

# Evaluation of the InvoRed Programme

**A report for emda**

SQW

28 August 2008

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# Evaluation of the InvoRed Programme

Final report to the East Midlands  
Development Agency

28/8/08

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# 1: Introduction

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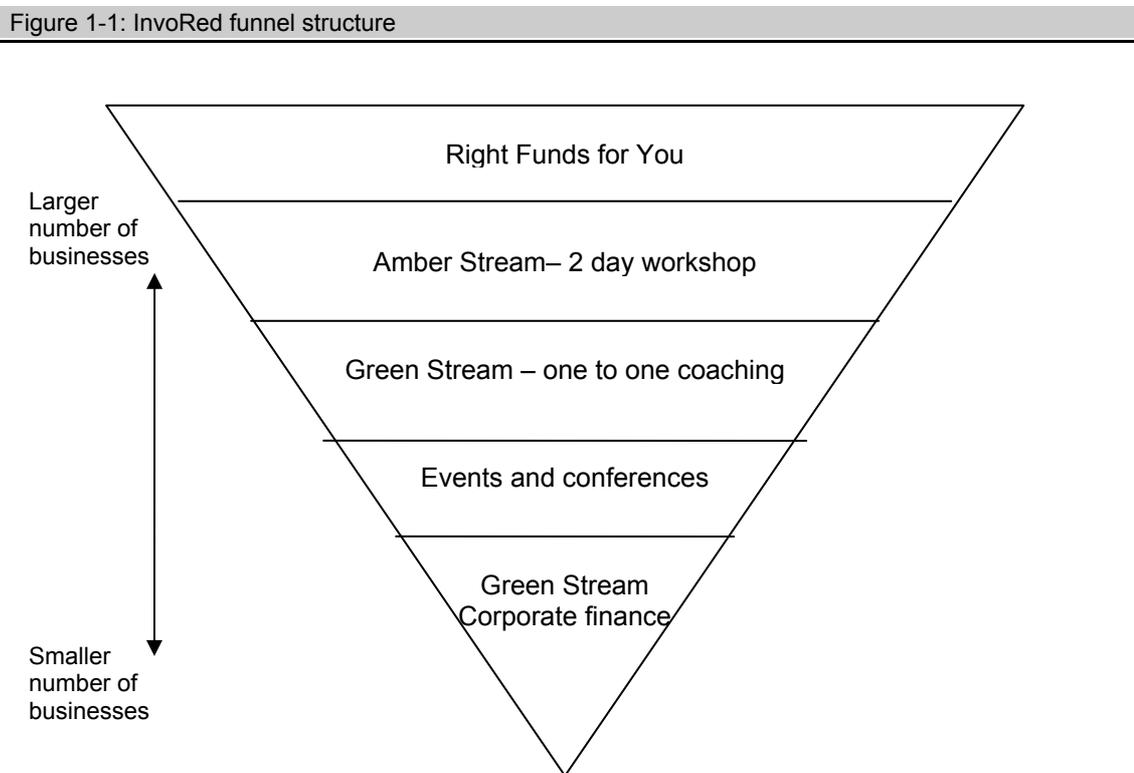
- 1.1 This report presents the findings of an evaluation of the InvoRed Programme from its launch as a pilot in January 2003 through to June 2008. The study was commissioned by East Midlands Development Agency (*emda*) in May 2008 and the research took place between June and August 2008.
- 1.2 This evaluation is intended to build on previous work undertaken by SQW, investigating access to finance in the region in 2007. In summary, the evaluation aims to:
- quantify the impact of InvoRed using an approach consistent with the Impact Evaluation Framework (IEF) which is used more widely to assess RDA activities
  - provide evidence of performance and make recommendations as to how the Programme could be improved.
- 1.3 The research combines information gathered from a survey of beneficiaries, from selected stakeholders (including *emda*, Connect Midlands and others working in small business finance) and from monitoring data provided by Connect.

## InvoRed

- 1.4 InvoRed is a business support programme funded by *emda* with the aim of helping high growth businesses and start-ups understand and access finance more effectively. A major part of this is to provide support that allows businesses to become more “investment ready”. Access to finance is a significant barrier to business development and with limited venture capital supply within the region, InvoRed aims to raise the level and quality of demand for finance among businesses.
- 1.5 InvoRed comprises a range of different activities that cover various aspects relevant to investment readiness. These include: understanding what investors are looking for, developing business plans, providing opportunities to meet and pitch to investors and strengthening management teams. InvoRed has been developed and delivered by Connect Midlands since the launch in 2003, and they are currently contracted to run the Programme until March 2009.
- 1.6 The pilot Programme ran from January 2003 to March 2006. It was evaluated in 2005 by Angle Technology who reported that it was “proving to be successful in helping technology companies.....raise investment finance and develop their businesses”. The evaluation also made a number of recommendations including: the expansion of the Programme region-wide; increasing selectivity in admission of participants; greater use of the website; greater efficiency through implementation of CRM; and skills and experience database.
- 1.7 Initially, the pilot InvoRed programme was supported by ERDF in Objective 2 areas. This restricted the geographical areas in which it could operate and when the main programme started in 2006, it was expanded to cover the whole region and also to provide support for

“high growth” as well as high technology businesses. Delivery of the new expanded programme was awarded to Connect from April 2006 with targets relating to the number of businesses participating and the amount of finance that should be raised.

- 1.8 A number of other refinements were also made to the structure of the Programme, including running the Amber Stream workshops over two intensive days rather than over a six or seven week period as had been the case in the pilot, and more recently the introduction of “corporate finance” support which allows Connect to provide up to £25,000 of consultancy support for a small number of businesses which need additional support to finally secure an investment deal.
- 1.9 The current Programme delivers a range of elements relating to investment readiness. The “funnel” model has been refined over time and is structured to address different levels (Figure 1-1). Each of the elements is described in more detail in the following sections. The model is designed to attract a large number of businesses to introductory events (Right Funds for You). Those that are interested and have potential then progress through more detailed workshops, through to one to one coaching called the Green Stream. Separate events and conferences are then held at which appropriate businesses are able to pitch to investors. Finally Green Stream corporate finance assistance has been available to offer more intensive support to a small number of cases to take them through to finalised deals.
- 1.10 The funnel model works as a filter, providing an appropriate level of support for businesses which are at different stages. It is also flexible and, depending on their experience, businesses can skip the introductions and move straight to the Green Stream support



Source: Connect Model

### **Elements of support**

- **Right Funds for You** – a quarterly event held as an introduction to the issues around attracting investment
- **Amber Stream** - either done through a series of workshops (in the pilot) or more recently, a 2 day event with 6 or 7 workshop sessions covering
  - understanding what the financial sources are looking for
  - routes to market
  - sources of finance – why and how
  - legal aspects of fundraising
  - management team structure and content
  - how to make the pitch
- **Mock assessment panels** – businesses are encouraged to participate in these panels which provide an opportunity to get advice and feedback on their pitch
- **Green Stream** – for a smaller number of selected businesses this provides part funded one-to-one coaching support of around 5 - 10 days of a mentor's time, spread over 6 – 12 months, working with business to address specific elements of investment readiness
- **Bootcamps** – half or full day events on a specific theme such as sales and marketing
- **Connect Midlands Investment Conference** – Major event that provides a platform for some of the businesses with the best potential to secure investment
- **Springboard events** – regular pitching events that provide a platform for the businesses
- **Roundtable** – these are smaller scale pitching events, which can be held on specific themes of interest to investors, such as specific industry sectors
- **Investment Challenge** – a competition event held in 2006 and 2007, but not 2008, which offers detailed discussions with the investors in winners.

### **The structure of the evaluation**

- 1.11 This evaluation has been carried out to IEF standards, focusing specifically on the effects of the intervention on beneficiaries and how these effects translate into net economic change. In addition a series of consultations with partners and others involved in small business finance have helped us to draw conclusions on how the InvoRed Programme can be further improved to meet the aims of the Agency.
- 1.12 The next section of the report considers InvoRed's role in relation to the relevant strategies in the East Midlands and SQW's previous work on access to finance in the region. Most of the

rationale and background to the challenges of accessing finance in the region and the role of InvoRed are discussed more fully in this earlier report.

- 1.13 The main focus of this evaluation is on participating businesses. Section three sets out in detail the results of a survey of nearly 80 participants. Section four uses this evidence to produce estimates of the net economic impact on GVA and employment, allowing for additionality.
- 1.14 The views from the programme of consultations are brought together in section five under a number of headings. These unanimously supported the need for this type of activity; the comments and suggestions relate to a variety of refinements to its shape and emphasis rather than challenging the principles.

## 2: Strategic background and context

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### Development of investment readiness in the East Midlands

- 2.1 In response to evidence from the Bank of England, the Treasury and the Cruickshank Report on UK banking<sup>1</sup>, the Small Business Service (SBS) of the (then) DTI ran six investment readiness pilots commencing in late 2002. These were evaluated in June 2004 and were judged to have been a success. The East Midlands had not been chosen as one of the pilots, but based on the emerging evidence, as well as other sources, *emda* decided to establish its own pilot investment readiness programme. This commenced in October 2003 and was financed jointly by *emda* and European Regional Development Fund (ERDF). Because of the ERDF funding, it was operational only over part of the region. It ran until March 2006. It was also subject to external evaluation and was also judged to be a success.
- 2.2 The main InvoRed programme which is the subject of this evaluation succeeded the pilot. The programme was put out to competitive tender, with Connect Midlands the successful bidder. The main programme extended the pilot in three specific ways:
- geographically, to cover the whole region and not just the parts that were ERDF-eligible
  - to include other types of finance as well as equity
  - to include ‘high growth’ companies as well as technology-orientated companies
- 2.3 *emda* also specified in the tender for delivering the Programme that 20% of the costs of the project should be met by the private sector (not include contributions ‘in kind’). To help achieve this objective, *emda* introduced the idea of a charging policy, whereby companies reaching the latter stages of support and ultimately successful in raising finance should pay a levy to InvoRed based on a % of the funds raised. In our evaluation, the value of this charge has been raised as an issue and is covered in more detail later in the report.

### Policy background

- 2.4 The development of InvoRed, as described, has consistently gone with the flow of regional, *emda* corporate and now national policy, as is explained next.

#### **Regional Economic Strategy**

- 2.5 ‘A Flourishing Region’: Regional Economic Strategy (RES) for the East Midlands 2006-2020<sup>2</sup>, was published by the main partners in 2006. This set out a shared vision that by 2020, the East Midlands would be an increasingly prosperous and productive region, enjoying sustainable economic well-being and a quality of life higher than the European average,

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<sup>1</sup> Cruickshank (2000) *Competition in UK Banking: a Report to the Chancellor of the Exchequer*, HM Treasury, Chapter 6

<sup>2</sup> A Flourishing Region, Regional Strategy for the East Midlands 2006-20, *emda*, 2006

comparable with the best in the world. This vision was underpinned by the three themes of: raising productivity, ensuring sustainability and achieving equality.

- 2.6 Productivity is important in that the strategy is based on the recognition that with almost full employment in the region (at that time) the scope for economic growth would come only through increasing output per head. The strategy therefore suggested that activity under the theme of ‘Enterprise and Business Support’ should be orientated towards removing barriers to the growth of small and medium-sized enterprises (SMEs). Within this context, investment was seen as a key driver of productivity, depending on:
- an integrated regional business support network
  - improving access to finance, particularly an ‘escalator’ of funding sources and programmes to ensure that businesses are ‘investment ready’.
- 2.7 The RES contained specific discussion of the issues relating to problems of accessing finance as one of the main barriers to be overcome in promoting SME growth. This referred to sources of finance, and the need to maintain the escalator in the East Midlands, as well as investment readiness and the need to simplify the framework of business support with Business Link in the lead.

### ***emda Strategy for Business Support***

- 2.8 ‘Supporting Business: A strategy for business support in the East Midlands’ was designed by businesses for businesses, with support from *emda’s* Business Services Directorate, and was launched in 2005. A Business Support Forum was established to ensure the strategy maintained a business focus during its delivery. The regional vision for business support (from the previous RES) was: *‘to help SMEs in the region start, grow and compete more effectively and more profitably’*.
- 2.9 One of the immediate priorities of this strategy was to support SMEs to raise development funding. This recognised that the problem of accessing finance was most acute for new and young SMEs and for businesses that have potentially profitable ideas but shortcomings in their business plans or management teams. The strategy committed to build on the existing range of *emda* initiatives to address these issues.

### ***emda Corporate Plans 2005-08 and 2008-11***

- 2.10 The Corporate Plan currently in operation covers the period 2005-2008. When it was written, the approach to investment readiness in the East Midlands was still in its infancy. Nonetheless, the Plan did refer to the intention to ‘explore the scope to improve investment readiness amongst the region’s SMEs’<sup>3</sup>. However, the new Corporate Plan for the period, 2008-11, currently in draft, is more specific and under *Enterprise and Business Support* and *Access to Finance* notes that a range of grants, loans and equity products ..... will be ‘underpinned by a programme of finance and investment readiness support’<sup>4</sup>.

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<sup>3</sup> *emda* Corporate Plan 2005-08, p. 23

<sup>4</sup> *emda* Corporate Plan 2008-11, Consultation Draft, November 2007, p. 15

- 2.11 There is thus considerable regional recognition for the concept of public sector intervention to support investment readiness. As is explained next, this has now also been recognised at the national level.

### **Central Government Enterprise Strategy and the process of Business Support Simplification**

- 2.12 The Government's vision for the development of enterprise in England and Wales (and to some extent Scotland) was set out in the strategy document 'Enterprise: Unlocking the UK's Talent', published by The Treasury and BERR in March 2008. 'Access to Finance' forms a significant component of the strategy with the need for action to promote investment readiness an important sub-component. The role of the Government in promoting investment readiness is recognised with references not only to the demonstration pilots already referred to but to Connect<sup>5</sup> as well.
- 2.13 At the same time, the Government is also promoting the idea of Business Support Simplification, in recognition of the need to eliminate the clutter of business support mechanisms that have emerged over the years and which is apparently frustrating to the SMEs that the system is designed to serve. This frustration emerged not only in our own fieldwork for this particular evaluation but also in the work which SQW undertook to review access to growth finance in the East Midlands which reported in December 2007 and which is referred to in the next section.
- 2.14 The simplification process has been going on for some time, with two main elements emerging:
- placing Business Link at the centre of all main business support as key initial broker and intermediary
  - reducing all interventions to 100 key products.
- 2.15 Within this context, the Enterprise Strategy makes it quite clear that the Government sees investment readiness support as one of these key products. The strategy makes it clear that within the Business Simplification Process, the Government's intention is to create 'a national framework to improve access and quality of delivery to the customer with particular emphasis on:
- enabling entrepreneurs to understand ways to finance their business
  - helping businesses to gain specialist skills and market understanding to be business ready for investment, including core business and finance skills as well as leadership and management.'
- 2.16 Developing this national framework is one of the key new policy proposals to emerge from the strategy. The framework clarifies delivery by the RDAs, through nationally procured programmes, with Business Link providing initial awareness raising (as broker and intermediary). It is also clear that public support for investment readiness, presumably in

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<sup>5</sup> Enterprise: Unlocking the UK's Talent, Treasury and BERR, March 2008, p. 50

recognition of the existence of market weakness or failure, is now *firmly on the national agenda*.

