worthwhile to revisit this and introduce employment monitoring for the Transformational ICT pilot.

Gross Value Added (GVA)

5.8 GVA refers to the contribution to the regional economy of each individual business and, taking an income approach, it can be calculated by combining wages and profits (minus taxes). Gross profits are highlighted above. Gross wages are calculated by multiplying the gross number of jobs created / safeguarded by average wages for the East Midlands. A wage persistence of 1.7 years is also applied to this to account for the length of time surveyed businesses expect their staff to contribute benefits as a result of the programme. This approach finds that the programme generates a (gross) GVA impact of £223m, a very considerable return due to the GVA being based on the jobs figures from the survey.

5.9 Alternatively, GVA can also be calculated as a proportion of increased and safeguarded sales⁹. Using this relationship, gross increased / safeguarded sales of £207m anticipated by beneficiaries is equivalent to gross GVA of £68m.

Summary

5.10 The following Table summaries the gross impacts to date (achieved over an average of 1.0 year) and those anticipated in the future (anticipated to be achieved over an average 1.7 years)¹⁰. In total, the programme is estimated to generate average gross impacts per beneficiary of: £26,825 increased sales; £27,282 safeguarded sales; £10,095 increased profits; 0.5 jobs created; 0.9 job safeguarded; and £17,680 to £58,342 GVA.

⁹ This is calculated based on the published ratio between regional GVA and regional turnover for the East Midlands. http://www.statistics.gov.uk/abi/2007-archive/downloads/Whole_Economy_by_Region.xls

¹⁰ Based on survey responses

	Gross Impacts to Date	Gross Future Anticipated Impacts	Total
Increased sales	29,814,822	72,683,503	102,498,325
Safeguarded sales	36,806,517	67,436,976	104,243,493
Increased profits	8,523,769	30,049,961	38,573,730
Jobs created	669	1,312	1,980
Jobs safeguarded	1,312	2,223	3,534
GVA (linked to sales)	21,769,905	45,787,274	67,557,179
GVA (linked to wages + profits)	80,487,724	142,435,228	222,922,952

Source: ekosgen 2010

Net Impact Adjustments

5.11 The process of applying gross to net adjustments to project impacts is summarised in Figure 4.14 of the *emda* Evaluation Toolkit and it is used in this sub section to calculate the net impact of the programme. This includes estimates of standard adjustments (deadweight, leakage, displacement, substitution and multipliers) primarily based on survey results.

Deadweight

5.12 **Deadweight** refers to the proportion of total impacts that would be achieved by businesses anyway with or without the intervention. For business support interventions similar to the e-business programme, BIS national benchmarks¹¹ suggest that deadweight is typically 49-50%. The beneficiary results from the survey estimate **deadweight ranging from 39% to 43%** (for safeguarded sales and safeguarded employment), depending on the category of identified benefits¹². **Levels of deadweight for the e-business programme therefore compare favourably with national benchmark data.**

Leakage

5.13 **Leakage** refers to the benefits of attending which accrue to individuals/businesses outside of the targeted group or the target area (i.e. East Midlands). Leakage is difficult to fully assess through survey data since there are benefits that leak out of the region, for example to head office or other branches (profits) or where non-targeted businesses are accessing support (which in this case will be relatively low).

5.14 The survey data identifies that 6% of the supported businesses were non-adopters of ICT and it could be argued that the benefits accruing to this group is leakage since the programme is not designed to support these firms (even though they subsequently bring benefits to the region). In all, 16% of new or safeguarded employment is outside the region, and some of this will be business sales/profits leaking out of the region, given that a number of supported businesses will be owner-managers. An average value of **10% leakage** has therefore been applied to reflect these factors.

¹¹ BIS/CEA (2009) Research to improve the assessment of additionality - <http://www.berr.gov.uk/files/file53196.pdf> (R&D and innovation category)

¹² The ekosgen survey asked for information on deadweight for each of a range of benefits, including new and safeguarded sales, profits and new and safeguarded employment

Displacement

5.15 **Displacement** refers to the benefits accruing to beneficiaries at the expense of businesses that have not received support. Displacement is typically higher in some sectors than others, for example support for a retailer is likely to be at the expense of another retailer given the levels of competition in the sector (although this is not universally true as retailers can operate in quite discrete niche markets). Survey responses place the level of **displacement at 19%**. Adopting a survey based approach is compliant with the IEF+ guidance, although businesses do not always recognise the full effects of support they have received on non-supported businesses and so this approach typically under-reports the full displacement effects.

Substitution

5.16 **Substitution** (otherwise known as in-firm displacement) occurs when a business switches from one planned investment to another in order to take up the subsidised intervention or support. For the Business Steps programme this would mean that a business in effect switches from a planned investment in ICT to benefit from the subsidised support. Given that the programme is revenue based Action Planning workshops in the main, the business investment is relatively low and alternative planned investment in its place would also be low. For this reason, **substitution is estimated at 0%**.

Multipliers

5.17 **Multipliers** represent the additional income and supplier benefits generated by the e-business programme. The income multiplier is the additional spend in the region as a result of new jobs created, or through jobs safeguarded i.e. if a newly employed person spend their income on good and services in the region this is money retained for regional benefits. The supplier linkage multiplier is the additional (or safeguarded) spend on suppliers in businesses reporting benefits. Multipliers are influenced by the sector composition of supported businesses but in general variations are limited and standard regional benchmarks are typically applied. **Multipliers have therefore been applied at a rate of 1.5**.

Summary

5.18 Tables highlighting how the above adjustments impact upon sales, profits and jobs are presented in Appendix A. Summary results for these analyses are presented in Table 5.2 below.

	Net Impacts to Date	Net Future Anticipated Impacts	Total
Increased sales	19,154,175	45,617,900	64,772,076
Safeguarded sales	24,293,384	44,510,388	68,803,772
Increased profits	5,469,356	19,281,837	24,751,193
Jobs created	438	860	1,298
Jobs safeguarded	990	1,380	2,371
GVA (linked to sales)	14,197,391	29,451,288	43,648,680
GVA (linked to wages + profits)	50,893,545	90,512,389	141,405,933

Source: ekosgen 2010

5.19 As can be seen above, the programme is estimated to have created over 1,200 jobs and safeguarded a further 2,400. This is a considerable return considering that the *emda* Corporate Plan 2008-11 set targets for the creation of approximately 10,000 jobs through its business support strands (employment, enterprise and innovation) over the three years 2007/08 to 2009/10¹³.

5.20 Table 5.3 presents the gross to net adjustments in more detail based on GVA (linked to sales). This finds that gross GVA of £68m is equivalent to net GVA of £44m.

	To Date	Future	Total
Gross Impact	21,769,905	45,787,274	67,557,179
Partial Deadweight (Time) @..... 22%	4,098,708	10,719,916	14,818,623
Partial Deadweight (Scale) @..... 13%	3,377,116	5,305,862	8,682,978
Pure Deadweight @ 6%	1,271,315	2,746,869	4,018,184
Total Deadweight @ 41%	8,747,139	18,772,647	27,519,785
Sub Total 1	13,022,766	27,014,627	40,037,393
Leakage @ 10%	1,302,277	2,701,463	4,003,739
Sub Total 2	11,720,489	24,313,164	36,033,654
Displacement @ 19%	2,255,562	4,678,972	6,934,534
Sub Total 3	9,464,928	19,634,192	29,099,120
Substitution @ 0%	0	0	0
Sub Total 4	9,464,928	19,634,192	29,099,120
Multiplier @ 1.5	4,732,464	9,817,096	14,549,560
Net Impact	14,197,391	29,451,288	43,648,680

Source: ekosgen 2010

5.21 The alternative means of calculating GVA (profits + wages) finds an estimated net GVA to date of £51m. If future anticipated net GVA of £91m is also included, this finds a total net GVA of £141m.

