



SOCIAL RESEARCH NUMBER:

64/2016

PUBLICATION DATE:

5 OCTOBER 2016

Stage 2 Final Evaluation of the Customer Engagement and New Business Start Up Support Projects. Business Wales

Final Report

Stage 2 Final Evaluation of the Customer Engagement and New
Business Start-Up Support Projects (Business Wales)
Final Report
June 2016

Authors: Huw Bryer, Old Bell 3 Ltd.
Professor Max Munday, Cardiff University

Quality checked by: Nia Bryer
Heledd Bebb

Views expressed in this report are those of the researchers and not
necessarily those of the Welsh Government

For further information please contact:

Name: Keri Nicholls

Department: WEFO

Welsh Government

Rhydycar

Merthyr

CF48 1UZ

Tel: 03000628354

Email: keri.nicholls@wales.gsi.gov.uk

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Glossary of acronyms

CCT	Cross Cutting Themes
CE	Customer Engagement
DfES	Department for Education and Skills
EMS	Environmental Management System
EPF	Economic Prioritisation Framework
ERDF	European Regional Development Fund
ERP	Economic Renewal Programme
EST	Economy, Science and Transport
FAME	Commercial SME database owned and operated by Bureau van Dijk
GEM	Global Entrepreneurship Monitor
GSB	General Support for Business
GVA	Gross Value Added
HR	Human Resources
ICT	Information and Communications Technology
NBSS	New Business Start-Up Support
NVQ	National Vocational Qualification
RCE	Regional Competitiveness and Employment
SME	Small and Medium-sized Enterprises
TEA	Total Early-Stage Entrepreneurial Activity
UKCES	UK Commission for Employment and Skills
WEFO	Welsh European Funding Office
WERU	Welsh Economy Research Unit

Executive Summary

The Customer Engagement and New Business Start-up Support projects

The Customer Engagement (CE) and New Business Start-up Support (NBSS) projects provided a range of information, advice and guidance services to new and existing businesses across Wales. The projects¹ were financed with Welsh Government and European Regional Development (ERDF) funding from the European Union via the 2007-2013 Convergence and Regional Competitiveness and Employment (RCE) Structural Fund Programmes. The combined budgets for the projects amounted to £78.2m for the period 2008-2015.

The aim of the CE project was to provide a business support customer service for all businesses in Wales and a business advisory service to small, local businesses in Wales².

The aim of the NBSS project was to provide new business start-up support to individuals who were considering establishing a new business in Wales or had established a business in the past 12 months (36 months in approved cases)³.

Together, the CE and NBSS projects formed key components of the Welsh Government's Business Wales service.

Evaluation aim and methodological approach

Old Bell 3 Ltd. in conjunction with IFF Research and Cardiff University were commissioned to undertake a Stage 2, Final Evaluation of the CE and NBSS projects. The evaluation built on the First Stage Final Evaluation of The Customer Engagement Project undertaken in 2014⁴ and earlier, mid-term evaluations of the CE and NBSS projects completed in 2012. The Stage 2

¹ The four projects, including their WEFO project reference numbers were: the NBSS Convergence Project (Ref: 80012), the NBSS RCE Project (Ref: 80039), the CE Convergence Project (Ref: 80139) and the CE RCE Project (Ref: 80140).

² Source: Project Business Plan.

³ Source: Project Business Plan.

⁴ The First Stage Final Evaluation was referred to as the Business Wales Review. Final Report, Department for Economy, Science and Transport. Welsh Government. January 2014. Old Bell 3 Ltd.

Final Evaluation focused on a specific treatment period covering the calendar years 2013-2015.

The aim was 'to evaluate the impact of the CE and NBSS projects, in particular against the key performance indicators as outlined in the project business plans'⁵.

The methodological approach involved a scoping phase which analysed background literature, policy documents, monitoring data and the development of a set of theory of change based logic models. The scoping phase also set out a sampling strategy and research instruments and explored the viability of potential methodological approaches to estimate the counterfactual for the CE and NBSS interventions.

Following the scoping phase, a package of research fieldwork was undertaken which included a telephone survey of 600 CE and NBSS assisted enterprises, a separate telephone survey of 100 individuals assisted (but who were not recorded as having started a business) by the NBSS projects, follow-up qualitative visits to 25 assisted enterprises and semi structured (face to face and telephone) consultation interviews with 33 stakeholders which included Welsh Government officials, contracted delivery providers, youth entrepreneurship champions and young ambassadors and representatives of various business organisations.

The sample of surveyed enterprises was boosted by having access to anonymised data for CE and NBSS assisted enterprises drawn from the ERDF Business Survey commissioned by WEFO in 2015⁶. The incorporation of this data increased the size of the sample base for analysis from 600 to 1,085 responses.

Following the completion of fieldwork an additionality assessment (taking account of displacement, deadweight and multiplier effects) was conducted based on a gross to net analysis derived from the subjective responses of respondents to the enterprise survey. Monitoring information from the NBSS

⁵ Evaluation specification. Page 10.