## Access to Growth Finance in the East Midlands

- 2.17 The whole area of growth finance, of which investment readiness formed an important component, was reviewed for *emda* by SQW Consulting in 2007<sup>6</sup>. The evaluation which is currently being undertaken is a direct follow on from this, based on some of the key findings to emerge from the earlier work. Though a few similar sources (e.g. consultees) were referred to for both pieces of work, completely different beneficiary surveys were undertaken. The scope of the earlier work was also clearly much wider.
- 2.18 There are many common threads through both reports, and it is worthwhile drawing out these main themes. The most pertinent issues emerging from the Access to Growth work were as follows:
- There is a fairly comprehensive 'escalator of finance' in the region with no real need for radical change. However, the view was also forthcoming that the impending cessation of operations by the Regional Venture Capital Fund was likely to create a gap which the private sector would not fill, and that this could consequently result in problems in the availability of finance.
  - There is a low level of awareness among businesses of the finance and support available. This especially related to Connect and InvoRed.
  - There was a poor level of cross-referrals between the various support mechanisms; this reinforces the conclusions we reach later on about the need for developing links between InvoRed and Business Link.
  - Business Angel activity in the region appears to be disproportionately low compared to other regions. More could be done to encourage high net worth individuals to become business angels and to link them to businesses via investment readiness services such as InvoRed.
  - Connect and InvoRed are generally very well-regarded though the name recognition is low (and considerably lower than Business Link). More aggressive marketing would be required.
  - Connect InvoRed should offer more specialist services, especially for companies in the biotechnology sector.
  - The charge or levy on businesses for InvoRed services is perceived by some to be a barrier to investment.
  - Mentoring for high growth businesses (especially for financial management and fund raising) is important and there is not enough of it. Improving supply and creating mechanisms for delivery is an area for action. InvoRed already does this. It is an

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<sup>6</sup> Access to Growth Finance in the East Midlands, SQW Consulting on behalf of *emda*, December 2007

area for development in InvoRed that is returned to in our own recommendations later in this report.

*Independently we have come to similar conclusions to the ones in this series.*

- 2.19 Many of these conclusions have been reinforced by our own findings and help to support the recommendations which follow at the end of this report, themselves designed to improve the effectiveness of the InvoRed project.

## 3: Business survey

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- 3.1 This chapter sets out the results of a survey of InvoRed client businesses. Given the aim of increasing the number of investment ready businesses, the impact of the programme on its beneficiaries is central to our assessment of value for money and in developing recommendations for its development.

**The key points from this section are:**

- *The survey of 79 businesses from a total population of 202 is a good response and representative of the types of activities delivered and the sectors that participants work in*
- *There is a high proportion of healthcare, ICT and manufacturing businesses supported*
- *More than two thirds of the businesses are either recent start ups or pre-starts and one in five were spin outs either from larger private sector operations or universities*
- *Almost a third of all the businesses found out about InvoRed from Business Link*
- *Almost a third of the investment sought was for research and development activities, and was higher among businesses participating in the Green Stream*
- *The elements of the Programme scored consistently well among respondents*
- *There was demand for further support beyond the current Programme from around two thirds of cases and willingness to pay for it from more than half*
- *The support contributed to a range of changes in business behaviour and the survey highlights differences between the different types of support. The Green Stream helped strengthen management teams and presentation of business plans, while the Amber Stream impacted on decisions about the type of finance*
- *89% of participants would recommend the Programme to other businesses in the same position*
- *26% of Green Stream businesses had gone on to raise finance and 18% of those on other elements of the Programme*
- *A relatively high proportion (26%) decided not to seek funding despite having received significant Green Stream support. These cases should be filtered out as early as possible*

### The survey

- 3.2 The survey was carried out by telephone in June and July 2008 by IBP Strategy and Research, with a small number of face-to-face interviews undertaken by SQW Consulting. A database of 202 businesses that had received support through InvoRed was provided by Connect. This represented all the businesses that had participated formally in some part of the Programme.

It excludes those that had only attended the Right Funds For You events, as, on its own, this is not likely to have had a significant impact.

- 3.3 Questionnaires were designed by SQW and agreed with *emda* prior to a small number of pilot interviews. Several small changes were made before the full survey was undertaken. Businesses were contacted in writing by Connect initially to encourage participation in the survey.
- 3.4 The Programme has worked with 202 businesses (which are still trading) and this is used as the population base for the analysis.

### **Support in the population**

- 3.5 The data from Connect indicates that 67 businesses had participated in Green Stream support, the most intensive available through the Programme. The Amber Stream workshops had attracted 171, with smaller numbers attending a variety of other events including the Investment Conferences and Challenges, Roundtable and Springboard (Table 3-1). Other events include the themed Bootcamps.

Table 3-1: Support received by population of 202 businesses

<b>Support</b>	<b>Number</b>
Green Stream	67
Amber Stream	171
Connect Midlands Investment Conference	14
Investment Challenge 06	30
Investment Challenge 07	44
Roundtable	8
Springboard	19
Strategy Workshop	16
Other	50

Source: SQW survey

### **Survey response and sample**

- 3.6 Of the 202 businesses identified in the population, interviews were completed with 79 (39%). This is a very high response rate and indicates that businesses were able to recall the support they received and happy to comment on it. This is not always the case in this type of evaluation where the support may be considered to be more marginal. Typical response rates would usually range from 10% to 30%.
- 3.7 The remainder of the analysis is based on the responses of these 79 businesses. Table 3-2 shows a comparison between the structure of the population and the sample, and illustrates that there is a relatively good match. There is overlap between the events. In the sample 84% had attended the Amber Stream workshops and 43% had been supported on the Green Stream. In the full population, 91% had attended Amber workshops and 35% Green Stream.

The survey aimed to slightly over-represent the Green Stream as this forms the more intensive support and most likely to demonstrate benefits. In extrapolating the impact results from the sample, the data is re-weighted to reflect this bias.

Support	InvoRed	Sample
Right Funds for You event	-	5%
Amber Stream	91%	84%
Mock assessment panel	-	14%
Green Stream	35%	43%
Bootcamps	-	14%
Connect Midlands Investment Conference	7%	8%
Springboard events	10%	11%
Roundtable	4%	6%
Investment Challenge events	40%	8%
Access to Finance (A2F)	-	4%
Total	202	79

Source: SQW survey

## Sectors

- 3.8 The Programme works with a high proportion of healthcare, ICT and manufacturing businesses, the sectors where new technology-based businesses are most likely to be found. This pattern also reflects the priority sectors identified in the Regional Economic Strategy.

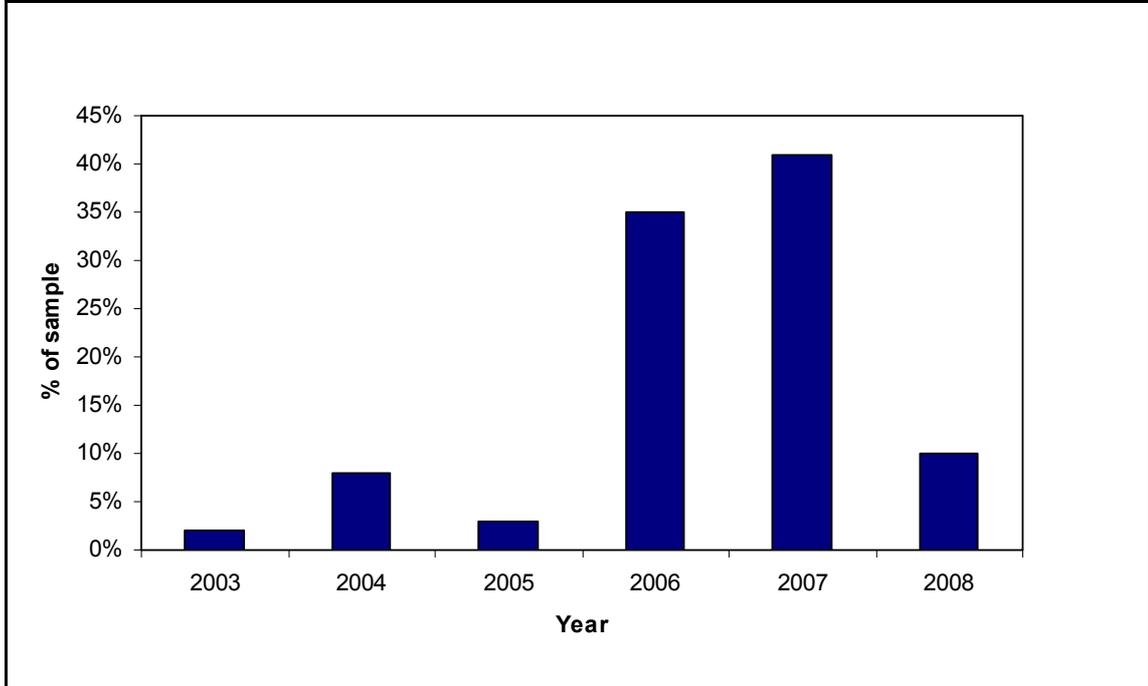
Sector	% of population	% of SQW sample
Arts/ music	2%	4%
Business services	11%	16%
Education	4%	3%
Environment	5%	4%
Healthcare	14%	19%
Hotels, bars, retail, restaurants	4%	2%
ICT	26%	21%
Manufacturing	28%	29%
Sport and leisure	5%	4%
<b>Total businesses</b>	<b>202</b>	<b>79</b>

Source: SQW survey and Connect data

### Age and status structure

- 3.9 The sample shows the Programme predominantly working with pre and new start businesses. Nearly all (86%) had started (or were planning to start) in the last two years (Figure 3-1).

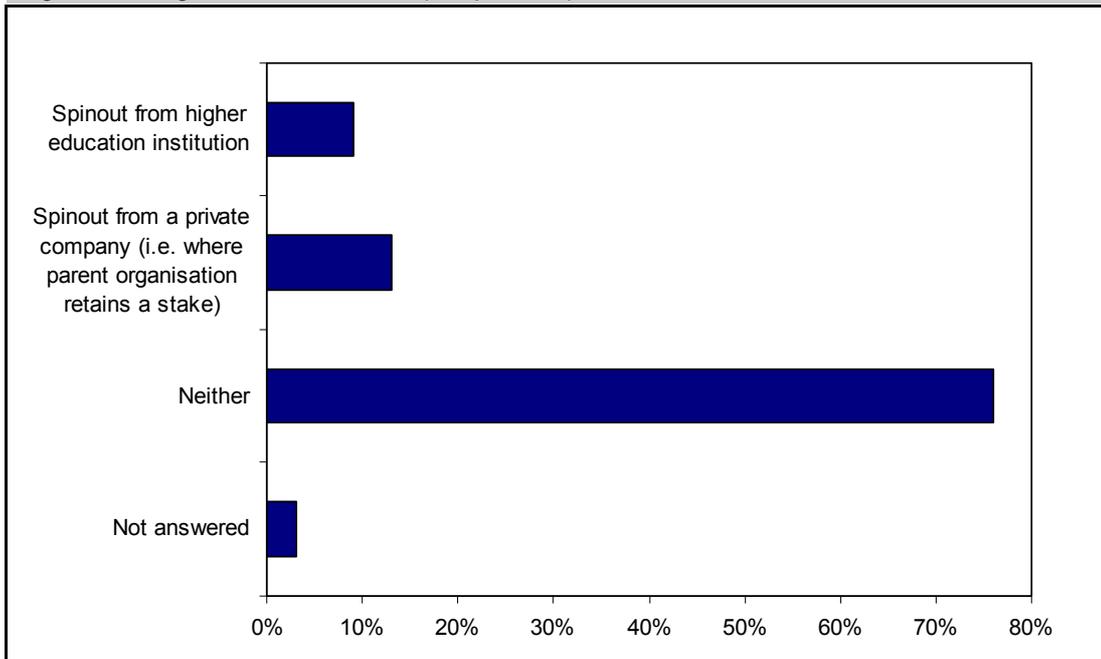
Figure 3-1: Year business started (based on sample of 79 cases)



Source: SQW survey

- 3.10 Nearly all the businesses were limited companies at the time of the interview, although there were five which were pre-start. A reasonable number of the supported businesses (over 20%) were spin outs, either from universities or from private businesses (Figure 3-2).

Figure 3-2: Origin of new businesses (sample of 79)



Source: SQW survey

3.11 At the time of the support around two thirds of these businesses were either pre-start or had started up in the previous 12 months. The percentages of the sample are shown disaggregated between the Green Stream and other support. A higher proportion of the businesses that had participated in Green Stream support were pre-start and slightly fewer were established businesses or had recently started. Intuitively, we would expect much of the Green Stream support to relate to finding pre-start funding to allow business ideas to develop. Businesses that are established are more likely to be aware of funding options, although this is not always the case. (Table 3-4).

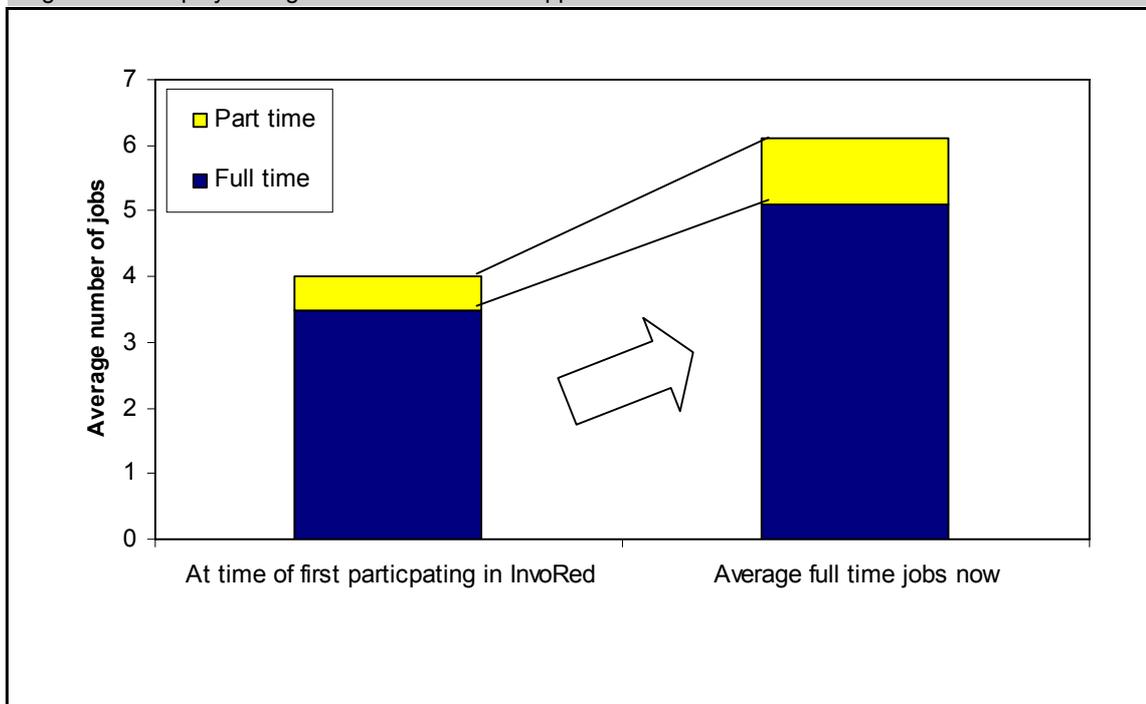
Table 3-4: Breakdown of support by business stage (based on sample of 79 cases)

Business stage	Green Stream	Other support	Grand Total
Established business	34%	38%	37%
Pre-start: putting the business together	38%	30%	33%
Start-up: had started up within the previous 12 months	28%	32%	30%

Source: SQW survey

3.12 The average turnover of the businesses within the sample was £750,000. Average employment *at the time of InvoRed participation* was 3.5 Full Time Equivalents (FTEs); by the time of the interview this had risen to an average of 5.1. Part time jobs had also grown slightly. Although this does not demonstrate a link between support and growth it does indicate the InvoRed has been working with businesses which, on average, have been growing (Figure 3-3).

Figure 3-3: Employment growth of businesses supported



Source: SQW survey

### **Funding experience and motivations**

3.13 Sixty two percent of the sample had not sought funds before participating in InvoRed, although this still means that a sizeable minority had. This could include grants and bank

loans and InvoRed may still have been their first consideration of equity. Before participating in InvoRed these businesses aimed to raise an average of just £600,000. This was typically below the value that they sought *after* going through the Programme.