Return on Investment (ROI)

5.22 Net GVA of £44m compares to a total investment in the programme of £3.5m. Of this, £2.5m (74%) is *emda* single pot and £1m is ERDF. IEF+ guidance notes that the GVA net impact should be pro-ratad according to funding contribution and applying this rate of 72% means that *emda* can claim that their intervention has generated net GVA of £31.2m. This is equivalent to a return on investment of 1:12 over the course of the programme and taking account of future anticipated impacts.

¹³ Based on an average annual target of 3,370 for 2008/09 –
<http://www.emda.org.uk/uploaddocuments/emdaCorporatePlan200811.pdf>

5.23 The 2009 BERR review of RDA spending¹⁴ produced benchmark return on investment figures for different areas of RDA activity, drawn from evaluations across the English RDAs. The return on investment benchmark for innovation business support activities (which includes programmes like Business Steps) was 1:8.3. The e-business return of 1:12 therefore compares favourably.

Factors affecting ROI

5.24 Further analysis of the survey results allows greater detail to be captured around which types of intervention offer highest impacts.

5.25 **Company size** was analysed according to three sizebands: firms with 0 to 10 employees (micro); firms with 11 to 50 employees (small); and firms with 51 to 250 employees (medium)¹⁵. Of these groups, the largest relative returns are estimated to come from supporting small firms. Small firms (11-50 employees) accounted for only 11% of the sample but generated net GVA of £21.7m, equivalent to a return on investment of approximately 1:55, significantly higher than the baseline for the programme. This is a significant finding and is primarily due to relatively high increases in sales per business attributable to the support, rather than being due to noticeably lower rates of deadweight. In contrast, the medium sized firms (51-250 employees) only attribute very low increases in sales to the programme and have a lower return on investment of 1:2.

5.26 Filtering the survey results according to **urban or rural location** finds that businesses describing themselves as urban had a relatively higher return on investment, although urban and rural locations both offer a good return and the effects on rural locations include wider benefits too. Whereas the return is 1:15 for urban-based companies this compares to 1:7 for rural companies, which is likely to reflect that more rural businesses are micro-enterprises.

5.27 Surveyed businesses were asked about the **capital grant** attached to the e-business programme and this found that 16% of the sample had applied for this support. Based against the programme's capital investment (£881,000) survey results indicate that grant applicants had a relatively higher return on investment (1:17). However, the baseline (including both grant applicants and non-applicants) indicates that the return on investment for non-applicants is above average even without the grant element and overall the capital grant spend represents a very small proportion of the total.

5.28 **Intensity of support** refers to the number of different workshops or types of support that survey respondents have engaged with (e.g. e-business awareness events, action planning workshop, e-business website). Over half (61%) of the sample businesses engaged in three or more types of support and this group reported a slightly higher return on investment (1:13) compared to the programme baseline and those that engaged with only one or two types of support.

5.29 A summary of each of these analyses is provided in Table 5.4 below.

¹⁴ BERR (2009) Impact of RDA Spending Volume 1 (p104)

¹⁵ None of the surveyed businesses recorded that they employed more than 250 staff.

	Proportion of sample	Net GVA	Funding*	Return on Investment
Baseline (All)	100%	43,648,680	3,512,000	1:12
Micro (0-10)	75%	20,802,700	2,645,522	1:8
Small (11-50)	11%	21,685,307	396,367	1:55
Medium (51-250)	3%	156,607	101,396	1:2
Urban	63%	33,277,262	2,221,501	1:15
Rural	37%	9,655,641	1,290,499	1:7
Grant applicants	16%	20,605,892	1,231,717	1:17
>3 support types	61%	36,998,847	2,904,688	1:13
<3 support types	39%	3,801,248	607,312	1:6
* pro-rata estimate				
Source: ekosgen 2010				

Summary and Conclusion

5.30 In total, the programme is estimated to generate average gross impacts per beneficiary of: £26,825 increased sales; £27,282 safeguarded sales; £10,095 increased profits; 0.5 jobs created; 0.9 job safeguarded; and £17,680 to £58,342 GVA.

5.31 Deadweight and other net impact adjustments compare favourably to national benchmarks, and GVA net impact is equivalent to 65% of gross impact. This reflects the relatively high added value that the programme has contributed to regional businesses. Net impacts are therefore positive and include net increased sales of £65m and over 1,200 jobs created (which compares to an *emda* three year target for approximately 10,000 jobs created from all of its business support programmes). Net regional GVA for the programme overall is £44m.

5.32 Applying a pro-rata based on *emda*'s funding contribution (72%) the Agency can claim that its £2.5m intervention has helped generate net GVA of £31.2m, equivalent to a return on investment of 1:12 over the course of the programme and taking account of future anticipated impacts. This compares positively against national benchmarks of 1:8 for programmes that are similar to the Business Steps programme.

5.33 There are a number of factors that influence the scale of the return on investment including size of business supported, urban/rural location, whether the business beneficiary applied for capital grant support, and how many types of support the business engaged with. Based on sizeband, small businesses (with 11-50 employees) reported the highest return on investment (1:55) through their survey responses.

6 STRATEGIC AND OPERATIONAL INSIGHT AND SAV

Introduction

6.1 This Chapter assesses the programme in terms of its strategic fit within the wider business support landscape and reviews its operational delivery. The views are drawn from a range of stakeholders (at Appendix B). The Chapter seeks to draw out the Strategic Added Value of the programme and to start identifying lessons for its future direction.

Strategic Fit and Programme Alignment

6.2 The programme has a strong fit with the business support agenda and is widely regarded as one which addresses market failure that persists in SMEs for ICT. This is the prevailing view of partners that recognise the links between ICT uptake and improved productivity and that the SMEs would not pursue greater levels of e-business without support. Many businesses would not know how to access or use more advanced forms of e-business that they come across.

6.3 ICT is identified in both the Regional Economic Strategy and Regional Innovation Strategy, and it is important that this is translated into delivery on the ground. The strategic importance of ICT is broadly recognised, and its central role in delivering a high productivity, low carbon, technological economy. The programme is clear in its recognition that it is working with businesses already on the e-adoption ladder and is not targeting the 30% of East Midlands businesses that are don't use ICT. This is borne out by the e-adoption survey which indicates that just 6% of Business Steps supported businesses were not using any ICT prior to engaging in the programme. This targeting is also well-recognised by Business Link and Sub-Regional Partnerships (SRPs) / Local Authorities (LA) across the region.

6.4 The programme complements other forms of support, including *emda's* Business Transformation Grant (BTG). It also usefully provides a base or core level of ICT support that Local Authorities can then 'top-up' in their area to reflect their sector focus of geography, such as tourism in Derbyshire. The programme also has links with complementary forms of sector support, such as the Manufacturing Advisory Service (MAS) which supports the move to more advanced ICT in relevant sectors. Feedback also suggested a good fit between regional broadband capital support and the Business Steps programme, notwithstanding that some parts of the region are comparatively better served than others.

6.5 Feedback from the Federation of Small Businesses (FSB) suggests that weak ICT infrastructure still holds back many home-based and rural businesses, and that approximately half of its members do not engage with ICT/internet for their business. Their members are also constrained by the real or perceived costs of developing and maintaining a website or other online costs. This reinforces the need for both the Business Steps approach for e-adopters, but also continuous improvements to ICT infrastructure coverage and quality, as well as 'first rung' on the ladder e-adoption support. Nonetheless, the FSB and other business support partners have been well aware of Business Steps and have been supportive of its aims and objectives through the programme's duration.

6.6 The support appears to be most joined-up in the sub-regions/Local Authority areas where it is complemented by the Local Authority top-up support and other informal forms of provision locally or centrally, such as networking and 'buddying' which extend the value and reach of the *emda* funding.