### **How do businesses find out about InvoRed**

- 3.14 The results in Table 3-5 are shown separately for businesses that received Green Stream support and those that did not. They show that Business Link (BL) provided the greatest number of referrals in the sample and was particularly important for generating interest in the Amber Stream (36% of the sample came from BL). For Green Stream businesses most participation was generated through Connect’s own activities although Business Link was still a source of referrals for almost a quarter of the sample.
- 3.15 Referral to Amber Stream support comes from a wider range of sources and networks. Aside from Connect and Business Link, the Green Stream businesses also came through word of mouth and business forums including East Midlands Incubation Network, the ID Centre at the University of Derby and The Hive enterprise development centre.

Table 3-5: How did you found out about InvoRed?

	Green Stream	Other support	Grand Total
Referred from Business Link	23%	36%	30%
Connect Midlands contacted you directly (e.g. invitation to an event)	26%	13%	18%
Word of mouth from other businesses that had used it	16%	9%	12%
Through another local business forum	10%	11%	11%
Referred to InvoRed by a potential investor	6%	4%	5%
Attendance at a non-Connect / InvoRed event	3%	4%	4%
Found them on the Internet	3%	4%	4%
<i>Emda</i>	0%	7%	4%
Always knew about it	3%	2%	3%
Incubation centre	3%	2%	3%
Through an advert (newspaper, magazine, brochure, other)	3%	0%	1%
Pera	3%	0%	1%
University	0%	2%	1%
Medilink	0%	2%	1%

Source: SQW survey

### **Planned use of finance**

- 3.16 Table 3-6 sets out the specific reasons why funding was sought. These are important in reflecting the real potential for business growth. Funding is a means to an end and not an end in itself. Research and development, marketing and working capital were the main reasons for seeking funds, but investments in recruitment, capital equipment and property were also

likely to be made. There was a long list of other reasons many of which related to particular aspects of product development, investment in testing facilities and overheads.

- 3.17 There is also a subtle difference between the proposed use of funds by businesses on the Green and Amber Streams. The Green Stream businesses were more likely to be seeking funds for research and development while the Amber Stream businesses were more likely to propose using funds for capital equipment. From the consultations, many of the examples given relating to Green Stream support were around new product development, and the survey appears to back this up.
- 3.18 We would expect that the more intensive support through the Green Stream would help encourage businesses to look more closely at refining their products and assessing their markets in more detail.

Table 3-6: What did you require investment funding for?

Investment	Green Stream	Other support	Grand Total
Invest in research and development	32%	27%	29%
Marketing	32%	27%	29%
Working capital	32%	27%	29%
Capital equipment	15%	22%	19%
Recruitment – general	15%	13%	14%
New or expand property / premises	9%	13%	11%
Recruitment – senior staff / management team	15%	4%	9%
Market research	6%	7%	6%
Training	12%	2%	6%
Trade development / exporting	3%	9%	6%
Other	24%	24%	24%

Source: SQW survey

Note that companies responding could have more than one reason.

## The Programmes

### **Amber Stream**

- 3.19 Participants in the Amber Stream were asked to indicate how valuable each session had been using on a scale of 1 (poor) to 5 (excellent). Two areas scored highly:
- understanding what investors are looking for – trying to see investment from a potential funders perspective
  - how to make a pitch - another element of the support that Connect emphasise and is supported by the range of pitching events that are offered.

3.20 Sessions on team structure and routes to market were considered slightly less valuable (Table 3-7).

Table 3-7: Scores for Amber Stream workshop elements

Data	Number of responses	Average Score
.....how to make the pitch	47	4.3
.....understanding what the financial sources are looking for	58	4.2
.....sources of finance – why and how	51	4.0
.....legal aspects of fundraising	47	4.0
.....routes to market	48	3.9
.....management team structure and content	45	3.9

Source: SQW survey

### Green Stream

3.21 The Green Stream provides one to one mentoring/coaching to assist businesses in becoming investment ready. The brief for the mentors can be fairly broad and the work with the company or pre-start focuses on areas of weakness identified through the Amber Stream process and events. Typically this can include work on business planning, routes to markets and management teams. The evidence from the examples of support provided, set out below, shows that this goes beyond financial accounting and covers presenting, market research and even strengthening the product selling points.

• Business Plan	• Mentoring generally
• Business planning	• Pointed out two important things about the technology we are using
• Coaching mentoring / info on VC's	• Preparing market research
• Challenging, questioning assumption in Business Plan	• Helped with sales, finance
• Financials of the business plan, knowing what a VC wants	• Showed how to prepare for business angel and how to prepare a presentation
• Financial, sales, marketing	• Support with financial and management
• Getting all managers to appropriate levels and using Profit and Loss A/C	• The appraisal of my Business Plan
• Getting finances into shape and refining the Business Plan	• All aspects from financial project, marketing and sales

3.22 Scores for the Green Stream support averaged 4.3, broadly higher than the elements of the Amber Stream workshops. More than half gave the process five out of five. Twenty five percent of the businesses scored it two or three. For this minority the comments related to the quality or performance of the consultant and that the “coach” did not listen or was not able to understand the business. The other complaints were that the business was asked to pay for some of the support. The verbatim suggestions for improvement are described in Annex A.

Table 3-8: Green Stream scores

Score from 1 to 5 (1 is poor – 5 is excellent)	% of sample
1	0%
2	6%
3	19%
4	19%
5	56%

Source: SQW survey

### Other support rated

- 3.23 The survey also collected information on the value attached to the other events that are held (Table 3-9) although these were attended by smaller numbers. Scores were generally fairly high, although small numbers make the results slightly less robust. Roundtable scored 4.5 out of 5 and only the Investment Challenge events fell below an average score of 4. This score might reflect comments about the Investment Challenge which included; not knowing who the other attendees were, that it did not feel relevant, people did not understand their business, audience were not the “right” group and that there was not enough communication about the event.

Table 3-9: Rating of other events on scale of 1 to 5

	Number	Score
One to one contact arranged by InvoRed/Connect with potential investor/s	8	4.4
Mock assessment panel	16	4.3
Bootcamps – half or full day event on a specific theme such as sales and marketing	16	4.3
Connect Midlands Investment Conference	5	4.4
Springboard events (pitching event)	13	4.1
Roundtable (smaller scale specialist pitching event)	4	4.5
Investment Challenge event (pitching event and competition held in 2006 and 2007)	7	3.6

Source: SQW survey

### Post Programme

- 3.24 An issue that arose in discussions prior to the survey was whether there was a gap at the end of the support and whether this was leaving businesses too far short of completing finance deals. The survey asked whether there was scope for the InvoRed programme to provide support or coaching beyond the end of the current Programme (e.g. after the showcase events), to try and help finalise/secure deals. The results in Table 3-10 show that there is demand from around two thirds of the sample, although there may be some bias as businesses are always likely to approve of what they consider will be additional free support. Even so, it does support the view that there is a gap.

Table 3-10: Should there be more support beyond current programme

	Green Stream	Other support	Grand Total
No	31%	26%	28%
Yes	63%	62%	62%
Not Answered	0%	2%	1%
Don't Know	6%	11%	9%

Source: SQW survey

- 3.25 Details of the type of additional support that was of interest were collected in more detail and are described in Annex A. This predominantly relates to one-to one support rather than seminars, events or workshops. Mentoring and coaching (as the Green Stream provides) is also frequently mentioned as is some form of *ongoing* support, perhaps just acting as contacts for advice and even monitoring their progress. However, this must follow FSMA guidance. Recently greater flexibility in relation to these suggestions has already been encouraged by *emda* to build on the Green Stream support, although this is unlikely to have been in place when the businesses in the survey participated.
- 3.26 The high response to the survey and willingness to discuss the Programme suggests that businesses are keen to continue their relationship, and for Connect to maintain interest even if this is just to find out what progress has been made. This has resource implications but would represent a good use of money if it can help maintain some of the momentum that is built up by the formal support.
- 3.27 There was also a reasonable level of willingness to pay for additional support. This was true of businesses that participated at all levels in the Programme. Willingness to pay is likely to be related to quality one-to-one support rather than events or more basic elements. It is also important to realise that these responses are “in hindsight”. Before embarking on the Programme, additional charges could deter participation so care should be taken in interpreting the findings.

Table 3-11: Would you be willing to pay for this type of support?

	Green Stream	Other support	Grand Total
No	22%	32%	28%
Yes	53%	53%	53%
Not Answered	25%	15%	19%

Source: SQW survey

## Impacts of the Programme

- 3.28 The survey asked businesses to indicate the ways in which the support had contributed to their search for funding. The results show an interesting distribution. Strengthening commitment to seeking funding and helping to change the content of business plans were the most frequently reported impacts. This was the case for both those that had received Green Stream support and the others. Green Stream businesses were more likely to report impacts in strengthening management team and improving the presentation of the business plan and vision. In contrast, the businesses that had received more basic Amber Stream support

reported “identifying types of funding”, “decisions not to seek finance” and “help with identifying other sources of professional support”.

- 3.29 It is interesting to note that even though these businesses have all been through a reasonably intense programme, almost one in five are then deciding *not* to take their search for finance further. This raises a question as to whether these businesses could make this decision earlier. However, with volume targets to meet for the Programme, Connect has little incentive to filter out these businesses too early.

**Table 3-12: How did the InvoRed support contribute to your search for finance?**

	Green	Other	Total
Strengthened our commitment to seek funding	28%	26%	27%
Helped us to change the content of our business plan	28%	26%	27%
Led us to strengthen the management team	25%	19%	22%
Helped us identify the type of funding we needed	13%	26%	20%
Helped improve our presentation of the business plan and vision	28%	15%	20%
Helped us to decide not to seek finance	6%	28%	19%
Helped us identify other sources of professional support	6%	19%	14%
Helped us to identify potential investors	16%	11%	13%
Introduced us to potential investors	22%	4%	11%
Led us to look at different markets	9%	11%	10%
Reduced the scale of finance we were seeking	3%	6%	5%
Increased the scale of the finance we were seeking	3%	4%	4%

Source: SQW survey

## Feedback

- 3.30 We have included verbatim feedback from the survey in Annex A, but the most striking result is that 70 out of 79 businesses would recommend InvoRed to others in the same position. Scores for three aspects of the support are presented in Table 3-13. Scores are reasonably high for all elements (scale of 1 to 5), although slightly lower for the experts used in the Green Stream.

**Table 3-13: Overall scores for quality, team and experts used**

Data	Green Stream	Other support	Grand Total
Overall quality	4.07	4.15	4.11
Connect Midlands team	4.14	4.22	4.19
Experts used	3.76	4.21	4.01

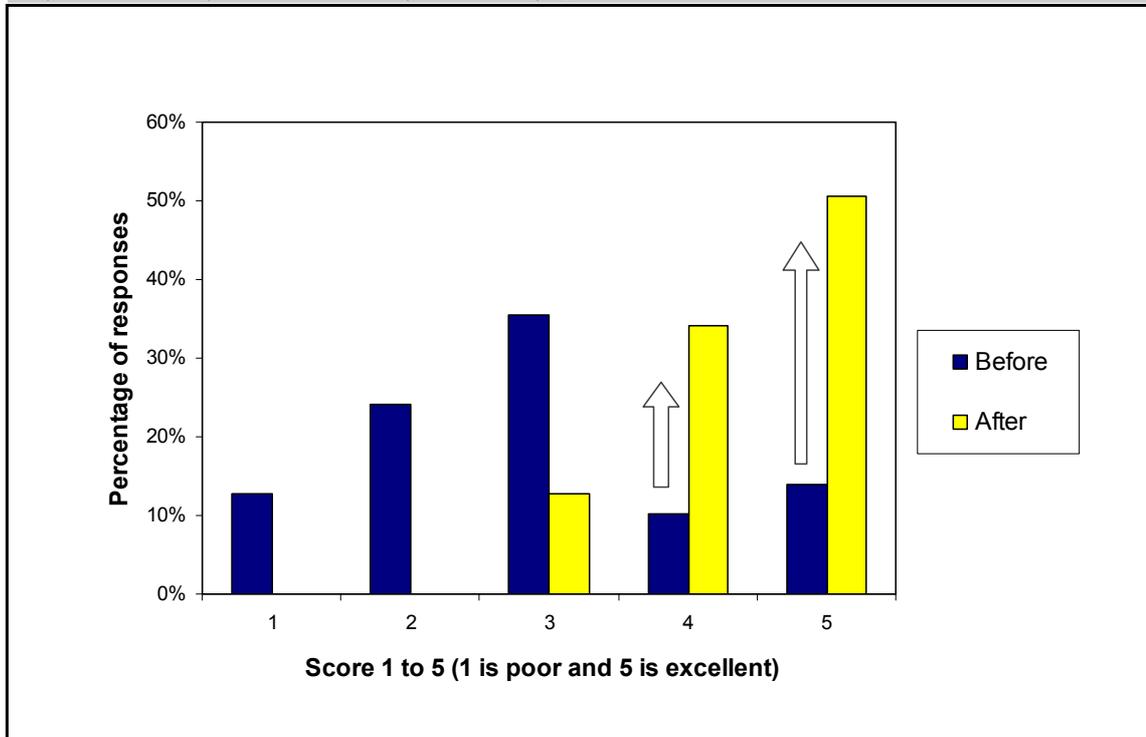
Source: SQW survey

- 3.31 Businesses’ understanding of financing options increased substantially as a result of the Programme. Based on scores from 1 to 5 (Figure 3-4), the proportion indicating level 5

understanding rose from 12% to 50% with a similarly high increase among those that gave a score of 4.

- 3.32 However, interest in equity remained broadly the same after the Programme, mainly because there is a relatively large number that were dissuaded from seeking equity financing.

Figure 3-4: Change in understanding of financing options before and after InvoRed



Source: SQW survey

### Seeking funding and role of InvoRed

- 3.33 The key measures of the Programme's success are the number of businesses that go on to seek funding, the value of finance raised and the role of InvoRed in achieving it. Based on the sample of 79 businesses, Table 3-14 sets out the numbers of businesses that went on to seek funding and their success. The first point to note is that a relatively high number of businesses did not seek investment at all after the support, including a quarter of those that had received Green Stream support and more than a third of the others. In the case of the Green Stream, this represents a significant investment of resource simply to reach the conclusion that the business does not want to seek finance at all. It is worth noting that in Table 3.12, only 6% did not seek funding *because of Green Stream* advice. It suggests that a reasonable number did not seek funding for other reasons, possibly personal or other changes in circumstances. This certainly indicates that these cases might be filtered out much earlier and is a direct result of the volume targets for working with businesses.
- 3.34 Eighteen percent of the Green Stream businesses had been successful in finding investment compared with 13% of the other cases; 9% were partly successful compared with 4%; and 35% of the Green Stream cases were still seeking investment compared with 29% of the others.

- 3.35 The results suggest that those with Green Stream support were more likely to seek funding and to be more successful in securing funding than those that had participated in the other elements of the Programme. Of the 34 businesses that received Green Stream support, nine had either been wholly or partly successful in raising finance. Eight of the 45 other businesses had also secured investment.

Table 3-14: Seeking funding and levels of success

	Green		Other support		Total
	% of cases	Number	% of cases	Number	Total
Did not seek investment	26%	9	36%	16	25
Wholly successful	18%	6	13%	6	12
Partly successful	9%	3	4%	2	5
Still seeking	35%	12	29%	13	25
Unsuccessful	6%	2	16%	7	9
Not Answered	6%	2	2%	1	2
<b>Total sample</b>		<b>34</b>		<b>45</b>	<b>79</b>

Source: SQW survey

- 3.36 As well as providing finance, investors can be an extremely positive influence on the growth prospects of the business, providing guidance, contacts and experience for what are often new, inexperienced businesses. Among those that had raised investment, almost 70% considered the new investors to be playing an active role in the business (Table 3-15). This would be expected to strengthen the business and increase the chances of it delivering the expected levels of growth.

Table 3-15: Do the new investors play a role in advising the business? (Sample of 17 businesses wholly or partly successful in finding funding)

Investor role	Green Stream	Other support	Grand Total
No	33%	29%	31%
Yes	67%	71%	69%

Source: SQW survey

## 4: Economic impact

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- 4.1 This chapter develops the analysis of the Programme's output performance and provides estimates of its contribution to the East Midlands economy. It uses the standard IEF methodology to produce *net* estimates of employment and GVA, which allow a clearer assessment of value for money.

**The key points from this section are:**

- *Combining Connect's own data and additional information from the SQW survey, we estimate that the businesses participating in the Programme have raised £27.5 million since its launch*
- *Among the Green Stream businesses, 78% of respondents that had raised finance considered InvoRed to have made some difference (scale, timing, quality) to their success. This compares with 43% of those receiving other InvoRed strands of support*
- *Applying the estimates of deadweight case by case indicates of the total of £27.5 million raised, £12.5 million can be attributed to InvoRed*
- *As a result of the finance raised, we estimate that there has been a net increase of 35 jobs to date and an expected 103 jobs within three years*
- *The results include an estimated 36 additional jobs generated among businesses that are still seeking finance having been through the Programme*
- *Leaving aside the benefits of the finance, the support also made a significant contribution to other aspects of performance. Businesses estimated that this had been responsible for a further 14 net jobs and estimated it would be responsible for 45 in three years*
- *Including multipliers, InvoRed is considered to have created an additional 64 jobs to date with an expectation of 239 additional jobs in three years*
- *This represents an annual increase in GVA in the region of £8 million by 2011. The aggregate increase in GVA to 2011 is estimated to be £20 million*
- *Value for money will depend on whether the anticipated additional employment is realised over the next three years; however, compared with public investment of £2.3 million to date, these figures would demonstrate a good return*

### Raising finance

- 4.2 Data from Connect's records indicates that the companies that it has worked with through InvoRed have raised a total of £25.7 million, comprising:
- grant funding of £3.1 million
  - debt funding of 3.0 million

- equity of £19.6 million

4.3 These results can be combined with the findings from the evaluation. There was a significant overlap between the two sources. However, the evaluation sample identified a further £1.8 million that had not been captured by Connect. This gives an estimated total of £27.5 million raised. Of this, £10.2 million has been generated by the businesses receiving Green Stream support and £17.3 million by those participating in other elements (Table 4-1).

Table 4-1 : Gross finance raised in sample and population

£ million	Sample (79)	Full population
Green Stream support	£6.1	£10.2
Other support	£3.4	£17.3
Total	<b>£9.5</b>	<b>£27.5</b>

Source: SQW survey and Connect data

### What was the role of InvoRed?

4.4 Although the numbers in the sample are relatively small (17 businesses had been successful or partly successful in finding investment) the results provide an indication of the importance of the Green Stream in the search. InvoRed was attributed with finding investment for 44% of the Green Stream businesses as opposed to 13% of those receiving other support (Table 4-2).

Table 4-2: How did you identify successful investors?

	Green Stream	Other support	Grand Total
Assisted by another party, independent of Connect	11%	0%	6%
Found investor through Connect/ InvoRed event	11%	13%	12%
Found investor through our own research	22%	75%	47%
Helped directly by Connect InvoRed programme/ staff	33%	0%	12%
Other	22%	13%	24%
Number of businesses	9	8	17

Source: SQW estimates

4.5 Those that were wholly or partly *successful* in seeking finance were asked about the role of InvoRed and what would have happened if they had not been able to participate in the Programme. There is a noticeable difference between Green Stream and other support. The ‘additionality’ of the Green Stream support is much stronger, specifically in terms of timing and absolute additionality. Almost 60% of those receiving “other” support consider that they would have been able to secure it anyway. Of the others, 29% considered that it had speeded up the process and 14% that they would not have been able to secure as much. Of the Green Stream beneficiaries, the biggest impact was on timing (44%), but a reasonable proportion 11% would not have secured funding at all, and 11% not as much (Table 4.3).

4.6 It is worth noting that these are the businesses’ perceptions of what would have happened without InvoRed and has not been tested. In practice, the Amber businesses may be

underestimating the difficulties of finding investment whereas the Green Stream businesses are likely to have a more realistic view of the market.

Table 4-3: What would have happened without InvoRed support?

	Green Stream	Other support	Grand Total
Would have secured the same finance anyway, regardless of the InvoRed support	22%	57%	38%
We could have secured finance, but it would have been an inferior type of structure	11%	0%	6%
We could have secured finance, but it would have taken longer	44%	29%	38%
We could have secured finance, but not as much	11%	14%	13%
We would not have raised any of the finance at all	11%	0%	6%

Source: SQW survey

- 4.7 Quantitative evidence of the role of the InvoRed Programme in securing investment is provided in Table 4-4. Successful businesses were asked how much of the success in securing finance they would attribute to the skills, knowledge and contacts gained through InvoRed. There is again a clear difference between Green Stream and other support. The contribution of InvoRed is considered to be much greater among businesses that had the more intensive Green Stream support, with 63% attributing more than half of their success to the Programme. These percentages are used in the next section to provide a basis for estimating additionality.

Table 4-4: How much of the success of securing funding would you attribute to the skills, knowledge and contacts you gained through InvoRed?

% attributable to InvoRed	Green Stream	Other support	Grand Total
0%	25%	38%	31%
25%	13%	38%	25%
50%	38%	13%	25%
75%	25%	13%	19%
100%	0%	0%	0%

Source: SQW survey (note rounding prevents totals summing exactly to 100%)

- 4.8 Among those that are *still seeking* funding, additionality was slightly lower and the difference that the Green Stream support makes is much more limited. The impression is that if the funding is not found relatively quickly, much of the benefit of the support dissipates, or at least is not considered to be as influential (Table 4-5).

Table 4-5: Influence of InvoRed on businesses that are *still seeking finance*

Influence of InvoRed	Green Stream	Other support	Grand Total
Support makes no difference	42%	46%	44%
We could have sought finance but we would have had a different type or structure	0%	15%	8%
We could have sought finance but we would have had fewer options	8%	0%	4%
We would be less likely to secure the finance we need	8%	8%	8%
We would have sought finance but not as much	8%	0%	4%
We would have sought finance, but it would have taken longer	33%	23%	28%
We would not have sought finance at all	0%	8%	4%

Source: SQW survey

- 4.9 As well as contributing to finding investment, the Programme may also be responsible for dissuading some businesses from wasting time and money pursuing equity finance when it would not be appropriate. The benefits cannot easily be quantified, but the effect is worth noting. Table 4-6 shows responses to the question “without InvoRed support, how would your search for finance have been different?” Typically around 70% of these businesses attributed their decision to InvoRed advice (rating the influence as important or very important).
- 4.10 Again these are the *perceptions of the businesses themselves* and it might be argued that the Amber businesses in particular may be underestimating the difficulties of finding investment.

Table 4-6: How important was InvoRed in your decision not to seek finance?

Important in not seeking funds	Green Stream	Other support	Grand Total
Important	33%	37%	35%
Very Important	44%	31%	35%
Not Important	22%	31%	29%
Number of businesses not seeking finance	9	16	25

Source: SQW survey

### Assessment of deadweight

- 4.11 For the 17 cases that raised finance, we have combined the amount of investment with the percentage attributed to InvoRed in Table 4-4. This has been done for each individual case and then aggregated. Of the £9.5 million raised by the sample, £4.3m is attributable to the activities of the InvoRed support.
- 4.12 Of this total, £2.4 million is associated with the Green Stream and £1.9 million from other InvoRed support. **Extrapolating from this to the population indicates that of a total of £27.5 million raised, £12.5 million can be attributed to InvoRed** (Table 4-7).

Table 4-7: Contribution of InvoRed to the amount of finance raised in the sample and population

£ million	Sample		Population	
	Gross finance raised	Attribute to IR	Gross finance raised	Attribute to IR
Green Stream	£6.10	£2.40	£10.20	£4.01
Other	£3.40	£1.90	£17.30	£9.67
<b>Total</b>	<b>£9.50</b>	<b>£4.30</b>	<b>£27.50</b>	<b>£12.45</b>

Source: SQW estimates

## Economic impact

- 4.13 It would be reasonable to assume that this finance represents an investment and that those making the investment are doing so in the expectation that it will provide a return that is greater than alternative investment opportunities. This implies confidence that these businesses will grow, creating employment, generating profits and value. Consequently the estimates of economic growth identified later in this section should be fairly realistic.
- 4.14 While private investors are interested in the profit that the businesses can generate, *emda* is concerned with the additional GVA and employment that is created. These interests are subtly different as GVA includes wages and salaries as well as profits. Even so it is reasonable to assume that if successful, these businesses would meet the aims of both public sector and investors.
- 4.15 The previous chapter considered how any additional investment would be used. In this section we assess the economic contribution that this makes to GVA and employment. This is done using two time periods:
- to date (results that businesses report have already occurred)
  - within the next three years (estimates, which are likely to be based on projections from the business plans). These carry more weight in InvoRed than is often the case in this type of analysis because the business plans will have been assessed rigorously in the process of raising funds and therefore represent what would be acceptable to the investor and entrepreneur.

### Scale of impact

- 4.16 As part of the survey, businesses were asked to indicate whether the finance they received had or would impact on sales and employment. In total 14 reported a major impact and one a minor impact. For employment, 10 reported a major impact and five a minor one. The impacts were greater among the Green Stream businesses.

Table 4-8 Number of cases impacting on sales and employment

	Green Stream		Other support		Grand Total	
	Sales	Jobs	Sales	Jobs	Sales	Jobs
Major impact	9	7	5	3	14	10
Minor impact	-	2	1	3	1	5
Total businesses		34		45		79

- 4.17 Each of the businesses that reported an impact were asked to quantify the effect of the additional finance on their sales to date and to estimate the impact that it will have on sales in three years time. The results for the sample are shown in Table 4-9.
- 4.18 In total, 54 jobs have been supported to date and £2.3m of sales have been made. In three years this is expected to rise to 157 jobs and over £52 million of sales. Some of the future sales would be expected to be generated from employment outside the region. The majority of this activity is among businesses that had Green Stream support.

Table 4-9: value of gross new sales and employment anticipated as a result of new investment

	Green Stream	Other support	Grand Total
New sales to date	320,000	2,040,000	2,360,000
Employment supported to date	41	13	54
Sales in 3 years	30,480,000	21,620,000	52,100,000
Employment supported in 3 years	115	42	157

Source: SQW estimates

## Extrapolating outputs to the whole population

- 4.19 Extrapolating to the population has been done on the assumption that the sample of 79 is representative of the full population of 202. To give a greater degree of accuracy the estimates are re-weighted to allow for the higher proportion of Green Stream businesses in the sample (Table 4-10).
- 4.20 Effectively the average employment impact for a Green Stream business and for a business supported through the other elements is calculated from the sample. This is then multiplied by the total number of cases in the population in the two categories.

Table 4-10: Gross employment impact for population

	Green Stream		Other support		Population (based on business numbers)	
	Sample	Pop	Sample	Pop	Sample	Pop
Employment to date	41	81	13	39	54	120
Employment in 3 years	115	227	42	126	157	353

Source: SQW estimates

### Gross to net

- 4.21 Adjusting the gross outputs to net requires an assessment of additionality and its components.
- **Deadweight** – the results from Table 4-3 provides a measure of the whether the investment and therefore the benefits would have been achieved without the InvoRed intervention. These are applied case by case and overall indicate that 45% of the finance raised (and related employment) can be attributed to InvoRed. This means 55% of activity is considered deadweight.
  - **Displacement** – this is calculated using responses to a question about the location of competitors. Displacement is shown at the regional, East Midlands level. In other words would some of the additional sales and employment expected be at the expense of competitors in the region. The effects are modest reflecting the fact that many of these businesses are expected to grow through the development of new technologies and compete in national or international markets rather than regional ones. Displacement, on average is estimated to be around 20%.
  - **Substitution** – occurs when a supported firm switches from one type of activity to another and therefore the gross outputs generated should be offset by the amount of activity that would have happened otherwise. Businesses were asked about how much of the anticipated growth in employment could be attributed to securing finance. On average a fairly low 10% of growth is considered to be substituted from other activities.
  - **Leakage** – occurs when some of the beneficial outputs take place outside the intended geographical area; for example, the investment creates employment elsewhere in the UK or overseas. Analysis of the results indicates that there is likely to be one significant case within the sample, and the gross figures have already been adjusted to reflect only the employment that is expected in the region.
  - **Optimism bias** – in order to take account of the potential that the output estimates are over-optimistic, a downward optimism bias adjustment has been made. In these cases this is likely to be limited given that the investments have been reviewed thoroughly by investors who clearly expect significant growth. We have used a factor of 10%. Optimism bias has been used by SQW in many of our Impact Evaluation Framework evaluations for the RDAs. Its relevance will vary for different Programmes, but we consider that when estimating future growth, businesses will understandably tend to take a more positive view than may be realistic. For example, they tend not to factor in potential changes in economic conditions.
- 4.22 Adjusting for these factors produces a *net impact* figure for both the ‘to date’ results and the anticipated ones. Table 4-11 shows the average values that have been applied at each stage of the process.

Table 4-11: Gross to net calculations in the sample of 79 businesses

	Average value	Employment to date	Employment expected in three years
Gross outputs	100%	120	353
Deadweight	55% (45% additional)	54	159
Displacement	20% (80% non displaced)	43	127
Substitution	10% (90% additional)	39	114
Optimism bias	10%	35	103
<b>Net impacts</b>		<b>35</b>	<b>103</b>

Source: SQW estimates

- 4.23 The finance raised as a result of InvoRed has contributed to a net additional 35 jobs to date and anticipated growth to 103 additional jobs in three years.

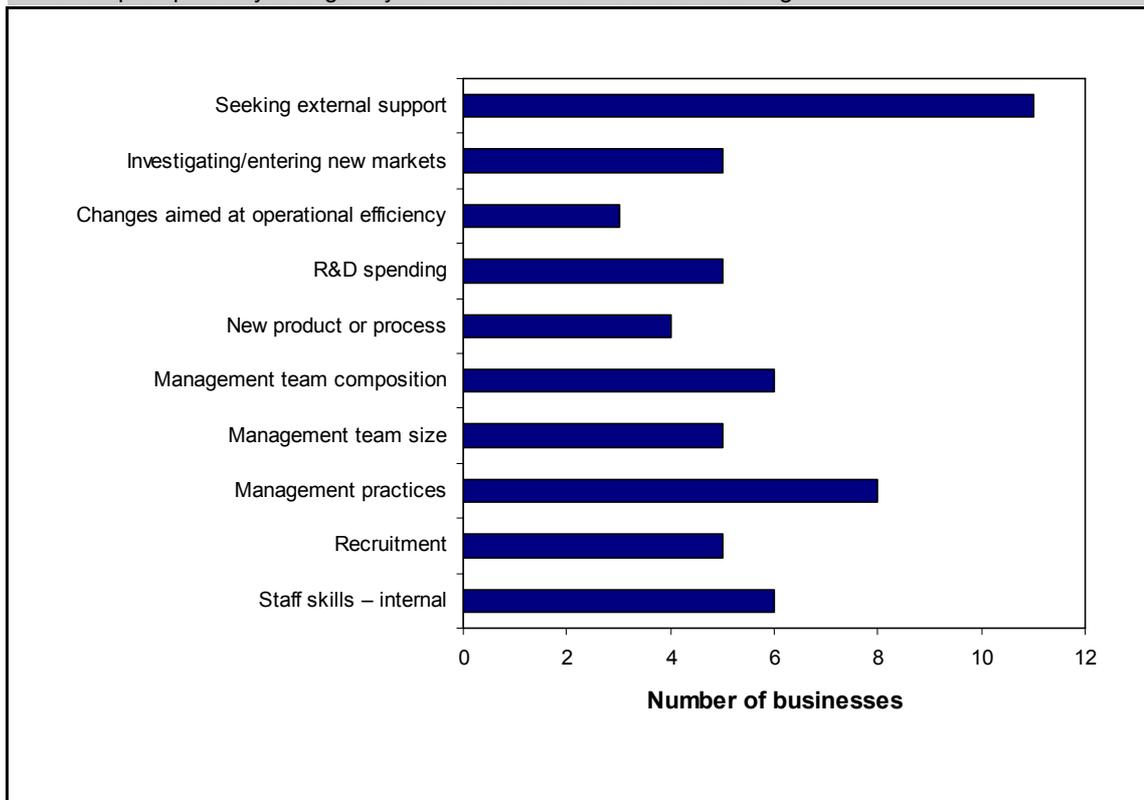
#### **Impact from businesses still seeking finance**

- 4.24 There are several other factors to take into account. A number of businesses that have been through the Programme are still seeking investment and, over time a proportion may be successful. Those still seeking funding believed that they would create a further 86 jobs. For the population as a whole this would represent 220 jobs. Assuming the same levels of additionality, this would equate to around 71 net jobs. Unlike those that have received funding, their business plans are less likely to have been reviewed as thoroughly as those that have secured investment, and there is more likely to be an element of “optimism bias” in their assessment of future employment. To allow for this we have assumed that a half (36) of these jobs would actually occur.