6.7 In the case of BTG, the Chamber reported that the over-subscription to BTG (and the subsequent referral of IT related BTG applications to Business Steps) caused some difficulties for the delivery of Business Steps. The Chamber found that those businesses applying for BTG (who had previously been told that funding for this was no longer available) were quite resistant to the need to reapply (and have a grant diagnostic) for the Business Steps, following their poor previous experience. However, the Chamber also report that the success of the Business Steps support in the end outweighed initial dissatisfaction. High satisfaction through the survey results would appear to support this.

Relationship with Business Link and Referrals

6.8 There has been a good relationship between the programme and the regional Business Link provider East Midlands Business (EMB). Business Link have regularly referred companies to Business Steps (and this is borne out by the survey evidence where 33% of businesses became aware of the programme through their Advisor). This is reasonable, although there have been some challenges in ensuring the quality of referrals through Business Link (not helped through the loss of ICT specialists, a gap created when Business Link ICT specialists were lost in the restructuring of EMB). The system of referring businesses to named contacts in the East Midlands Chamber of Commerce (EMCC) and EMB (and vice versa) rather than general helplines is one way that this has been improved. There were some early delivery challenges in ensuring that EMB and the Business Steps programme were clear about respective roles and output targets, but this was overcome by greater joint working from early in the programme (with Business Link advisors attending e-business events).

6.9 The programme is Business Link branded and this initially caused a little reservation amongst businesses with a poor experience of Business Link in the past. Business Link has improved its reputation with businesses over time and the Business Steps programme appears one of the ways that this standing has increased. There is a high awareness and recognition of the programme amongst Business Link itself who have regarded the programme as a Solution for Business. The programme's adoption of the Business Link branding has given businesses reassurance of seamless support as well.

Business Engagement and Take Up

6.10 The programme is popular with businesses and demand for the support is high. This is borne out by the high number of businesses that have been supported (almost 5,000) and the widespread satisfaction among stakeholders, including Nottinghamshire EMB who said that *"take up has really been fantastic"*. The Chamber report some 200 new businesses signing up *each month* and that there is always a waiting list for the workshops. This is notable considering that the Chamber do not, and have not promoted or marketed the programme extensively.

6.11 Businesses typically attend two or more workshops and the sessions are free, and open to all; ICT consultants and web-designers also attend the courses. Demand can be

regarded as almost too high, begging the question as to whether business would be willing to pay – further lowering the unit costs of support – although this needs to be balanced by the additional costs of administration and whether such an approach would preclude the very companies most in need of the support. The Chamber's view is that whilst businesses will pay for capital ICT equipment, they are far less willing to pay for ICT consultant support, and a number of advisors specifically stated that it was important the provision was free. Neither is the programme targeted (apart from a focus on SMEs), which would be another way of dampening demand, although there are also drawbacks to this approach, including both the administrative overheads, clarity of message for businesses over eligibility and the exclusion of non-targeted businesses who may benefit most from the programme.

6.12 The issue of repeat attendance is one that gets a mixed reception, with some stakeholders suggesting that this is at the expense of new businesses attracted to the scheme. Given the high levels of take-up this would be an unfair criticism – the important point is whether the additional sessions taken by businesses generate the same returns as the first, or whether there are diminishing returns. There is anecdotal evidence that businesses require a couple or several sessions for them to see the full value of ICT and for them to then change their behaviours and seek out such support themselves. Certainly, Chapter 5 indicates a much better return on investment for those with three or more sessions.

6.13 The workshops are run across the region and there is an attempt to ensure that these achieve as wide a geographic coverage as possible, including both urban and rural areas. In reality, even more could be done to reach more peripheral and distant parts of the region. Drop out rates, at 10% for a workshop-based programme is very low and this is testament to the soundness of the delivery arrangements and the Chamber/host structure. The Chamber reports that Business Link advisors regard Business Steps as very good and useful part of their toolkit and that there is always a market need for this type of support.

6.14 Demand for the grant element has been extremely high and far in excess of the limited amount of grant funding available. From February 2008, the grant funding element was augmented using ERDF although demand continues to far outstrip supply and this is the position reported by the Chamber and by various partners. For this element, the Chamber and partners have had to manage expectations carefully given the finite resources available.

6.15 A number of stakeholders have provided feedback that indicates that the principal alternative to the programme, brokerage of support to ICT specialists would have significantly reduced take-up, with many businesses losing interest when faced with a consultancy fee. This is partly indicative of the nature of the market failure in ICT support take-up; businesses tend not to know what they want or need and are unable to specify easily their requirements from ICT suppliers. Overall, across the range of Business Link advisors, Area Managers and Local Authority partners, there is the widely held view that the demand from businesses for this type of ICT support remains.

Appropriateness of Support

6.16 The programme offers the range of ICT support, from quite basic to more advanced, however, the programme constantly updates the content and adds modules at the more advanced end. Stakeholders report that any new course must be a clear new course and not a very similar existing course under a different name. However, by offering a range of courses including those at the more advanced end, the programme has been able to move

businesses 'up the ladder' and keep more advanced companies engaged and up to date (such as with Web 2.0/cloud computing). The google analytics module was new last year and is now one of the most popular courses. Similarly, with SEO (social networking) many SMEs needed guidance about why this was latest 'big thing' but again the survey results indicate that this has since become extremely popular and valued by business.

6.17 The trainers are relatively expensive but this appears appropriate for ensuring the high quality support they provide (and as demonstrated through the impact assessment and survey feedback). The trainers are precluded from developing or delivering content to meet any of their own non-programme objectives.

6.18 The value of the Action Plan component is widely endorsed by stakeholders. This is consistent with the wider Business Link approach and ensures that the workshop content is far more outcome focused. There is widespread support for the fact that the programme offers a range of courses at the more advanced end of the range which enables businesses to progress their capabilities.

6.19 The programme also supports core business principles, including the need for sound sales and marketing approaches to generate business and reach the market. During the economic downturn, the need for these core principles have been required more than ever, and the Business Steps programme has offered valuable support to businesses needing to expand their markets, offering them ICT support for their marketing efforts. Through the recession, businesses have recognised that they require online marketing and trading to remain competitive.

The Role of the Grant Support

6.20 In the early stages, the grant support element was not achieving what was intended and the Chamber, in its role as delivery agent, felt that it was unable to assess the quality of grant project applications given their (small) size and the level of detail being provided.

6.21 The Chamber regards the introduction of the diagnostic into the grant support part of the programme to have been effective in increasing the quality of grant project applications and in generating better returns on investment. This element which is ERDF funded has not been a component of this evaluation, and no specific feedback on this has been gathered from the businesses.

6.22 At the same time, placing IT consultants with grant applicants to work at improving the project (including the requirement of businesses to prepare an Action Plan prior to applying for the grant) appears well designed to improve project quality. There is an explicit focus for the grant to improve business productivity and the raising of the minimum grant threshold has sought to bring forward more strategic and higher value added projects.

6.23 The Chamber considers that the grant approach has improved through the programme and that, despite initial resistance from businesses, the attached consultant advice has brought a range of benefits including increased confidence in businesses when dealing with their IT suppliers. One drawback of the earlier approach was that IT suppliers were not providing businesses with a detailed specification for works which meant that businesses (and hence the Chamber as grant approvers) were not able to come to a view on the likely success and impact of the project. Businesses are reportedly now more able to

specify what they want and negotiate with suppliers over the content, purpose and outcome of the ICT support, and it would be helpful to specifically test this through survey.

Programme Successes and Challenges

6.24 The programme attracts senior managers and Directors, those capable of making investment decisions, and the calibre of attendees is testament to the value attached to the workshops. The overall level of business engagement and the appropriateness of the support are also programme successes.

6.25 There have been some challenges. Overall, the role of the Local Authorities is perhaps not maximised – this is not a challenge as such, rather a missed opportunity. The Chamber could do more with the Local Authorities, who themselves want to do more and who are happy to pay for it, but activity is restricted to the level agreed in the EMCC contract. Changing this would require *emda* to more actively manage the contract to enable this to occur. From the SRP/Local Authority perspective, they want certainty that their top-up funding will be dedicated to the e-business programme activity only and not vired between programmes.

6.26 There is always a challenge to secure greater take-up and participation from the most rural areas (where there are critical mass and infrastructure-related issues) and from hard-to-reach community groups (who may not engage with the particular model). However, given the levels of demand generally this is a relatively minor concern and other routes (e.g. PA2 ERDF funding) may be more appropriate for accessing these groups/areas.

6.27 The popularity of the programme has also caused some minor challenges, such as cross-boundary issues where one Local Authority is part-funding a local session in their area but attracts businesses from neighbouring districts as well. In Local Authorities that have not chosen to top up funding, there have been some cases where businesses have had to travel further afield to attend workshops, for example from Northamptonshire to Leicestershire.

6.28 There were some challenges in the third year of the programme surrounding funding uncertainties. Additional funding was only confirmed in July/August 2009 and the Steering Groups had ceased meeting by this point (by March 2009). This led to particular challenges for the EMCC (see Programme Delivery below).

Programme Governance

6.29 The governance has generally been fit for purpose and the programme has been relatively straightforward to manage and administer, partly as a result of the experience of the EMCC. The programme has not needed to be 'steered' or guided as such since the programme has delivered against spend and activity targets.

6.30 That said, the programme perhaps would have benefited from a more active and strategic steer from *emda* and partners, in relation to facilitating greater Local Authority involvement for example (especially when funding was being offered by the Local Authority). There has not really been a consistent champion for the project within *emda* for the programme over its three years.

6.31 The project benefited from a Steering Group which involved regional and sub-regional partners but this stopped meeting in March 2009. This did not necessarily adversely affect the programme's pre-agreed delivery in its final year (given the strength of the relationships developed previously). However, taken with funding uncertainties in 2009/10, it did not help keep open communication channels at perhaps the most important time, and reduced opportunities for greater funding and activity to be levered in from Steering Group partners over the third year.

Programme Delivery

6.32 Programme delivery has been refined over time and the current arrangements appear effective and fit for purpose. The working arrangements between the Chamber and hosts works well and drop-out rates are low, demand high and unit costs and administrative overheads generally low. This is a result of a programme that has been running over a number of years which has evolved to meet changing market needs. Many of the SRPs/Local Authorities commented that delivery has been relatively smooth since they had become involved in the programme. There was concern from some sub-regional partners that direct communication and requests for information from the sub-regions to EMCC was a potential burden on EMCC, and that *emda* could play a greater liaison role (although this was not noted as being a significant challenge by EMCC).

6.33 There are a few minor every day delivery challenges, including the reporting against both Single Programme and ERDF with their two sets of definitions, but this is not unique to Business Steps. Activity targets are always exceeded. There have been a few contractual hurdles to overcome and at one point in 2009, activity needed to be suspended pending uncertainty over *emda* funding from BIS and delayed *emda* Board approvals, but these have been overcome with minimal overall disruption to the programme or negative feedback from businesses. The EMCC's experience in delivering the programme allowed activity to continue despite these uncertainties and in the end a small amount of further additional funding was made available to the programme over and above the original level.

6.34 There were some challenges presented by the wind-down of SRPs and the move to Local Authorities, although this does not appear to have caused much additional disruption to delivery. Overall, the universal view from partners is that the EMCC have done and continue to do an excellent job in managing the delivery the programme, with EMCC widely viewed as helpful and open.

Strategic Added Value (SAV)

6.35 The programme has demonstrated both strategic influence and co-ordination, two key areas of SAV, by acting as the principal ICT business support programme in the region. The influence of the programme is clearly demonstrated through the engagement of the SRPs and the Local Authorities. The programme is regional, content is quality assured and the central co-ordination and delivery has also worked well, with some Local Authorities reporting that they simply would not have had the resources (time and funding) to develop and operationalise a programme of this kind in their areas. The programme has good visibility, it is well recognised and understood by partners and these relationships have typically been good.

6.36 The top-up funding from the SRPs/Local Authorities has also demonstrated leverage SAV with the Business Steps programme offering the mainstream ICT support service to which SRPs/Local Authorities have added their own contribution, for example to target specific sectors or business types of relevance to their local economies. The high-regard attached to the Business Steps programme (2007-10) is evident through the further investment being made by SRPs/Local Authorities in 2010/11 under the Transformational ICT pilot. The Derby and Derbyshire Economic Partnership (DDEP), for example, has committed £75,000 in top-up funding through the DDEP Business and Skills Sub-Group, to focus specifically on the creative, food and drink and manufacturing sectors.

6.37 The programme has also acted as a catalyst for further investment, as evidenced by the supported businesses and the numbers stating the programme support has led them to make further investments in their business. The programme has even helped form part of a web-designers' induction in a number of companies. This demonstrates the value of the programme in terms of content, and acts a stimulant for further investment in ICT (skills) in supported (web-design) businesses. The programme also builds *capacity* in the region in this way.

6.38 The programme has demonstrated synergy SAV through its strong links with the Local Authorities and with the solid relationship with the regional Business Link and the sub-regional Business Link managers. The programme appears to link well with other business support programmes that are designed to improve business performance, although this is principally the role of the Business Link advisor to ensure this.

6.39 Engagement with the business base has been particularly strong, even though there is always more that could be done in certain areas, especially rural ones, and with certain groups, such as BME communities. High numbers of businesses have been engaged, including good engagement in rural areas of Lincolnshire and in Rutland, the smallest County in the region.

Informing Future Direction

6.40 Lessons from the Business Steps programme can and are being taken forward into the Transformational ICT pilot. Within *emda*, the view has been that the Business Steps programme should continue in a similar fashion under BIS Option 1¹⁶, 'Disseminating Knowledge', and to continue the action-planning workshops and event-based approach.

6.41 Over the course of the Business Steps programme, there has been a growing recognition that GVA and increasing productivity should be the principle focus of the support, and that demonstrating and recording increases in GVA should be a clear objective. This has followed through into the Transformational ICT pilot where GVA is being reported and recorded more systematically, and through ERDF where GVA reporting is a requirement.

6.42 Whilst there are no problems with demand, the Chamber states that it would be helpful to have a little more of a marketing resource, to showcase best practice and publicise good news stories and press releases.

¹⁶ Ahead of the Transformational ICT pilot, BIS asked RDAs to nominate projects under one of six options.

6.43 Whilst Business Link have been supportive and are an important referral route, the quality of referrals could be further improved by developing Business Link knowledge and expertise. The Business Link advisors are not and are not expected to be ICT experts, but some capacity building would increase both the quality of referrals and the quality of grant applications. This takes time and resources.

6.44 There are even more opportunities to strengthen the relationships with the Local Authorities particularly given the positive interest now in place among them, and the biggest first step towards this would be reconvening the Steering Group even if on a half-yearly rather than quarterly basis. Engagement could also potentially be deepened by involving more strategic community groups through Local Authority links although this would take time, resource and would perhaps require revisions to the delivery model.

Summary and Conclusion

6.45 The views from stakeholders and those involved in delivering the programme have been positive, both about the ability of the programme to address an identified need and market failure and about the quality and effectiveness of programme delivery. The demand for ICT support from businesses is evident and the views of the programme organisation, content and design is good.

6.46 The programme is firmly targeted at e-adopters and this is well understood by partners. This appears appropriate, bringing a focus to the programme and allowing other support to raise awareness of the benefits of e-adoption amongst non-adopters. Whilst the programme is relatively open, the top-up approach allows Local Authority/sub regional partners to target specific priority sectors or geographic areas.

6.47 The programme works well alongside the regional Business Link and Business Steps has been viewed as one of the Solutions for Business available to them. The number of referrals is high and there is widespread awareness amongst advisors of Business Steps. There is always more that could be done to further Business Link advisor understanding – there are no longer Business Link ICT specialists – and advisor expertise needs to be continually updated and refreshed, particularly for ICT which changes quickly.