#### **Other impacts**

- 4.25 The survey demonstrated that the support provided by InvoRed also has a wider set of benefits beyond raising finance. There were impacts on recruitment, business planning, management practices and use of external support (Figure 4-1). Within the sample these other effects were reported by around 5 – 10 businesses or about 10% of the sample.

Figure 4-1 *Leaving aside* the direct effects associated with the raising of finance, has support from InvoRed prompted any change in your business in terms of the following .....



Source: SQW survey

4.26 The impacts are much stronger among Green Stream businesses than other support. Typically 10% - 20% of the Green Stream businesses reported wider effects compared with the other support where the effects, un-related to raising finance, were negligible. We conclude that it is only the more intensive Green Stream support that can claim to deliver these wider effects and, as demonstrated below, these can have significant effects on employment and GVA. However, the Green Stream also allows some of the Amber learning to be used.

Table 4-12: *Leaving aside* the direct effects associated with the raising of finance, has support from InvoRed prompted any change in your business in terms of the following .....

	Green Stream	Other support
Seeking external support	23%	7%
Management practices	17%	4%
Staff skills – internal	14%	2%
Recruitment	14%	0%
Management team composition	14%	2%
Management team size	11%	2%
New product or process	11%	0%
R&D spending	11%	2%
Investigating/entering new markets	11%	2%
Changes aimed at operational efficiency	6%	2%

Source: SQW survey

- 4.27 Businesses that reported these types of impact as a result of the InvoRed Programme were also asked to quantify the effects. Although not as great as the impact through finance, there were some surprisingly large changes with an estimated total of 16 jobs to date and 70 expected in three years, as a result of the support. Nearly all of this is attributed to the Green Stream support. Extrapolating from these figures to the population suggests that there are 41 jobs to date and 179 in three years.
- 4.28 The likely additionality of these estimates is different from the earlier analysis as they are not dependent on any new finance and therefore likely to be less robust and include more “optimism bias”. We have assumed that a third of the jobs to date (14) and a quarter (45) of the anticipated jobs are likely to be additional.

### Gross Value Added (GVA)

- 4.29 GVA is one of the core measures of economic growth and generating additional GVA in the region is one of the main aims of the Programme. It is impossible to collect GVA data directly from businesses and instead employment figures are used here as a proxy. Within the East Midlands, average GVA per employee per year is £33,500<sup>7</sup>. This allows us to produce net additional GVA results for the Programme. Because employment is ongoing and GVA is usually present annually, the GVA figures must be aggregated to 2011. To do this we have assumed that employment to date has all existed for one full year (in some cases it will be longer and others shorter) and that the employment in 2011 will grow in a straight line from 2008. The results are shown in Table 4-13.
- 4.30 To date the Programme is estimated to have supported 49 jobs among the 202 businesses that participated. Based on the responses to the survey, businesses believe that the support they have received will be responsible for a total of 184 jobs in three years. Over the period to 2011, this represents net additional GVA of around £15.6 million in the region.
- 4.31 This excludes multiplier effects. These are the knock on effects in the regional economy arising from the direct increase in economic activity generated by these businesses. The multiplier effects are caused by both additional demand for supplies and through an increase in income and profits. There is no published evidence of the value of these multiplier effects, but typically, at a regional level the aggregate effect (indirect and induced) is estimated on the basis of English Partnerships Guidance which suggests a low value of 1.3<sup>8</sup>. In practice the scale of these effects depends on capacity within the supply chain. At a time of relatively buoyant economic activity, there may be less capacity and therefore this relatively low figure has been used.
- 4.32 With the multiplier effects the impact would increase to an aggregate GVA of just more than £20 million and assuming that employment increased in line with demand, the number of jobs attributable to the Programme by 2011 would grow to 239.

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<sup>7</sup> Source: Office for National Statistics and Department of Enterprise, Trade and Investment, Northern Ireland see [http://stats.berr.gov.uk/sd/rci2008/rcsor\\_20080530.xls#2\(a\)!C4](http://stats.berr.gov.uk/sd/rci2008/rcsor_20080530.xls#2(a)!C4)

<sup>8</sup> English Partnerships Additionality Guidance suggests a range of multiplier values at regional level with a low estimate of 1.3. Without other evidence we have used this as a conservative estimate.  
Source: [www.englishpartnerships.co.uk/docdownload.aspx?doc=Additionality%20Guide.pdf&pid=64241OphaK9K2AAJh5I](http://www.englishpartnerships.co.uk/docdownload.aspx?doc=Additionality%20Guide.pdf&pid=64241OphaK9K2AAJh5I)

Table 4-13: Net employment and GVA impacts

	Emp. to date	2009 (estimated)	2010 (estimated)	Emp. expected in three years	Aggregate GVA to 2011 (£ millions)
As a result of finance raised	35	58	80	103	9.2
Potential from businesses still seeking finance	0	12	24	36	2.4
Additional performance benefit from participating in the programme	14	24	35	45	4
<b>Total ex multiplier</b>	<b>49</b>	<b>94</b>	<b>139</b>	<b>184</b>	<b>15.6</b>
<b>Total with multiplier effects</b>	<b>64</b>	<b>122</b>	<b>181</b>	<b>239</b>	<b>20.3</b>

Source: SQW estimates

## Programme costs

- 4.33 For the pilot period January 2003 to March 2006, the total cost of the Programme was £833,000. This includes the ERDF contribution but excludes any private funds raised. From March 2006 to the conclusion of the current contract in March 2009 the full cost is £2.3m. To the current time, we have assumed that the Programme is just over half of the way through its funding, which would mean a cost of £1.2 million. In total the investment in the InvoRed Programme has been £2.04 million.

## Value for money

- 4.34 How do the estimates of impact relate to these costs and does this represent value for money? The impact assessment estimated that the full Programme had:
- worked with businesses that have raised a total of £27.5 million of which £12.5 million can be attributed to InvoRed
  - created an additional 64 jobs to date with an expectation of 239 additional jobs in three years
  - this represents an annual increase in GVA in the region of £8 million by 2011. The aggregate increase in GVA to 2011 is estimated to be £20 million
- 4.35 Clearly value for money depends on whether the anticipated additional employment is realised in three years. If this happens the ratio of additional GVA to investment is around 9:1 in aggregate. Even if *none* of the anticipated jobs in three years time come to fruition, the additional GVA generated by those that have already been created still substantially exceeds the investment.
- 4.36 The creation of a net 239 jobs for £2.3 million gives a cost per job of £8,535, which is a good return for business development interventions, which can range from £5,000 up to £40,000.
- 4.37 The relatively strong impact results indicate that the Programme is addressing the market failure, but we consider that further improvements could be made by focusing on delivering more intensive support for a smaller number of businesses.

## 5: Wider views

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5.1 As well as speaking in depth to *emda* and Connect InvoRed managers, we undertook consultations with eighteen ‘external’ organisations for this evaluation among the following main groups:

- providers of finance (Catapult, Early Growth Fund managers)
- intermediaries (accountants, solicitors, fund raisers)
- organisations with links to Higher Education Institutions (for example in relation to commercialisation)
- business development organisations (such as Business Link)

5.2 The conclusions from these helpful and informative consultations are grouped under the main headings below. All but three of the consultees had had good contact with InvoRed and were familiar with the various forms of InvoRed support. A full list of consultees is provided in Annex B.

### **Key points**

- *There is market failure – a productive service is provided by InvoRed that has led to activity that would be absent if it was left to the market alone*
- *There is no crowding out of the private sector*
- *The market is relatively small; however, InvoRed could do more to go beyond its comfort zone to find attractive new propositions*
- *The events are well run and reasonably well attended by investors but they are a hit and miss way to match businesses and investors; while not abandoning them, other means (including one-to-ones) should be looked at*
- *The balance of resources should change with much more being devoted to the Green Stream clients; more selectivity all round would help. The smaller number of genuinely good prospects should get a better service (from higher paid mentors) over a longer period*
- *In the best cases, support should extend beyond the showcase events up until the point where a deal is done; care should be taken, however, to appraise prospects for this service carefully so as to minimise deadweight*
- *Businesses that come through the Programme can still be at quite a wide range of “investment readiness” and most still need a lot of work*
- *Related to this was a concern that the current structure and the content itself can raise expectations of businesses unrealistically. This might be one reason why a relatively large number of businesses seem to go a long way through the Programme before realising that they do not want to seek finance*
- *The question of charging clients should be looked at again*
- *emda and InvoRed should redefine the output indicators against which InvoRed is to be measured in future so that they relate principally to funds actually raised*

## Market failure

- 5.3 The key question of principle that needs to be addressed in relation to InvoRed is the extent to which it is a justified use of scarce public resources because the market, left to its own devices, will leave opportunities unexploited. Among consultees, the view was almost unanimous that ‘market failure’ indeed exists. The main line of reasoning was that there are a number of mainly early stage businesses with good ideas with great potential for exploitation. However, these businesses are often highly inexperienced, weak on the commercial side with poor knowledge of finance. Business plans are often inadequate to the point that the impression is given that businesses often do not know their own business very well. Early stage or small businesses have no knowledge of the requirements of finance providers and are frequently naïve about such matters, especially in relation to valuation of their own business. This suggests that businesses may underestimate the difficulties of raising finance, and potentially the impact that InvoRed can have.
- 5.4 Consultees believed that among those businesses which genuinely have potential, much of it can be addressed through external sources of advice. However, this is highly expensive. A value of £25,000 in fees for basic advice plus a proportion of the finance raised was quoted to us. Apart from the fact that the businesses themselves (many of which may be pre-revenue) can scarcely afford the fees that would be required, the fees themselves would be completely disproportionate in view of the scale of the transactions that are likely. One consultee also mentioned that the potential private sector providers just could not provide a service as relevant as the investment readiness service provided by InvoRed, even if the fees were to be available to companies. The private sector is simply not interested in this end of the market. All agreed that there is no ‘crowding out’ by InvoRed of private sector providers.
- 5.5 These views provide an external perspective on the existence of market failure. The acid test is the extent to which benefits arise that would not have arisen in the absence of the intervention. As was demonstrated in section three, significant amounts of funding have been raised (and benefits consequently generated) that would not have been raised but for InvoRed, that is, had market forces alone prevailed. This is hard supporting evidence of the existence of market failure.

## The market

- 5.6 The question which follows is what does the ‘market’ for a service which InvoRed provides look like and how extensive is it. We can look at the market in two ways:
- First, the general market for investment and debt funds
  - Second, the market for a service such as InvoRed.

### **Market for funds**

- 5.7 The view among consultees is that the overall supply of funds is tight at the moment. The existence of the ‘credit crunch’ and generally low levels of confidence mean that investors and debt providers are more cautious than was the case one or two years ago.

- 5.8 Paradoxically, small businesses might be more interested in equity than debt at the moment because of the increasing tightness of the debt market, with banks being even more cautious and risk-averse than they would otherwise be. Other things being equal, it might actually be relatively easier to secure equity than debt at the moment.

### **Market for InvoRed services**

- 5.9 The market for InvoRed services is the pool of small businesses that potentially could derive some benefit from what InvoRed has to offer. The overwhelming impression from consultations was that the East Midlands is a small market in this respect. There are only a very limited number of genuine good proposals coming forward. For example, those consultees who had been exposed to the InvoRed Amber Stream commented on the limited quality (in terms of growth and investment potential) of the great majority of businesses going through it. E-Synergy reckoned that there were probably 10-12 good opportunities per annum in the East Midlands and one other major bank quoted a similar figure. The failure of the East Midlands Venture Capital Fund to invest all the funds it had available is also a reflection of the relative weakness of the market. There is not the critical mass that there might be in larger regions, and it provides cause for reflection on how far the 'volume' orientation that has characterised InvoRed so far is still appropriate.
- 5.10 That said, there was also a view that InvoRed probably had relied too much on working through the existing and established networks of intermediaries and others, and that there were likely to be businesses out there which the conventional network did not know about. As one consultee put it, InvoRed should be out there 'shaking the bushes'. Even within the known networks, there were companies that constituted good opportunities for the InvoRed service that intermediaries had come across that apparently had had no contact with InvoRed.

### **InvoRed activities and performance**

- 5.11 Most consultees spoke in very positive terms about InvoRed both in relation to the principle of having something like InvoRed in place and in relation to the specific services provided through InvoRed. In some cases they were reporting feedback from their clients who had also been InvoRed clients. In other cases, intermediaries and finance providers were able to see a difference between companies that had come through InvoRed and those which had not. Anecdotal feedback was good. It was noted by one authoritative consultee that the flow of good deals in the East Midlands, was doubled as a result of InvoRed influence and that this deal flow was better than was the case in the West Midlands.
- 5.12 However, as might be expected, most of the comments related to areas where it is felt that InvoRed activity might need to change. These are reported below under some key headings.

### **Finding the companies to work with**

- 5.13 It was accepted that this was difficult (given the small size of the market, already referred to) and that InvoRed had taken logical steps through the Right Funds For You events as a means of opening up the possibility of investment readiness to all-comers - from which a much smaller number of good prospects might emerge. However, there was also a view that

InvoRed relied too much on its existing networks and that there was a need to reach out to find the small number of additional productive prospects that there might be.

- 5.14 One suggestion was to make more of the Business Link advisers. Indeed the product description under the national Business Support Simplification Programme suggests that Business Link leads on awareness raising. While there are two financial specialists in the Business Link complement (with whom InvoRed has very good relations) there are 72 other advisers in the East Midlands in regular contact with a wide range of companies. Not all of these would be capable relating effectively to InvoRed (because of background and inclination) but many could. If InvoRed could establish more direct links with these, an enhanced flow of referrals might be possible. Over the coming months, most of these Business Link advisers will be going through financial training. *There would be an opportunity for InvoRed to be part of this and present InvoRed services to this cohort of advisers.*
- 5.15 Even within existing networks, closer relationships were possible, for example through GINEM, into which InvoRed are already well-connected, and the support for high growth businesses currently being managed by PERA. These were considered to be opportunities for InvoRed to exploit through active marketing with good use of case studies. There was a need, as one consultee put it, for InvoRed to be more 'in your face'. More generally Connect have been encouraged by *emda* to promote InvoRed through a bespoke marketing campaign.

### **The conferences and events**

- 5.16 The general impression was that attendance by investors (including those from outside the West Midlands) at the various Connect InvoRed sponsored events was reasonably good. This was true of Springboard, the East Midlands Investment Challenge etc. However, there was little knowledge among consultees of any actual deals emerging (though they might not have known in any event) and the results of our survey suggested that most deals done are with finance sources from within the East Midlands. That said, the events were clearly considered to be professional and very well run.
- 5.17 However common views were that events – as mechanisms for linking businesses and investors - were:
- expensive
  - hit and miss, and something of a blunt instrument in assisting relationships to form
  - too generic – even with Roundtable, more specialist activity might be productive
- 5.18 The impression from the consultations was that there needs to be a stronger field of investors, with means other than events (e.g. very small meetings such as in Early Growth Fund or even one-to-ones) being tried out. It was believed that the performance of the A2F programme should be monitored with care to establish whether or not its approach of taking companies to London to meet investors might be more productive than the InvoRed approach of bringing investors to the East Midlands (not an easy task). It is too early yet to tell if this approach has been productive.

- 5.19 Two other suggestions were:
- matching specialist investors with companies in particular sectors
  - identifying the many high net worth individuals in the region and drawing them into the process
- 5.20 Identifying high net worth individuals is a task for GINEM and Connect currently directs individuals to GINEM or other angel networks. However, improving links with business angels and high net worth individuals was still considered by consultees to be an important area of activity for InvoRed in moving forward.

### **Follow up after events**

- 5.21 In most cases, InvoRed support for businesses ceases following the showcase events, though there is currently a pilot exercise in place to provide 'Corporate Finance' support to businesses as they enter the negotiation stage with a prospective investor. The view expressed by many consultees was that it was unrealistic to expect businesses to handle the protracted process of finally securing funding from an investor, assuming that initial contact had been at an event. Some believed that post-events and post Green Stream, InvoRed-supported businesses were still only 60%-70% investment ready.
- 5.22 Despite Green Stream support, businesses were still likely to be unprepared for any subsequent negotiations. The existing corporate finance support provided by InvoRed was a helpful start but needed to be extended. One consultee noted, however that InvoRed support beyond events and into the negotiation should relate to technical matters and guidance only and not to actually assisting the business in its negotiation with the investor. In the best cases, support should extend beyond the showcase events up until the point where a deal is done; care should be taken, however, to appraise prospects for this service carefully so as to minimise deadweight.
- 5.23 A generally more active approach to generating and developing links between companies and investors was looked for.

### **Balance of resources**

- 5.24 A very strong message, repeated again and again, is that this was *not* a volume game and that the Amber Stream should be looked at anew. There was a view that resources might not be being concentrated on the most productive areas with too much going on Amber Stream and not enough on the Green Stream. The Green Stream should be enhanced, providing more intensive and longer term support to a smaller number of companies - even to the point of assisting them to pay for a Finance Director. This might take the form of higher paid (and better) advisers engaging with businesses for a longer period of time (it could take one to three years to go from first coming into the InvoRed system to actually doing a financial deal), including the period following events (see above). The watchwords for the Green Stream should be 'fewer', 'better', 'longer'. The rationale for these suggestions was that:
- the evidence of their eyes suggested to many consultees that the big majority of Amber Stream companies did not really deserve special support

- the existing Green Stream ones still required more help to become truly ‘investment ready’
- 5.25 We note that recently, greater flexibility has been made available by *emda* to build on Green Stream support, but that these changes are unlikely to show up in the survey findings.

### **Outputs and outcomes**

- 5.26 The impression given was that the existing output and outcome definitions related primarily to numbers of businesses assisted – thus encouraging InvoRed to go down the volume, Right Funds For You / Amber Stream route. More effective indicators (in the sense that they would encourage more productive behaviour) would focus on what was achieved in relation to:
- businesses actually making contact with investors
  - funds actually raised

### **Charging**

- 5.27 This was a significant issue raised by many consultees. It was understood why InvoRed pursued this policy but the general view was that the bad feeling that it caused among companies and other investors was probably greater than the revenue raised was worth – even though private sector organisations involved in a similar form of activity would behave in exactly the same way. We also appreciate the considerable resources that InvoRed have devoted to setting up this system. However, the strong consensus was that it should be looked at again. It potentially soured the relationship between Connect InvoRed and businesses as well as other intermediaries.

### **Delivery of support**

- 5.28 The quality of the support was widely considered to be good but a number of specific points were raised. At the heart of this is consideration of two elements; what do we mean by “investment readiness” and how far is it reasonable to expect InvoRed to take businesses?
- 5.29 There are a number of valuable points to consider here. The first is that from the survey and feedback from investors, businesses that come through the Programme can be at a very wide range of “investment readiness”. From most consultees it is clear that most still have a relatively long way to go. One consultee thought that InvoRed helps companies get about 60% towards investment readiness. The Programme is valuable but there is still a lot to do.
- 5.30 It is unrealistic to expect much more given the type of Programme and the number of businesses that InvoRed works with. It raises the question of whether it might be better to get a smaller number 80% or 90% of the way. Related to this was a concern that the current structure and the content itself can raise expectations of businesses too high. This might be one reason why a relatively large number of businesses seem to go a long way through the Programme before realising that they do not want to seek finance, and why some others require a lot of work to take them through to genuine “investment readiness”.

- 5.31 In our conclusions we suggest that Connect considers these issues, particularly the level of expectation and whether this might help filter out weaker candidates at an early stage. This would be easier to do without volume targets and in tandem with a tighter, more quality driven approach.

### **Green Stream**

- 5.32 The consultations raised a number of issues around the current contract arrangements and expectations under which consultants work. There was without doubt a great deal of goodwill towards the Programme and also considerable commitment from those involved, but also a sense that this is being increasingly stretched.

- 5.33 There is a risk that relying too heavily on this goodwill will undermine the quality of the Programme and that this will, in turn, result in poorer results. Our conclusion is that a number of aspects of the current arrangements should be reviewed as soon as possible. The main issues are:

- The current rates paid to the consultants providing the support are below the market rate. This limits competition, restricting the range of consultants that would be willing to do the work and this could make it more difficult to get the best people. Both the day rates paid and the number of days available is considered too little for the amount of work that is needed in most cases. The requirement to pay VAT makes the fee actually received even lower.
- The contract sets out regulations relating to the roles that service providers play and who they can deal with according to the FSA. Under the contract, if consultants are not authorised by the FSA then they cannot put funding proposals to other entities that are not authorised. This may not reflect EU legislation and should be re-examined.

### **Wider considerations**

- 5.34 Some suggestions from consultees covered to relevant items not directly related to InvoRed. The two most significant were:

- The gap created by the demise of the Regional Venture Capital Fund. Even though it did not disburse all the funds it had available, it provided a valuable investment resource. If at all possible, it should be replaced
- The need to continue enthusiastically with the Business Support Simplification process – too many initiatives and too many instruments.

## 6: Conclusions and recommendations

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- 6.1 This chapter brings together the main findings from the research and develops a series of recommendations. Many of these have been raised throughout the previous sections of the report and this chapter brings together the overall conclusions.
- 6.2 Overall we conclude that the InvoRed Programme has worked well. Its success is reflected in the positive survey results, the economic impact estimates and in the views of stakeholders. Unanimously those interviewed recognised a need for this type of activity and its importance. The recommendations relate to relatively small changes that will help the Programme focus on businesses that have more potential.
- 6.3 The evidence supports the rationale for an intervention to raise awareness of finance options and to assist businesses to become more investment ready. However, we also note the importance of looking beyond the delivery of the Programme itself to other elements, for example, ensuring that there are sources of funds available and that potential investors are identified and informed of the opportunities that the Programme brings. To strengthen the market overall requires actions to improve links to the supply of finance as well as on the demand-side.

### Summary of results

- 6.4 Since January 2003 InvoRed has worked with over 200 current businesses. Combining Connect's own data and additional information from the SQW survey, we estimate that the businesses participating in the Programme have raised £27.5 million in total, of which more than £20 million has been in equity.
- 6.5 The survey showed that the Programme is considered popular and effective by those that have participated. Almost 90% would recommend it to others in the same position. Funding had been raised successfully in around a fifth of cases (26% for those participating in the Green Stream element). Where it had been raised, a third of the new investment had been used to fund research and development.
- 6.6 There was a reasonable level of additionality with the support making a bigger difference to raising finance among the Green Stream businesses than the others. Across the Programme about 45% of the funds raised were attributed to InvoRed's intervention.
- 6.7 This additional funding translates into direct economic benefits for the regional economy. We estimate that this funding has led to a net increase of 35 jobs to date and an expected 103 jobs within three years. In addition we estimate that 36 additional jobs will be generated among businesses that are still seeking finance. Excluding the direct effects of the investment, there are an anticipated 45 further jobs (in the next three years) as a result of the effects of the business advice.
- 6.8 Including multipliers, InvoRed is considered to have created an additional 64 jobs to date with an expectation of 239 additional jobs in three years. This represents an annual increase in

GVA in the region of £8 million by 2011. The aggregate increase in GVA to 2011 is estimated to be £20 million

- 6.9 Value for money will depend on whether the anticipated additional employment is realised over the next three years. However, compared with public investment of £2 million to date, these figures would demonstrate a good return.

## Conclusions and recommendations

- 6.10 Underpinning the more detailed recommendations is a more general point that relates to how far the Programme should be expected to take businesses towards investment readiness, and the expectations of the businesses themselves. Views on this differ, but there is no doubt that the distances that businesses need to “travel”, and the support they need, can be very different in each case. This points toward a need for flexibility and judgement rather than a standard or fixed approach.
- 6.11 While raising awareness of financing options is considered a *volume* activity, making businesses investment ready is not. There is a danger that InvoRed is stretched too much between these two models. The funnel structure is a mechanism that attempts to address both volume and quality, and it is working reasonably effectively, but we are concerned that the past emphasis has been on volume and this has made it difficult to strengthen the more tailored elements.
- 6.12 Effectively we are recommending that to tighten up the programme requires a shift in approach with more emphasis on smaller numbers of businesses with the greatest potential. This means more flexibility in support to better reflect the different needs of client businesses. In managing the project this requires trust, experience and judgement. This principle underpins most of the recommendations below.
- 6.13 A second overarching theme is the importance of maintaining and building credibility at several different levels. Attracting investors to events requires strong businesses. If the quality slips, interest among external investors will fall and the Programme and the region will be left looking inwards, relying more heavily on local investment sources rather than attracting investment from outside. This is a second reason why the recommendations are largely about focussing on quality rather than quantity and also on strengthening external links.

### **Overall**

- 6.14 The Programme has worked well and the refinements made since the pilot have greatly improved the model. The evidence of this is demonstrated in the results above. The Programme is based on well rehearsed market failures. *emda* has invested in InvoRed to address these failures on the basis that improving the level and quality of demand for finance will increase the level of activity. More deals have been done and more investment in East Midlands-based companies has been made than would have been the case without InvoRed. Just less than half the total finance raised by businesses participating is attributed to the Programme by the businesses, and consultees in the sector reported that it had increased the amount of activity.

- 6.15 This investment has translated into new economic activity to date and anticipated. Much of this investment will be used for research and development by healthcare, ICT and manufacturing businesses. The anecdotal examples given to us throughout the consultations provide concrete evidence of this.
- 6.16 There did not seem to be any strong need to increase the level of resources invested in InvoRed. We have not looked closely at the way resources have been used within the Programme, but overall, the pool of businesses to work with is not sufficiently large to consider an increase in scale.

*The InvoRed programme is fulfilling its aims and we recommend that it should continue to receive funding, subject to the other recommendations. Although we did not examine the finances of the Programme in any detail, there was no strong view that the scale of resources should be increased or reduced.*

### **Programme development**

- 6.17 There are many good things about the model and it is broadly the right shape. Spreading the net wider to raise the profile and awareness of access to finance issues is the right thing to do and although the evaluation has focussed on those that have had significant support through mainly the Amber and Green Streams, the Right Funds for You and the Investment Challenge events are useful vehicles for generating publicity and interest; there is, however, considerable scope for getting the Programme even better known.
- 6.18 Equally, at the other end of the funnel the intensive support should be more tightly focused on those that have the potential for growth but need further, hands on support, to secure a deal. This is very hard to judge. There are risks of funding activity that would happen anyway. The new corporate finance support is one way of providing this flexibility and it has been included in the Green Stream support to provide a single source of funds to offer direct support.

*The value of the Green Stream support available should be more flexible and based on a diagnostic assessment. Combining the resources available for corporate finance within the Green Stream has given a larger overall pot and offers scope for more financial support (up to £25,000). With this comes more risk and responsibility in ensuring that the funds are used to pay for genuinely additional services and do not replace activities that investors would fund anyway.*

- 6.19 One concern raised by both the survey results and the consultations is the number of participants that go through both Amber and Green Stream support before deciding not to seek finance. There will always be a small number where circumstances change however; from the Green Stream almost one quarter do not go on to seek investment. This is too high and from the consultations there was a concern that this may be a result of targets that require a certain number of businesses to be assisted.
- 6.20 The first stage would be to reduce the targets on the number of businesses to be assisted, and to prioritise the value of finance raised along with targets that reflect jobs created and GVA.

6.21 Changing the output measures will help focus the programme on delivering a smaller number of businesses that are more “investment ready”. There are two reasons why these volume targets should be changed:

- existing targets have demonstrably led to resources being used for cases where there will be limited economic impact
- in trying to meet volume output targets, poorer quality could undermine the objective of attracting additional investment in the region

*Future target setting should focus on outcomes; the additional finance raised, additional jobs created/safeguarded and additional GVA. An output indicator could be businesses assisted that secure funding. Businesses that do not go on to seek funding after receiving significant support should be recorded separately.*

6.22 A number of businesses considered that there was scope to offer more contact once the participation in the programme was complete, even if this was simply to monitor progress. Connect do this, but the fact that several businesses were not aware of it suggests that this could be strengthened.

*With a stronger emphasis on measuring outcomes, monitoring the performance of businesses post-support is likely to become even more important in demonstrating the effectiveness of the Programme. This fits with businesses’ own comments that they would like contact to continue once formal participation has ended.*

6.23 The emphasis of the Programme should be on the Green Stream activities. There are a number of reasons for this:

- these cases are more likely to generate stronger impacts – a higher proportion go on to raise finance, typically larger amounts, and these translate into jobs and GVA
- the additionality is stronger – the Green Stream support makes a bigger difference
- the types of activities being funded are more likely to relate to research and development
- respondents to the survey thought it was the most useful and most consultees agreed
- there are a range of wider effects, or spin-off benefits, that the Green Stream support generated beyond raising finance, including strengthened management teams, better business plans and more robust market analysis.

6.24 Although we suggest strengthening the Green Stream support, this also means being more rigorous in filtering out cases that have the least potential. Candidate businesses should be more thoroughly vetted, possibly using a scoring structure and to ensure that they have realistic expectations of what can be achieved.

6.25 A short diagnostic report would be produced to identify the areas where support is needed and to set targets for progress before the funding is agreed. This will be easier to do if service

providers are paid a higher rate and know that there is more flexibility around the number of days required.

*At the outset of the Green Stream support InvoRed must ensure that participants fully understand the costs of the process they are entering into and have realistic expectations of what they can achieve. This should help filter out those that would not go on to seek funding.*

*There should be a tighter filter on which businesses receive support, based on their potential. A more formal assessment or scoring system would set out the support required.*

*A diagnostic assessment could be used as the basis of the agreement for support and could, for example, include targets.*

- 6.26 The consultations also raised issues around the current contract arrangements and expectations under which consultants work. There is a risk that relying too heavily on goodwill will undermine the quality of the Programme and that this will, in turn, result in poorer results. Our conclusion is that a number of aspects of the current arrangements should be reviewed as soon as possible.

*The current rates paid to the consultants providing the support are below the market rate. Both the day rates paid and the number of days available is considered too little for the amount of work that is needed in most cases. This should be addressed.*

*The contract sets out regulations relating to the roles that service providers play and who they can deal with according to the FSA. These can cause problems and it would be worth ensuring that these restrictions are necessary.*

- 6.27 Charging success fees was a significant issue raised by many consultees. It was understood why InvoRed pursued this policy but the general view was that the bad feeling that it caused among companies and other investors was probably greater than the revenue raised was worth. The consensus was that it had the potential to complicate relationships to the detriment of the Programme and should be looked at again.