6.48 The programme has lacked a strategic lead at Board level within *emda*, and in the last year of the programme some uncertainties around funding and the cessation of programme Steering Groups have made delivery more challenging. It is testament to the strength of the delivery model and the experience of EMCC as the delivery lead, that these issues have not hampered programme delivery. That said, whilst the contribution and engagement of the Local Authorities has been a positive feature of the programme, even more could have perhaps been done with a greater strategic lead from the Agency.

6.49 The programme has demonstrated SAV across a range of fronts, not least the strong engagement from businesses and the role of the programme in securing further investment in ICT amongst businesses (evidenced in Chapter 4). The delivery model works well and further refinements, as have been introduced over the three years, rather than wholesale changes would appear the most appropriate course of action over the next two years, an approach currently being adopted.

7 CASE STUDY ANALYSIS

Introduction

7.1 This Chapter draws specifically on the experiences of a small number of e-business support recipients to explore in more depth the commercial outcomes achieved as a result of the support and their wider business impacts. The chapter draws on in-depth consultation with 19 businesses, the findings from which are detailed below.

Profile of Case Study Businesses

7.2 The sample of case study businesses was chosen to be representative of the full profile of survey respondents and is drawn from companies that agreed to be contacted when completing the survey. It includes responses from businesses in each county and those based in both urban and rural areas. The sample includes both new and established companies and micro, small and medium sized employers. The companies operate across a range of sectors and these are shown below in Table 7.1.

Manufacturing	5
Retail and repairs	3
Transport and communications	2
Public admin, education and healthcare	2
Food and drink	2
Community, social and personal services (including recreational, news and well-being services)	2
Business services	2
Construction	1
Finance and banking	1
Real estate, renting and business activities (including professional services and R&D)	1
Creative and digital	1
IT	1
Source: ekosgen 2010	

Motivation and Experience of Support

7.3 SMEs typically reported having gaps in their IT knowledge prior to the support, describing their IT knowledge as “*basic*” and not feeling confident in their e-business abilities. Two respondents gauged their IT knowledge and e-business as “*very amateur*” or “*quite poor*”. Importantly, some respondents reported that this knowledge gap had been holding back their business; “*our e-business ability was not as good as it could have been and we could not implement or improve the business sufficiently*”. For example, two respondents reported that their lack of knowledge prevented them from securing a good deal when outsourcing IT support.

7.4 The main motivations for accessing the support were: addressing knowledge gaps; keeping up to date with technological changes; and using IT to start up or grow a business. Five of the companies consulted were seeking e-business support specifically to improve or develop their internet presence and online marketing.

7.5 Case study businesses engaged with the programme through a variety of means, from attending one event, to accessing eight different forms of support, including action planning workshops and capital grants. All businesses were positive about the overall support they received, stating it was relevant to the business and their needs, and delivered well by knowledgeable staff. Businesses rated seminars as *“first class”* and the web development course as *“brilliant”*, and the majority of respondents would recommend the support to other businesses. Two businesses commented that they found the support to be good value for money; *“good to be kept up to date without spending a fortune”*.

7.6 A small manufacturing company in Nottingham sought support to develop their website and online marketing. Prior to engaging with the programme, the lack of e-business knowledge in the company was hindering business growth, *“knowledge was limited and business was zero”*. The respondent spoke highly of the e-business awareness event on search engine optimisation they attended; *“good quality of support, good level of understanding and relevant to the business”*.

7.7 A medium-sized transport and communications business, located on the edge of a town in Leicestershire, was referred to the support by their Business Link advisor to access *“expertise that [the business] does not have in-house”* and took part in a wide range of the support offered including an action planning workshop.

7.8 A newly established sole trader based in a rural area accessed a range of support, including an action planning workshop. The respondent stated the support was *“very good, relevant and helpful”* and the knowledge gained has proved invaluable. The workshop provided an excellent networking opportunity to meet other small businesses, a positive point other respondents raised.

High Impact Interventions

7.9 Most respondents reported significant commercial outcomes and softer impacts as a result of the activities, both achieved and anticipated. Increases in sales and customer awareness or enquiries were often attributed to improvements to the company website. For instance, a small clothing retail company based on the edge of a town in Derbyshire subsequently invested £4,500 in web design and an additional £500 per month on experimenting with new ideas for the website. The redesign of the website resulted in £25,000 additional turnover, an increase of 7.5%, which represents a large impact on the business which is now looking to recruit an IT graduate. The business has always had a positive attitude towards e-business and the support provided the know-how to implement business changes.

7.10 In another case study example, £3,000 capital grant was matched by a further £14,000 from the business, allowed them to speed up the purchase of IT equipment. As a result the business is more efficient and a £1,000 to £5,000 increase in sales is anticipated.

7.11 One business stated that improvements to move the business from the fourth to first page of Google search results had an impressive effect on generating new customers, at an average of four new customers a month. Another stated that the workshops had given the business a competitive edge, and two respondents stated they had taken on an additional employee as a result of the support.

7.12 Five businesses reported they had invested in e-business as a result of the support, and a further two had investment plans for the future. For example, one respondent invested £30,000 in e-business and another planned to invest in training to bring IT support in house. This is the type of long term investment and capacity building the programme should be seeking to achieve regularly.

7.13 The programme's support for a creative and digital sole trader based in rural Derbyshire led to the following outcomes:

“We have spent approximately £3,000 within the past 20 days purchasing equipment such as computers, chip and pin machine and HDMI TV for promotional work that can showcase the business. We've also created another website.”

Engendering Changes to Business Behaviours

7.14 The majority of case study respondents were already aware of the business potential of ICT improvements but lacked the knowledge to implement the changes, which suggests the programme is reaching the intended beneficiaries and that the market failure for them is e-adoption and usage.

7.15 Businesses reported the support had greatly improved their e-business knowledge and confidence. For example, the owner of a small manufacturing company stated that the knowledge and confidence they had gained allowed them to cut costs by negotiating with their outsourced web support provider.

7.16 One respondent stated that, prior to participating in the programme, they felt the business was doing well. Upon starting the programme, they realised the potential of ICT for the business and realised the need to enhance IT skills and approach to e-business.

7.17 A respondent running a small, well established community services organisation, operating in the third sector, stated that the prospect of e-business is now exciting whereas before, with a “basic” and “haphazard” approach, it was intimidating. The respondent attended workshops in social media and e-commerce, and has since set up an eBay shop. The support has increased efficiency within the organisation, improved marketing and raised the profile of the organisation. The respondent stated they planned to further increase their e-business abilities through training in Google Analytics and Paper Click and undertaking an emailing campaign.

Summary and Conclusion

7.18 Although based on a small sample, the beneficiary case studies illustrate how the programme has provided valuable support to move businesses up the e-adoption ladder and the findings contextualise the survey data in Chapter 4. Beneficiaries reported gaps in their e-business capability prior to support that were slowing business growth, which motivated them to seek support.

7.19 Businesses included in the case study sample have accessed a range of interventions, all of which have been positively received. The skills and knowledge beneficiaries gained in a variety of e-business areas have had commercial and softer impacts.

These have included increases in sales and customer awareness, cutting costs, recruitment and propensity to upskill employees.

8 SUMMARY AND CONCLUSION

Introduction

8.1 The study has assessed the impact of the Business Steps (e-business) programme and reviewed the extent to which it has met its aims and objectives. The evaluation has sought the views of a wide range of stakeholders and businesses in completing the research. The key summary and conclusions are presented below. A few recommendations regarding the future delivery of ICT support are also presented.