- 6.28 The fees make up an important part of the intention that InvoRed generates 20% of its resource privately. Including a requirement to raise a contribution from the private sector is an important principle, but given the difficulties of securing income through the fees, achieving 20% becomes more challenging. It is unlikely to become any easier and there may be a case for accepting that the efforts required to raise this level of income could have a negative impact on the performance of the Programme. We suggest that if the success fee is removed, *emda* would also need to consider whether there is a case to reduce the level of private sector contribution in future.

*The success fees structure has caused difficulties and some believed that they could not be justified on top of the other professional services required to complete a deal. Although a lot of work has been done to resolve the situation, there remained a view that the imposition of these fees should be looked at again.*

*If the fee is removed, *emda* would need to consider whether there is a case to reduce the target level of private sector contribution from 20%, in the future.*

### **External links**

- 6.29 Although InvoRed is limited in what it can do to stimulate the supply side, it is responsible for developing good external links. There is a danger that this is overlooked in focusing too much on the model and delivery of business support. There is evidence that Connect and InvoRed has a reasonable profile, but also that they could do more both to make businesses aware of what they do and to generate interest among potential investors.
- 6.30 Many of the consultees offered ideas about how InvoRed could do more to work with other stakeholders, such as Business Link. Not all of these would be appropriate or possible within the current resources, but comments that it should be “more in your face” and letting others know about it suggest that it is an area for improvement.
- 6.31 The investor side is even more difficult to judge and consultees tended not to have views on how effective the Programme was in building links with investors outside the region. This is an important role for InvoRed. Feedback on the range of investors attending events was generally very positive, but maintaining this will require relationship management and this needs resources.

*The importance of the Programme having an active outward facing role should not be lost in discussions about the operation of the model. A new contract should make sure that the external links or outward facing role is given a high priority. This is both in relation to identifying and attracting businesses and potential investors. The contract should provide sufficient funds and flexibility for this.*

## Annex A: Participants' comments

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**Is there scope for the InvoRed programme to provide support or coaching, beyond the end of the current Programme (e.g. after the showcase events), to try and help finalise/secure deals? If so, what would the most beneficial form of this support?**

---

- 1-1 at your own business for 1/2 day with someone who understands what your business is about
  - 1-1 continued
  - 1-1 mentoring
  - 1-1 someone to bounce ideas off
  - A Mentor
  - Anyway to meet investors who would listen to my needs, someone in advertising mainly
  - Building up a bank of people
  - Business mentor
  - Business mentor or coach could be available
  - Can't define till I'm actually their
  - Can't give specific but coaching could be given
  - Coaching 1-1 to really motivates you
  - Depend on person who is doing this telephone face to face interviews
  - Feedback essential
  - Further funding for development of products
  - Get more and right type of investor. More investment fairs
  - Grants for recruitment people office based
  - Help and guidance to help us move forward
  - If they took the company right through to funding
  - InvoRed do not communicate well
  - Just gone through restructure so hard to say
  - Keep contact to fund out where we are now
  - Mentoring to continue for months
  - Mentoring scheme, regard to marketing
  - More 1-1
  - More companies to provide the specific help we need
  - More finance available
  - More hands on involvement
  - More mentoring during any after deals
  - More support beyond current programme, support with business planning, more mentoring
  - Need support to find a better audience. Discussion about who are the thinks for
  - Need to look into ideas where people come up with new product. Need engineering input
  - No Idea
  - Once the business is successful in receiving money, it would be helpful to have support on spend it
  - Ongoing advice
  - Ongoing contact and support
  - Ongoing support is very valuable
  - Regular Contact for up to 6 months to review implementation of results
  - Some form of continued mentoring
  - Support on corporate finance, independent advice
  - Support or coaching by an individual
  - Support with help on security for loan finance
  - Taking things forward
  - The issues and problems I had after with the bank need to be addressed so aftercare would have done
  - To find out what else is available to me
-

### **How could Amber element of the support be improved?**

- Too much information in too little time
- I don't think amber is bad. It gave me insight, made me more aware of business planning
- Smaller number of delegates, so more personal contact available and more time available was rushed
- More on presentation skills not impressed with sales marketing slot
- Improve how to value a pitch. Thinks its much improved now
- More 1-1 guidance
- good as it is
- Don't think it needs improving
- You were never guided in to where you should go. Success stories at events would be good
- Some events too much to take in short time
- It was too rapid- it was 2 days and intensive. Perhaps be other a longer period of time
- Presentation was very biased towards making a pitch
- More towards social enterprise
- Case studies would have helped
- Happy with everything
- It was good, I knew so little
- Could be slightly more tailored to individual needs
- Search engine optimisation sessions. Tailored advice.
- More opportunity for presentation
- Needs to be more tailored to individuals needs
- Variation of business and different levels of requirements. Topics should be tailored
- More 1-1
- Assigned an Advisor- I was disappointed with him
- More publicity. so they knew about he pitch
- Because we are high risk, long term, no one was interested in helping us
- A bit of a mismatch of companies
- More businesses that were like minded or at same level at the event
- Could have gone on for longer. More depth on who are you pitching to. How to get the right audience
- It was very good overall service. One of the tutors not focused on why we were there
- Course was rushed. we needed about 2 more days
- Give more of an overview of everything in one place would be good

### **Suggested improvements to the Green Stream**

- It was fine - no improvement
- Helpful to have people who have been through the protocol
- Would like to learn more on how to do financials myself rather than get accountant help.
- Green Stream should allow you to be exposed to different people.
- Meet more sources of funding
- They could pay for everything
- Coach thought he didn't listen
- Coaching was excellent. No improvement
- A good job is done
- We were always pushed to raise more money. It made sense, but we did not feel we needed it
- No improvements. Highly interactive
- Could have a better overview of our position at the beginning

**Which single element of InvoRed most enhanced your chances of securing funding?**

- The investment panel
- The Pitch
- Team is very good Paul, Ian and David
- Assistance with certain experiences
- The business plan coaching in the green stream
- Business Plan preparation
- Presentation
- The range of expert knowledge available
- Green stream
- The external speakers and messages coming across being very helpful
- The external expert used
- Making sure of a strong management team
- Overall knowledge I gained
- Given me the background knowledge I needed
- The Presentation
- Their knowledge was very good
- Advice
- Mock assessment panel
- None of them
- The consultants used needs to be closely reviewed. Every consultant should have targets. I've not had a good experience with the consultants assigned to me
- Pitch presentation
- Having industry expert working with us tuition
- The fact that they brought in people who had been in the business plus contact with investors was very important
- Business plan assistance
- Taught me that this was not the right route
- Whole programme gave me a lot more knowledge
- Knowing how to put a pitch together
- All of them, because I knew so little
- Connect team @ loughborough
- Overall expertise
- The coach mentor we had
- Overall well put together
- Financial information gained
- Pitching. They challenged us on our business plan
- Pitch work
- Rigorous analysis of business plan
- Amber Workshop
- General experience
- The pitch
- Better understanding on the business strengths
- Now have a proper business plan
- The analysis of business plan
- Importance of management team
- Marketing was something we really needed
- Getting options
- Role play was good
- Boot Camp
- Having audience and practising

### **Best things about InvoRed**

- Didn't assume prior knowledge, Quick to respond
- Gives you marketing skills and makes you more confident
- Contacts, how to get into network
- Overall quality was ok
- Gave us encouragement
- Quality and breadth of topics covered
- Concise, practical
- It's very clearly focussed, the team delivering it have a strong commercial bent unlike many public funding programmes
- drawing on experience. Some better people on board now with Connect
- All very helpful and supportive
- Support was individualised
- Knowledge of how to make the pitch
- Whole restructuring of finance made our company viable. Awareness shown of potential in existing business focused us on which direction to take
- Helpful staff
- Prompt, timely did what it said
- Learnt a lot about finance, marketing and employment
- Advice on pitching, understanding venture capital requirements
- General support, the InvoRed team
- Not much for me, I learnt very little
- Pitch presentation
- Contact with people, networking
- All run by very competent people. It's unique in terms of the opportunities it gives to people
- 1-1 mentoring
- It gave fresh ideas and insight into starting up a business
- Follow up I received and general support
- Knowledge and expertise of the providers
- Concise, precise, managed to answer the questions I needed answering
- It allows you to develop your skills and revises awareness of how to assess finance
- Confidence to approach investors
- All the info and hands on
- Connect team
- Broad overview given
- The Coach mentor
- Confirmed direction we needed to take
- Overall support rate highly
- Mentoring
- The fact that it enlightened
- Help with business plan, signposting to business angels
- Confirmed what we already knew
- Putting you in front of panel and showing viable options, sharing problems
- Delivery from advisors
- Information, varied
- Boosting confidence. Confirmed the products was good
- Very high quality delivery of the key speakers
- Business plan coaching excellent
- Ongoing - they took time to link us with the right people
- Mentioning was brilliant
- Intensive and 1-1
- Whole programme helped us focus to keep going
- The knowledge was good
- Support is there for you. Relatively well organised
- Listened to what we wanted before they told us what they could do
- Expertise
- Were able to ask questions to various people when on the pitch. Got to really know our business

## **What could be improved**

- 1-1 could be increased
- More practical examples and looking at more scenarios
- More frequent investment events
- The large amount of people at workshops who had never tried to raise finance before. Where as I had been there before, felt they were going over old ground. They should distinguish between academic businesses and others
- Need support in actually securing deals and being introduced to investors
- 1-1 contact on site
- More focused on different channels of funding, too equity based
- Keeping in touch
- Where one has very limited funds there is room for giving free services if there product is good
- More individual guidance
- Make promises but rarely get in touch with him, would like mentoring
- Can't say to be honest, overall faultless
- Should have 1-1 with someone in same line of business as yourself
- Introduce business mentors. Different levels of support for different businesses
- More constructive advice - felt the help and support given was vague
- The consultants element could be improved
- Presentation needs to be completely rethought. Weren't interested in what I was paying they wanted to sell me their services
- Too vague, nothing solid
- More on finance sector
- Feel this is down to the individuals attending, to take the most out of what's offered
- Bringing in people who have done the course and managed to raise funds, who could discuss the lessons learned
- Should have focused some time on getting finance without giving up equity
- More focus on the financial planning. There was only one session and I feel it is the most important item
- Someone to phone about every 2 months and find out how you are doing - assist you to move along
- An Account Manager
- Could be beneficial to put businesses by sector for events
- Financial support and more info
- Case studies in Amber Stream would be useful
- Found whole procedure too heavy A lot to absorb in a short period
- Help to encourage investment to generate long term wealth and help to make business
- Move face to face contact
- Everything should be under one brand name. Mentoring need to be extended. Grading of sessions to focus on particular business sector
- Coaching for small start-up business should be from someone who can give hands on assistance
- More involvement, regular get together groups. investments companies would have a better understanding of our markets
- Need support afterwards on how to spend. Spent cash faster than we should have. Need corporate finance advice
- Everyone has individual requirements, where 1-1 moved be beneficial
- Support after funding or how to spend the money. Got the money now what to do with it
- Follow up support for development
- Explain what returns investors are looking for
- Our business wasn't valid to them because it is small, with long term success rates, they don't cater for this
- More 1-1 support, or small scale support
- Having an event where all the businesses were at the same level
- The audience at events
- To see more of the advisors
- Timing of course! needed 2 days longer for the course. It was done too quickly
- Continuous follow on
- Needs additional something between Amber and green workshop, something to keep the pot boiling
- Case studies
- Follow up sessions
- Pre screening interviews to select InvoRed participants
- Meeting with some real investors at the end
- Insurance requirement badly lacking
- Specific training in accountancy
- Marketing advice was too dogmatic

### **Single recommendation**

- 1-1 ongoing would be beneficial
- Be a little more specific, too general at times
- More investors. The point is I could have gone to partners directly
- Smaller group sizes
- Take too long to circle boxes Too mechanistic. Not about getting numbers in
- Visit to businesses would be good. Advisors would be able to see what we need
- Should have focused some time on getting finance without giving up equity
- 1-1 with advisor who has full knowledge of your particular sphere of business who can go through the highs and lows of your plan and advise accordingly
- Not enough businesses are aware of the services and how good it is - need to change that
- More specialists attending springboard events for your particular business instead of overall general events
- More evening events
- More 1-1 initially
- Better scrutiny of the consultants used. Matching the right consultant with the business
- 1-1 concentrating on your business needs
- Need to advertise more
- Case Studies
- They should find seed money to help start ups to get off the ground
- Ongoing mentoring
- Keeping in touch and keeping tabs on us
- Opportunity for interaction and networking between other companies and advisors
- Ongoing mentoring and support
- Not to use retained speakers especially for funding
- I had so little knowledge at the beginning and have learnt so much - but feel I'm not qualified to say
- Follow up sessions and 1-1 sessions
- More 1-1 at events
- Further 1-2-1 mentoring
- 1-1 on site would be very helpful
- Project manager who could go through full process with your company and would better understand your needs by them
- Once deal with financier is done, need support on spending money so as not to burn cash
- Following up to see how business is fairing
- More 1-1 on individual business involved
- Support with how to spend the finance raised
- Negotiate terms of deals with VC's
- Points of contact for continuing support would like to try InvoRed again
- Explain more on what returns would be and what returns investors would expect
- Little businesses weren't taken seriously. Big high tech companies get preference
- I'd rather pay if the people I had attended with had been on the same level as we were. No use putting different companies together who are not on same level
- More advanced notice when courses will be held
- Have events where all the businesses are at the same level
- Target the investors who are attending the spring board events a bit better
- Some advanced reading material would be good
- More ongoing mentoring

## Annex B: Consultees

Table B-1

	<b>Consultee</b>	<b>Organisation</b>
1.	Lewis Stringer	Business Investment Team Manager, emda
2.	Jonathan Lowe	Head of the Business Investment Team, emda
3.	Neale Ryan	Business Investment Appraisal Manager, emda
4.	John Griffiths	Connect InvoRed
5.	Paul Jenkinson	Connect InvoRed
6.	Giovanni Finnocio	Connect InvoRed
7.	Richard Comer	Connect
8.	Barry Egan	Regional Finance Specialist, Business Link:
9.	Andrew Kwan	Regional Finance Specialist, Business Link:
10.	Richard Gill	Regional Director, Business Link
11.	Mike Bowman	E-Synergy
12.	Nick Wright	E-Synergy
13.	Nick Tennant	East Midlands Incubation Network (EMIN)
14.	Debra Martin	Senior Associate, Geldards LLP
15.	James Banton	Associate Director, Grant Thornton
16.	David Browne	Cooper Parry
17.	Glenn Crocker	BioCity
18.	Rob Carroll	Catapult
19.	Steve Blount	CMR consultants and GINEM
20.	Tim Maskell	Leicester University
21.	Lawrence Fenelon	Beer and Partners
22.	David Belbin	PWC
23.	Lindsay Angus	Bank of Scotland
24.	Sam Stephens	Business Advice team
25.	Roger Merchant	PKF

Source: SQW

## Annex C: Survey Questionnaire

### Evaluation of the Connect Midlands InvoRed programme

Over the past five years Connect Midlands and East Midlands Development Agency (*emda*) have provided help to businesses raise investment funds. This has been offered through the “investment readiness” programme, **InvoRed**. To assess the effectiveness of InvoRed and to secure feedback on how it can be improved, *emda* and Connect have commissioned SQW Consulting and IBP Strategy and Research to carry out an evaluation of the programme.

We are keen to listen to your views, as a business that has participated in this support, on how valuable it has been, whether it has helped your business to raise funding and to improve performance overall. The research is very important for the continuation of the programme and we are very interested in whether there are ways in which it might be improved to help businesses reach their potential. Your participation in this interview is greatly appreciated. This interview will take about 25 minutes.

**Your response will be treated in the strictest confidence.**

### Section 1: Respondent details

Name of Company:	
Contact Name:	
Position:	
Contact Number:	
Contact email:	
Address	
Postcode	

Interviewer name	
Date	

### Section 2: Business basics

**1. Which of the following best describes the status of your business? (tick one)**

Sole trader	
Partnership	
Limited company	
Pre start	

**2. Has the business been developed from either of the following?(tick one)**

Spinout from higher education institution	
Spinout out from a private company (ie where parent organisation retains a stake)	
Neither	

**3. Briefly, what services/products does the business provide?**

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**4. In which of the following sectors does the business operate? (Please mark one X)**

Environment and energy		ICT software	
Manuf'g – food/drink		ICT hardware / communications	
Manuf'g – electronic		Business services - finance, insurance	
Manuf'g – electrical		Business services - computer/IT	
Manuf'g – engineering		Business services - technical	
Manuf'g – transport equipment		Business services – industrial design	
Manuf'g – other		Arts/music	
Construction		Education	
Transport and communications		Healthcare	
Hotels, restaurants and bars		Other (please specify)	
Retail			
Sport and Leisure			

**5. At the time of the support from InvoRed, was your business.....? (tick one)**

Pre-start: putting the business together	
Start-up: had started up within the previous 12 months	
Established business	

**6. If established, for how many years? (tick one)**

1 year – 3 years old	
3 – 5 years old	
Over five years	

**7. If established or now started up, what approximately were sales in the last (most recent) financial year? (make sure to fill this in correctly in £s not thousands)**

£ __, ____, ____
------------------

**8. How many people did your business employ WHEN YOU FIRST APPROACHED Connect InvoRed (including owners/proprietors)? Enter number**

Number Full Time	
Number Part Time	

**9. How many people does your business employ NOW (including owners/proprietors)? Enter number**

Number Full Time	
Number Part Time	

### Section 3: Before involvement with InvoRed

**10. Had you tried to raise external finance for any purpose from any sources before contact with InvoRed?**

Yes	
No	Q12

**11. If so, what type and were you successful?**

<i>Type?</i>	<i>Tick as many as apply</i>	<b>Successful? Tick if YES</b>
Overdraft		
Bank loan		
Grant		
Equity		
Friends and family		
Other		

**12. How did you learn about the InvoRed support? (tick as many as apply)**

Through an advert (newspaper, business magazine, brochure, other)	
Word of mouth from other businesses that had used it	
Responding to a mailshot	
Connect Midlands contacted you directly (eg, invitation to an event)	
Attendance at a non-Connect/InvoRed event	
Referred to InvoRed by a potential investor	
Referred from Business Link	
Referred by the Chamber of Commerce	
Through another local business forum	
Found them on the Internet	
Through a professional advisor (e.g. accountant, banker, solicitor)	
Other (Specify.....)	

**13. What were your specific aims in taking part in InvoRed? (tick as many as apply)**

Wanted to understand more about the financial needs of our business	
Wanted to understand the financing options available	
Wanted to learn about what investors are looking for in investment proposals	
Wanted help in preparing an investment proposal	
Improve our ability to present an investment proposal	
Wanted to gain access to potential investors	
Other (Specify.....)	

**14. What did you require investment funding for?**

New or expand property / premises	
Invest in research and development	
Capital equipment	

Market research	
Marketing	
Training	
Recruitment - general	
Recruitment – senior staff/management team	
Working capital	
Trade development / exporting	
Other (Specify.....)	

**15. At the start of the InvoRed programme, how much did you initially aim to raise (make sure to fill this in correctly in £s not thousands)**

£ __, __, __
--------------

## Section 4: Involvement in InvoRed

**16. When did you first receive support from InvoRed? (tick one)**

2002	
2003	
2004	
2005	
2006	
2007	

**17. Which elements of the InvoRed programme did you participate in (tick as appropriate)**

<b>Right Funds for You</b> event	
<b>Amber stream</b> (either done through a series of workshops in the pilot, or more recently 2 day event with 6 or 7 workshop sessions)	
<b>Mock assessment panel</b>	
<b>Green Stream</b> – part funded coaching support for around 5 -10 days working with business to address specific elements of investor readiness	
<b>Bootcamps</b> – half or full day event on a specific theme such as sales and marketing	
<b>Connect Midlands Investment Conference</b>	
<b>Springboard</b> events (pitching event)	
<b>Roundtable</b> (Smaller scale pitching event)	
<b>Investment Challenge event</b> (pitching event and competition held in 2006 and 2007)	
<b>Access to finance</b>	

**18. Did you pay for the support provided?**

Yes	
No	

**19. If so, how much?**

£ (exact amount)	
------------------	--

**20. In retrospect, would you have been willing to pay, or pay more?**

Yes	
No	

**INTERVIEWER – USE THE ABOVE TO INDICATE WHICH OF THE FOLLOWING 3 SECTIONS TO COMPLETE – AND THEN ALL SECTION AT THE END**

**If you participated in Amber stream**

**21. Which of the following elements did you attend and can you score how useful you found it each from 1 (low) to 5 (high)**

	<i>Undertaken</i>	<b>Score 1 – 5</b>
.....understanding what the financial sources are looking for		
.....routes to market		
.....sources of finance – why and how		
.....legal aspects of fundraising		
.....management team structure and content		
.....how to make the pitch		

**22. How could this element of the support be improved?**

2	
3	
4	

**If you participated in the Green stream**

**23. Can you tell me what aspects of investment readiness that the coach assisted with and score the support from 1 – 5**

<i>Coaching done...</i>	<b>Score 1 – 5</b>

**24. How could this element of the support be improved?**

5	
6	

**If you participated in other events**

**25. If you participated in any of the other following events can you indicate which and score from 1 -5 as to how effective they have been**

	<i>Undertaken</i>	<b>Score 1 – 5</b>
<b>One to one contact</b> arranged by InvoRed/Connect with potential investor/s		
<b>Mock assessment panel</b>		
<b>Bootcamps</b> – half or full day event on a specific theme such as sales and marketing		
<b>Connect Midlands Investment Conference</b>		
<b>Springboard</b> events (pitching event)		
<b>Roundtable</b> (Smaller scale pitching event)		
<b>Investment Challenge event</b> (pitching event and competition held in 2006 and 2007)		

**26. How could this element of the support be improved?**

7 8	
--------	--

**ALL support**

**27. Did your involvement with the Programme stop after the support formally ended (for example after the end of the Amber Stream workshops or following the Springboard ‘showcase’ event)?**

Yes	
No	

**28. Is there scope for the InvoRed programme to provide support or coaching, beyond the end of the current Programme (eg after the showcase events), to try and help finalise/secure deals?**

Yes	
No	
Don't know	

**29. If so, what would the most beneficial form of this support?**

--

**30. Would you be willing to pay for this type of support**

Yes	
No	

## Section 5: Raising Funds

### 31. How did the InvoRed support contribute to your search for finance (tick all that apply)

Item	Tick
Strengthened our commitment to seek funding	
Helped us to decide not to seek finance	
Increased the scale of the finance we were seeking	
Reduced the scale of finance we were seeking	
Helped us identify the type of funding we needed	
Led us to strengthen the management team	
Led us to look at different markets	
Introduced us to potential investors	
Helped us to identify potential investors	
Helped us to change the content of our business plan	
Helped improve our presentation of the business plan and vision	
Helped us identify other sources of professional support	
Other specify (.....)	

### 32. How much did you understand about the financing options available.....

	Score 1 to 5 (1: nothing; 5: a lot)
.....before embarking on InvoRed?	
.....after the programme?	

### 33. How interested were you in seeking funding.....

9	Score 1 to 5 (1: not; 5: a lot)
.....before embarking on InvoRed?	
.....after the programme?	

### 34. Did your participation in InvoRed have any influence on your attitude towards equity as a source of finance? (tick one)

Views on equity became more positive	
Views on equity became more negative	
No change	

### 35. As a result of the support you received via InvoRed, did you go on to seek funding?

Yes		Q36
No		Q37

**36. From what types of organisation? (tick as many as apply)**

Regional venture capital funds	
Venture Capital from outside the East Midlands	
Business Angels	
Banks	
Other (specify.....)	

**37. To what extent has your search for funding been successful? (tick one)**

Wholly		Q38
Partly		Q38
Ongoing		Q46
Unsuccessful		Q49
Did not seek investment		Q50

**INTERVIEWER USE THIS QUESTION TO FILTER TO SECTIONS BELOW**

**Wholly or partly successful in raising finance**

**38. If you were successful, how much funding did you raise? (£ enter full amount)**

Regional venture capital fund	£
Venture Capital from outside the East Midlands	£
Business Angel	£
Bank	£
Other (specify.....)	£
<b>Total</b>	<b>£</b>

**39. How did you identify the successful investor/s**

Helped directly by Connect InvoRed programme/staff	
Found investor through our own research	
Found investor through Connect/InvoRed event	
Through a non-Connect event	
Assisted by another party, independent of Connect	
Other (specify.....)	

**40. Has the funding been used for the purpose described in Qn 14? (tick one)**

Yes	
Partially	
No	

**41. If the funding has been used for something different, please say for which new purpose?**

1	
2	

**42. How much of the success in securing this finance would you attribute to the skills, knowledge and contacts you gained through InvoRed? (tick one)**

100%	
75%	
50%	
25%	
None	

**43. Do you believe that you could have raised the finance without the support from InvoRed? Perhaps it would have taken longer or would have been on a smaller scale?**

**Which of the following describes what would have happened without the support (tick all that apply)**

**Without InvoRed support...**

We would not have raised any of the finance at all	
We could have secured finance, but not as much	
We could have secured finance, but it would have taken longer	
We could have secured finance, but it would have been an inferior type or structure	
We could have secured finance, but we would have had fewer options	
We would have been less likely to secure the finance we needed	
We would have secured the same finance anyway, regardless of the InvoRed support	

**44. Do the new investors play a role in advising the business?**

Yes	
No	

**45. If so can you describe the benefit this has brought and any disadvantages or problems**

Benefits
Problems or disadvantages

**Finance search is ONGOING**

**46. If you are currently seeking finance, or plan to in the near future, how much funding do you aim to raise? (£ exact amount)**

Regional venture capital fund	£
Venture Capital from outside the East Midlands	£
Business Angel	£
Bank	£
Other (specify.....)	£
<b>Total</b>	<b>£</b>

**47. If your efforts to seek funding have been unsuccessful so far, why do you think this is?**  
(tick as many as apply)

Inadequate business plan	
Poor presentation	
Inappropriate form of finance sought	
Inappropriate amount of finance sought	
Inadequate/inappropriate support from InvoRed	
Other (specify.....)	
Don't know	

**48. Without InvoRed support, how would your search for finance have been different?**

We would not have sought finance at all	
We would have sought finance but not as much	
We would have sought finance, but it would have taken longer	
We could have sought finance, but a different type or structure	
We could have sought finance but we would have had fewer options	
We would be less likely to secure the finance we need	
Support makes no difference	

**GO TO SECTION 6**

**UNSUCCESSFUL**

**49. If your efforts to seek funding have been unsuccessful, why do you think this is?** (tick as many as apply)

Inadequate business plan	
Poor presentation	
Inappropriate form of finance sought	
Inappropriate amount of finance sought	
Inadequate/inappropriate support from InvoRed	
Other (specify.....)	
Don't know	

**GO TO SECTION 6**

**DID NOT SEEK FINANCE**

**50. How important was the InvoRed support in deciding not to seek finance**

Very important	
Important	
Not important	

**51. Specifically why not** (tick all that apply)

Realised that the process overall is too complex	
Costs of raising finance is too high	
Too risky	
Other issues were more important to us than finance	
We did not want to lose or share control of the business	

Other (specify.....)	
-------------------------	--

## Section 6: Impacts

**Interviewer - go to appropriate section (Tick to remind yourself)**

Finance raised	
Currently seeking funding	Q56
No funding	Q61

### FINANCE RAISED....

**52. Has or will the finance raised have an impact on the performance of the business?**

	<i>Major impact</i>	<i>Minor impact</i>	<b>No impact</b>
Impact on <u>annual sales</u>			
Impact on <u>employment</u>			

**53. If funding has been raised can you tell us by how much sales and/or employment have changed or have been safeguarded as a result?**

- to date
- **expected in 3 years time.**

	<b>To date</b>	<b>Forecast in <u>three years time</u></b>
Increase in <u>annual sales</u> estimated amount      £	£	£
Increase in <u>employment</u>	FTE	FTE
Employment safeguarded		
Other quantifiable effects (specify.....)		

**54. Without the finance that has been raised, how much of the sales and employment increases reported could have been achieved?**

No impact on sales or employment reported	
No, none of them	
Less than half	
Half	
More than half	
All of them	

**55. Has, or do you expect, the new investment to lead to any of the following?**

	Tick as appropriate	Number if known
Start of a new business		
Employment of graduates		
New joint projects with universities or research institutes		
Introduction of a new product or service to the region		
Introduction of a new product or service to the UK		
New investment in R&D		
New staff training		
Improved productivity		
Increase in exports		

**CURRENTLY SEEKING FINANCE**

**56. If you expect to raise funding, tell us about the effects that raising this funding will have on the expected performance of the business**

	Forecast in <u>three years time</u>
Increase in <u>annual sales</u> estimated amount	£
Increase in <u>employment</u>	FTE
Jobs safeguarded	FTE
Other quantifiable effects (specify.....)	

**COMPLETE FOR ALL**

**57. For how many years do you expect these effects to continue?**

One	
Two-three	
Four-five	
Six- ten	

**58. What proportion of your sales (by value) is made within the following areas?**

Elsewhere in the East Midlands	%
Elsewhere in the UK	%
Outside the UK	%
<b>TOTAL</b>	<b>100%</b>

**59. If the business were to cease its operation at this site, roughly what % of its sales, by value, would be taken by competitors located within the following areas?**

Competitors elsewhere in the East Midlands	%
Competitors elsewhere in the UK	%
<b>TOTAL</b>	<b>100%</b>

**60. Leaving aside the direct effects associated with the raising of finance, has support from InvoRed prompted any change in your business in terms of the following .....?**

	(1 - no effect; 2 – minor effect; 3 – major effect)
Staff skills – internal	
Recruitment	
Management practices	
Management team size	
Management team composition	
New product or process	
R&D spending	
Changes aimed at operational efficiency	
Investigating/entering new markets	
Seeking external support	
<b>Other</b> (specify.....)	

**61. If funding HAS NOT been raised can you still indicate whether the support generally has had an impact on sales or employment?**

- to date
- expected in 3 years time.

	To date	Forecast in <u>three years time</u>
Increase in <u>annual sales</u> estimated amount	£	£
Increase in <u>employment</u>	FTE	FTE
Employment safeguarded		
Other quantifiable effects (specify.....)		

## Section 7: Overall impressions and looking forward

**62. Please rate the quality of the InvoRed delivery..**

	1 to 5 (1: poor; 5: excellent) (n/a if don't know)
External experts used	
Connect Midlands team	
Overall quality of the Programme	

**63. Which single element of InvoRed most enhanced your chances of securing funding?**

**64. Please tell us....**

**...what was good about the InvoRed support**

1	
2	
3. Not much	

**...where elements of the existing support could be improved**

1.	
2.	
3. Nothing possible	

**...what was omitted from the programme that should have been in**

1.	
2.	
3. Nothing to suggest	

**65. Give us one recommendation on how InvoRed could be improved.**

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**66. Would you recommend InvoRed to other businesses requiring investment readiness support?**

Yes	
No	

**67. How many members of your management team are.....? (exact number)**

Female	
Registered disabled	
From a Black Minority Ethnic group	
Age 30 or under	

**CONNECT MIDLANDS AND EMDA ARE VERY GRATEFUL FOR YOUR  
PARTICIPATION IN THIS EVALUATION**