Market Failure and Rationale

8.2 There is a continuing degree of market failure in the take up and adoption of e-business. This extends to both those that are non-adopters, which have not been a focus of this programme, and amongst those SMEs targeted by the Business Steps (e-business) programme i.e. those that have adopted some form of ICT in the business. Regionally, of those adopting ICT, the 2009 e-adoption survey states that only around 1 in 3 trade online or offer mobile working. This equates to potentially 60,000 East Midlands businesses not trading online and 65,000 not mobile working.

8.3 There is also evidence of a strong relationship between ICT/e-business adoption and productivity increases in business, with those adopting ICT (and higher levels of ICT) more likely to demonstrate higher levels of productivity. It is also reported through the 2009 e-adoption survey that 55% of businesses do not access external ICT support and 40% do not have an internal IT resource. The findings suggest that not only is ICT adoption not maximised amongst the business base, but that external support/internal development is also not maximised. Overall, a high proportion of the region's businesses do not fully understand or realise the benefits of e-adoption.

8.4 The survey of businesses carried out for this report suggests that the programme is successfully engaging with target businesses; with just 6% of supported businesses classifying themselves as non-adopters of ICT prior to the support. The e-adoption ladder has been a useful framework for categorising the e-adoption levels in business and in helping to demonstrate the value of more advanced e-adoption. Nonetheless, fewer businesses operate at the upper end of the ladder, despite the evidenced benefits of doing so and the rate of increase in e-adoption remains faster at the lower levels.

Programme Alignment and Strategic Fit

8.5 The programme has demonstrated a strong fit with regional objectives and the focus on moving businesses towards the higher end of the ladder fits well with RES objectives for increased productivity in the region. The programme has delivered a considerable volume of RES target activity, supporting 4,800 businesses with Single Programme resources and a substantial proportion of the RES target.

8.6 The programme has also demonstrated a good fit with the wider business support agenda, and Business Steps (e-business) is well understood by the regional Business Link EMB and its advisors. There has been good joint working between EMB and the programme deliverers EMCC and on the whole advisors have regarded the programme as a 'Solution for

Business' even prior to it being adopted as one under the Transformational ICT pilot. One third of all those supported were referred by Business Link.

8.7 The programme has been the principal ICT support in the region and as such other programmes are complementary to it, including sector-based and specialist programmes. It also works alongside capital broadband investment.

Programme Positioning and Focus

8.8 Business Steps (e-business) has offered a range of workshops and events from the more basic to the more advanced forms of ICT content. The programme developed out of the First Steps sub-regional model running from 2004 to 2007 (which is itself an incarnation of the a Scottish model), and the three year Business Steps programme from 2007/08 has also benefited from this continuity and refinement in delivery. The experience of the delivery organisation (EMCC) in place from the outset and the relatively low unit costs have also been positive features. The programme has made good use of online booking and the use of host organisations to support its practical delivery.

8.9 The programme is free to attend, action plan focused and is not sector targeted. It has benefited from the ability (and willingness) of sub-regional partners to contribute top-up funding. This brings additional focus and targeting responsiveness at the sub-regional level which allows the programme to reflect local priorities, such as tourism in the Peak District. By being open to all businesses, including sectors that do not typically receive support such as retail, and by being Business Link branded, the programme has had extensive reach and not been burdened by bureaucracy connected with assessing and administering eligibility. Any introduction of targeting or prioritisation must be balanced against the increased costs of delivering the programme activity.

The Business Experience

8.10 Businesses have benefited from a wide range of support, and 7 out of 10 surveyed had attended one or more workshop. Overall, 61% of supported businesses accessed more than one form of support. Businesses were interested in accessing support in web-development, online marketing, search engine optimisation and online trading and the businesses generally identified improvements in these areas. Businesses sought and accessed a reasonable amount of more advanced content as well, such as advanced search engine optimisation and web 2.0 and this is encouraging given the newness of the technology and lack of usage regionally, although the overall balance remains centred on lower and middle rung support.

8.11 Supported businesses have valued the programme and a range of commercial and non-commercial benefits have accrued to businesses. In terms of the commercial benefits, businesses report increases in sales and profits, with many also creating jobs. The effects of the recession on business performance are apparent, with the focus of business benefits to date more towards safeguarded sales, profits and employment. That said, future anticipated benefits indicate a return to *new* sales, profits and employment and this reflects increasing levels of business confidence.

8.12 The commercial benefits also include a range of benefits including efficiency gains, management and operational process improvements and accessing new customers.

Encouragingly, some of the benefits reported were less typically 'commercial', with more than one in three reporting enhanced skills and one in four reporting increased customer satisfaction. Future investment intentions are also encouraging with almost one in four intending investment in future ICT or e-business.

8.13 The programme has a crucial role to play in building the capacity of SMEs to engage with suppliers and the ICT marketplace. There is some evidence that this is happening, with 9% of surveyed businesses stating that they had improved their sourcing of ICT suppliers. Given that this is one of the most evident forms of market failure (the unwillingness or inability for SMEs to access ICT support on the open market) the proportion reporting this benefit may have been expected to be higher and this may be one area where an explicit intention to break down this barrier for SMEs is built into future support.

Programme Performance

8.14 Overall, the programme has supported 4,800 businesses and this is a considerable volume of activity to deliver. This has been despite a dedicated marketing campaign and despite some difficulties associated with continuity of funding during the three year delivery period. However, activity levels have been strong and reflective of mature delivery arrangements and good partner awareness and engagement.

Net Impacts and Return on Investment

8.15 The net impact of the programme is relatively good and the returns on investment have been above average benchmarks. The impact to date has been 1:4.5 and, when future anticipated returns from the programme are identified, the return rises to 1:12. Even allowing for some optimum bias in businesses forecasting future benefits, this compares favourably to the national benchmark.

8.16 Part of the reason for the good return is the programme's ability to deliver a considerable volume of support at low cost whilst ensuring the content is up to date and relevant for participating businesses. Both businesses and stakeholders recognise that the Action Planning element brings a greater outcome focus for the programme, and this helps boost the value of the workshops to business.

8.17 The good returns on investment are also a reflection of the credibility of the programme amongst stakeholders and more importantly businesses. Word of mouth referrals are good and businesses typically attend workshops more than once. Feedback also suggests that decision-makers and senior personnel are the principal attendees, which will also increase returns as training actions are more likely to be implemented.

8.18 The research suggests that there are higher returns achieved by the support for businesses with 11-50 employees who are likely to be more advanced ICT adopters than the micro-businesses, and by those drawing on 3 or more types of support. This suggests that the more advanced and more intensive support is the most effective, notwithstanding the programme is still of considerable value to those lowest on the ladder (and where market failure may be highest). For businesses with over 50 employees, changes in business performance are less likely to be attributable to the Business Steps (e-business) intervention.

8.19 The evidence indicates that the workshop programme is successful in its own right, with returns at 1:12 overall, although there appears to have been some additional benefits for those that also accessed a capital grant (return of 1:17). There are also greater returns experienced by those businesses in urban areas compared to rural ones (1:15 compared to 1:7), and this again reflects that urban businesses are more likely to be adopting ICT further up the ladder than rural businesses. This suggests that more could potentially be done to maximise the value of support in rural areas.

Strategic Added Value

8.20 The programme has demonstrated Strategic Added Value in a variety of ways. The programme has achieved strategic influence and co-ordination by acting as the leading ICT business support in the region that other organisations, notably the SRPs/Local Authorities, have seen value in adding their own resources too. In this way, the programme has secured public sector leverage. There is also considerable private sector leverage evident through the commitment of businesses to investing their own resources in ICT, although this culture change of self investment needs to continue to be engendered.

8.21 The programme has demonstrated synergy with the regional Business Link, and referrals and brokerage have largely worked well. The programme is well recognised by Business Link and Business Steps has acted as a Solution for Business, although there are always ways in which the capacity and capability of the Business Link advisors to accurately diagnose ICT needs can be further improved. Engagement with the business base has been strong, and the programme attracts up to 200 new businesses per month. This is an extensive reach and extends *emda's* investment to a significant proportion of the business base.

Overall Summary and Conclusion

8.22 Overall, the programme has met an identified need and has generated considerable benefits for supported businesses. The project has fulfilled its key objective to demonstrably improve business performance and move increasing numbers of SMEs up the e-adoption ladder, although more could always be done to continue this process. There will continue to be a need to demonstrate even greater value for money and returns on public sector investment in the future and the recommendations below are designed to ensure that the impacts of the interventions are maximised over the next two years of the Transformational ICT pilot.

Recommendations

8.23 Whilst the Business Steps programme has generally been well-received, there are always ways in which improvements can be made and the following recommendations are designed to support further refinements to programme design and delivery.

Governance and Set up

8.24 Programme governance arrangements have been largely fit for purpose and the contracting out of the delivery of the programme has proved effective, principally as a result of the experience of the delivery organisation. Sub-regional partners have been positive about the programme and have committed their own resources to it. At the same time, the re-

introduction of more structured communication between partners (which used to occur through Steering Group meetings) would be welcomed.

Recommendation 1: That Steering Group meetings are reinstated for the Transformational ICT pilot with sub-regional/Local Authority representation (as well as Business Link and *emda*). This would allow any issues to be discussed and aired more quickly and, importantly, for Local Authority partners to understand more readily how their top-up funding can be used to support the mainstream programme.

8.25 There has been some uncertainty amongst partners about how the top-up funding arrangements work and there have been contract arrangements that have restricted the levels of top up funding being maximised. Part of this arose from *emda*'s own uncertainty as to the level of funding available from central government.

Recommendation 2: That wherever possible in the future, contracting arrangements are simplified to allow the Local Authorities to provide top-up funding more readily when they wish to do so thus allowing them to offer the programme to more businesses in their area and/or where this meets their own Local Authority/sub regional priorities. Generally, the ability for Local Authorities to provide top-up funding has been a positive feature of the programme (for example, local engagement for Rutland businesses that would not have occurred without the top-up – and offering quality assured support that may not have been possible without the programme) and so there should not be practical barriers to providing this additional funding.

Delivery

8.26 The relationship between EMB and the delivery partner EMCC has been strong and a positive feature of the programme. The level of referrals from Business Link advisors and advisor awareness is good. At the same time, ICT is a fast-moving area and, in the absence of ICT specialists at Business Link, there is an ongoing challenge in keeping advisors sufficiently up to date so that they can provide quality referrals to the programme. EMCC weekly e-mail updates to Business Link advisors and event attendance works well but more structured capacity building and input into content design may offer additional benefits.

Recommendation 3: That consideration is given to how Business Link advisors can be kept abreast of programme and content development, for example through attendance at the workshop sessions themselves.

Programme Focus and Reach

8.27 The programme reaches a large number of businesses. There is however always more that could be done to encourage greater take up in certain areas and communities. Increasing take-up and access in rural areas continues to be challenging and the programme needs to ensure it works with Local Authorities with large rural areas to ensure workshops are run in all parts of the region. It is also difficult to ensure take up from all communities, and some BME groups and businesses in disadvantaged areas may be the least likely to access support.

Recommendation 4: That the programme continues to build and nurture relationships with Local Authorities to maximise both the top up financial contribution but also the ways in which the Local Authority can help with increased access to the widest range of businesses. The approach of using local host organisations for venue hire and ensuring attendance is effective

could be extended as best practice to all Local Authority areas. For disadvantaged areas and BME communities, an alternative approach may be required that takes workshops into communities at different times and with more intensive support available (and this may be part of a different programme).

Impact and SAV

8.28 Impacts are typically higher for those businesses that have taken up more intensive support (engaging with more than three support routes) and for small-size SMEs (11-50 employees), and both of these groups are more likely to engage in advanced e-business support (higher up the ladder). These generate greater net impacts for the region.

Recommendation 5: That the programme retains its open approach to helping all businesses but makes efforts where possible to maximise engagement with small-size SMEs (those with 11-50 employees) that offer the greatest returns in terms of improved productivity.

Recommendation 6: That the programme considers organising a group of themed workshops, perhaps over 1-2 days, that could bring together several elements of e-business support. This would need careful thinking through.

8.29 Although an encouraging proportion of supported businesses report that the programme has helped them to develop skills in their business, relatively few have reported that they are better able to work with ICT suppliers. This continues to be an area of market failure and for the programme to achieve long-term objectives, capacity must be built in SMEs to engage with and specify their ICT requirements better. This links the business to more robust business planning practices and ensures the business knows why it wants the ICT and in what ways it will enhance their business.

Recommendation 7: That future e-business support helps businesses to engage with the ICT marketplace better, helping businesses to understand their own needs more clearly and informing them how different specialists could help.

8.30 The Business Steps programme was required to report against output indicators, principally businesses assisted and those assisted with skills development. These are activity-based targets. The delivery organisation has been aware of the increasing need to report and demonstrate productivity gains in business, and, although there is no official guidance from BIS regarding the evaluation of the two year pilots, the collection of GVA, the best measure of productivity, is likely to be required. Collection of job creation/safeguarding output data could also be explored.

Recommendation 8: That future ICT support is explicitly focused on increasing productivity/GVA and that the monitoring of future ICT programme support enables GVA to be assessed. This must not simply be a burden on the business – rather it should be a mechanism by which future programmes are encouraged to focus on interventions that have greatest productivity benefits for the business.

Marketing and Dissemination

8.31 There are lots of good news stories associated with the programme and the report contains some feedback from businesses willing to be contacted as case study examples.

However, the value of the programme to businesses has not been widely disseminated and consideration should be given to ways in which some of the programme's more positive benefits can be shared.

Recommendation 9: That case studies are developed for disseminating the benefits of the programme and to act as a further tool in recruiting and engaging businesses.

9 APPENDIX A: GROSS TO NET ANALYSIS

This Appendix summarises the gross impacts that survey respondents reported as a result of the Business Steps programme, including the different gross to net adjustment rates that each was subject to.

Tables 9.1 and 9.2 detail the impact on sales reported by beneficiaries and the associated net impact adjustments. A slightly higher proportion of sales impacts were due to safeguarded sales rather than increased sales (56% and 44% of the total respectively), unsurprising given the recent downturn.

Table 9.1 Gross to Net Increased Sales				
		To Date	Future	Total
Gross Impact		29,814,822	72,683,503	102,498,325
Partial Deadweight (Time) @ 26%		5,780,425	20,415,087	26,195,512
Partial Deadweight (Scale) @ 11%		4,791,668	6,081,090	10,872,758
Pure Deadweight @ ... 6%		1,673,281	4,343,636	6,016,916
<i>Total Deadweight @ ...</i> 42%		<i>12,245,373</i>	<i>30,839,813</i>	<i>43,085,186</i>
Sub Total 1		17,569,449	41,843,690	59,413,139
<i>Leakage @ ...</i> 10%		<i>1,756,945</i>	<i>4,184,369</i>	<i>5,941,314</i>
Sub Total 2		15,812,504	37,659,321	53,471,825
<i>Displacement @ ...</i> 19%		<i>3,043,054</i>	<i>7,247,387</i>	<i>10,290,441</i>
Sub Total 3		12,769,450	30,411,934	43,181,384
<i>Substitution @ ...</i> 0%		<i>0</i>	<i>0</i>	<i>0</i>
Sub Total 4		12,769,450	30,411,934	43,181,384
<i>Multiplier @ ...</i> 1.5		<i>6,384,725</i>	<i>15,205,967</i>	<i>21,590,692</i>
Net Impact		19,154,175	45,617,900	64,772,076
Source: ekosgen 2010				

Table 9.2: Gross to Net Safeguarded Sales				
		To Date	Future	Total
Gross Impact		36,806,517	67,436,976	104,243,493
Partial Deadweight (Time) @	18%	6,762,643	12,390,529	19,153,172
Partial Deadweight (Scale) @	15%	5,543,150	10,156,171	15,699,321
Pure Deadweight @ ...	6%	2,217,260	4,062,468	6,279,729
<i>Total Deadweight @ ...</i>	<i>39%</i>	<i>14,523,054</i>	<i>26,609,168</i>	<i>41,132,222</i>
Sub Total 1		22,283,464	40,827,808	63,111,272
<i>Leakage @ ...</i>	<i>10%</i>	<i>2,228,346</i>	<i>4,082,781</i>	<i>6,311,127</i>
Sub Total 2		20,055,117	36,745,027	56,800,144
<i>Displacement @ ...</i>	<i>19%</i>	<i>3,859,528</i>	<i>7,071,435</i>	<i>10,930,963</i>
Sub Total 3		16,195,589	29,673,592	45,869,181
<i>Substitution @ ...</i>	<i>0%</i>	<i>0</i>	<i>0</i>	<i>0</i>
Sub Total 4		16,195,589	29,673,592	45,869,181
<i>Multiplier @ ...</i>	<i>1.5</i>	<i>8,097,795</i>	<i>14,836,796</i>	<i>22,934,591</i>
Net Impact		24,293,384	44,510,388	68,803,772

Source: ekosgen 2010

Table 9.3 shows the adjustments to the profit figures cited by survey respondents.

Table 9.3: Gross to Net Increased Profits				
		To Date	Future	Total
Gross Impact		8,523,769	30,049,961	38,573,730
Partial Deadweight (Time) @	20%	1,729,107	6,095,849	7,824,957
Partial Deadweight (Scale) @	14%	1,193,328	4,206,994	5,400,322
Pure Deadweight @ ...	7%	584,487	2,060,569	2,645,056
<i>Total Deadweight @ ...</i>	<i>41%</i>	<i>3,506,922</i>	<i>12,363,412</i>	<i>15,870,335</i>
Sub Total 1		5,016,847	17,686,548	22,703,395
<i>Leakage @ ...</i>	<i>10%</i>	<i>501,685</i>	<i>1,768,655</i>	<i>2,270,340</i>
Sub Total 2		4,515,162	15,917,893	20,433,056
<i>Displacement @ ...</i>	<i>19%</i>	<i>868,925</i>	<i>3,063,336</i>	<i>3,932,261</i>
Sub Total 3		3,646,237	12,854,558	16,500,795
<i>Substitution @ ...</i>	<i>0%</i>	<i>0</i>	<i>0</i>	<i>0</i>
Sub Total 4		3,646,237	12,854,558	16,500,795
<i>Multiplier @ ...</i>	<i>1.5</i>	<i>1,823,119</i>	<i>6,427,279</i>	<i>8,250,398</i>
Net Impact		5,469,356	19,281,837	24,751,193

Source: ekosgen 2010

Tables 9.4 and 9.5 show the adjustments to the employment figures cited by survey respondents and employment impacts largely relate to safeguarded jobs (69% of the total).

Table 9.4: Gross to Net Jobs Created				
		To Date	Future	Total
Gross Impact		669	1,312	1,980
Partial Deadweight (Time) @	15%	103	203	306
Partial Deadweight (Scale) @	4%	28	55	83
Pure Deadweight @ ...	20%	135	265	401
<i>Total Deadweight @ ...</i>	<i>40%</i>	<i>267</i>	<i>523</i>	<i>790</i>
Sub Total 1		402	789	1,191
<i>Leakage @ ...</i>	<i>10%</i>	<i>40</i>	<i>79</i>	<i>119</i>
Sub Total 2		362	710	1,071
<i>Displacement @ ...</i>	<i>19%</i>	<i>70</i>	<i>137</i>	<i>206</i>
Sub Total 3		292	573	865
<i>Substitution @ ...</i>	<i>0%</i>	<i>0</i>	<i>0</i>	<i>0</i>
Sub Total 4		292	573	865
<i>Multiplier @ ...</i>	<i>1.5</i>	<i>146</i>	<i>287</i>	<i>433</i>
Net Impact		438	860	1,298

Source: ekosgen 2010

Table 9.5: Gross to Net Jobs Safeguarded				
		To Date	Future	Total
Gross Impact		1,595	2,223	3,817
Partial Deadweight (Time) @	14%	216	301	516
Partial Deadweight (Scale) @	11%	170	237	407
Pure Deadweight @ ...	19%	301	419	720
<i>Total Deadweight @ ...</i>	<i>43%</i>	<i>686</i>	<i>957</i>	<i>1,643</i>
Sub Total 1		908	1,266	2,175
<i>Leakage @ ...</i>	<i>10%</i>	<i>91</i>	<i>127</i>	<i>217</i>
Sub Total 2		818	1,140	1,957
		0	0	
<i>Displacement @ ...</i>	<i>19%</i>	<i>157</i>	<i>219</i>	<i>377</i>
Sub Total 3		660	920	1,581
<i>Substitution @ ...</i>	<i>0%</i>	<i>0</i>	<i>0</i>	<i>0</i>
Sub Total 4		660	920	1,581
<i>Multiplier @ ...</i>	<i>1.5</i>	<i>330</i>	<i>460</i>	<i>790</i>
Net Impact		990	1,380	2,371

Source: ekosgen 2010

Table 9.6 shows the gross to net impacts for GVA calculated via the wages plus profits approach. This is considerably higher than the GVA figures used in Chapter 7, and is linked to the high number of jobs created and/or safeguarded per business according to the survey results.

Table 9.6: Gross to Net GVA (linked to profits + wages)				
		To Date	Future	Total
Gross Impact		80,487,724	142,435,228	222,922,952
Partial Deadweight (Time) @	15%	11,876,888	22,109,438	33,986,326
Partial Deadweight (Scale) @	9%	7,481,907	13,476,117	20,958,024
Pure Deadweight @ ...	17%	14,446,077	23,825,854	38,271,931
<i>Total Deadweight @ ...</i>	<i>42%</i>	<i>33,804,872</i>	<i>59,411,409</i>	<i>93,216,281</i>
Sub Total 1		46,682,852	83,023,819	129,706,671
<i>Leakage @ ...</i>	<i>10%</i>	<i>4,668,285</i>	<i>8,302,382</i>	<i>12,970,667</i>
Sub Total 2		42,014,567	74,721,437	116,736,004
<i>Displacement @ ...</i>	<i>19%</i>	<i>8,085,537</i>	<i>14,379,845</i>	<i>22,465,382</i>
Sub Total 3		33,929,030	60,341,592	94,270,622
<i>Substitution @ ...</i>	<i>0%</i>	<i>0</i>	<i>0</i>	<i>0</i>
Sub Total 4		33,929,030	60,341,592	94,270,622
<i>Multiplier @ ...</i>	<i>1.5</i>	<i>16,964,515</i>	<i>30,170,796</i>	<i>47,135,311</i>
Net Impact		50,893,545	90,512,389	141,405,933
Source: ekosgen 2010				

10 APPENDIX B: CONSULTATION LIST

Name	Position	Organisation
David Miles	Head of Business Link services	emda
Sumeet Kanwar	Project Manager	emda
Alan Srbljanin	Transport and Connectivity Advisor	emda
Diane Simpson	Project Manager	EMCC
Avril Simons	Contract Manager	EMB
Lyndsey Bunn	Policy Manager	FSB East Midlands
Sonja Smith	Project Manager	Derbyshire Economic Partnership
Niloofa Sarkari	Project Manager	Leicestershire County Council
Libby Kingsley	Project Manager	Rutland County Council
Maureen Wathen	Information Economy Evaluation Manager	BIS
Michelle Barker	Transformational ICT Programme Manager	BIS
Bob Bhabra	Area Manager - Nottinghamshire	EMB
Darren Mercieca	Area Manager - Northants	EMB
Heather Bradford	Business Advisor - Derbyshire	EMB