⁶ Undertaken by SQW. Unpublished at time of writing.

projects was used to conduct a survival performance and credit rating analysis by data matching to a commercial database⁷.

The analysis stage also involved exploratory work to examine the potential to compare new start enterprises across parts of the supported areas with non-treated 'synthetic control' composite areas demonstrating similar socio-economic characteristics. The findings from this work have been reported in a brief research paper which has been provided separately to WEFO.

Rationale and design

Overall, the evaluation found that there was a clear logic and rationale to the design of the CE and NBSS projects. Through the CE and NBSS projects, the Welsh Government commissioned and implemented an appropriate package of professional, high quality services to meet a defined set of needs in-line with its own policy objectives and the strategic aims set out in the original business plans submitted to WEFO for ERDF funding.

Performance

In terms of performance, the evaluation found that the two NBSS projects exceeded their revised targets in relation to new enterprises created, gross new jobs created and number of enterprises assisted while narrowly missing their targets for the number of individuals assisted. Between them, the NBSS projects helped create 11,235 new enterprises between 2008 and March 2015 which represents around 17 percent of the total recorded business births in Wales between 2008 and 2014.

However, the survey of NBSS assisted individuals (not recorded in the monitoring information as having started trading) suggested that there had been an element of under-reporting against the new enterprise created target, with 57 of the 100 individuals surveyed having in fact gone on to start trading and 50 of those saying that they were still in business.

The CE projects missed their revised gross job creation targets, while both also narrowly missed their enterprises assisted targets having supported a combined, cumulative total of some 5,446 enterprises between 2009 and

⁷ The database used was using the Bureau Van Dijk FAME company database.

2015. To put this achievement in context, there were some 92,000 active business enterprises in Wales in 2014.

The performance of the CE projects was less positive in relation to social enterprises, where the projects supported only 15 such enterprises between them. This raises the fundamental question as to whether it was worthwhile including this target given that other ERDF projects were supporting social enterprises.

The total expenditure claimed amounted to £38.4m for the two NBSS projects (budget available £39.8m) and £33.9m for the two CE projects (budget available £38.4m). Unit costs for the Convergence NBSS project were broadly in-line with expectations, with most marginally under the implied figures based on revised budgets and targets. The unit cost for gross new jobs created by the NBSS project in the RCE area was notably lower than anticipated.

For the CE projects, unit costs for enterprises assisted and gross new jobs created were also broadly in-line with expectations though the cost per gross job created was above expected levels in the Convergence area and below the expected level in the RCE area.

Satisfaction levels

The survey found that overall, satisfaction with the quality of CE and NBSS services had been very positive with 86 percent of clients either satisfied or very satisfied with the quality of what they received. This compares favourably with 79 percent who were either satisfied or very satisfied in the 2012 Wales ERDF Business Survey⁸. Evidence in relation to satisfaction levels from the qualitative research was also broadly positive but showed a somewhat more nuanced picture (with nine of the 16 case studies having been fully satisfied). The case study evidence pointed to there being scope for the support to be less generic and more specific to individual businesses and their circumstances.

⁸ ERDF Business Survey. Final Report. 2012. Old Bell 3 Ltd. in association with Cardiff University and IFF Research Ltd.

Effectiveness and efficiency of delivery

The evaluation found that both the CE and NBSS projects had supported mainly young (less than five years old), micro businesses that existed to make a profit. Most of the enterprises supported served local markets and had local competitors.

The policy aspiration behind the CE and NBSS projects had been to target more intensive advice and guidance services on businesses that demonstrated signs of growth potential (in terms of turnover and job creation). While the evaluation found evidence to suggest that growing the business had been a key motivation for involvement, the fact that annual turnover for 71 percent of assisted enterprises in the survey sample was less than £50k demonstrates that most were operating at very modest levels.

Most (60 percent) of the enterprises assisted either employed only the owner/proprietor (although not necessarily on a full time basis) or were lifestyle businesses with no payroll. As such, any growth relating to turnover, profitability and in particular staff numbers would be taking place from a very low base for the majority of assisted enterprises. This is a key consideration for the next generation Business Wales service in terms of having an appropriate mix of performance indicators that are not over-reliant on job creation targets that may ultimately prove to be unachievable or potentially even counter-productive in terms of the advice delivered to businesses in relation to increasing staff levels.

In addition, both the NBSS and CE projects have only reached fairly limited proportions of the wider population of new business births and active enterprises in Wales. This suggests that more could potentially be done to target NBSS advisory services on start-up enterprises with turnover growth potential (in-line with the targeting strategy recommended in the Business Wales Review⁹) while continuing to migrate lower cost, universally available information based support to on-line platforms.

⁹ Business Wales Review, First Stage Final Evaluation of the Customer Engagement (CE) Project. January 2014. Old bell 3 Ltd. Targeting Strategy outlined on page 58.

The evaluation found that while positive progress has been made since the mid-term evaluations relating to the way in which the CE and NBSS projects engage with private sector business professionals (most notably accountants and banks), there is still further work to do in this respect and this work goes hand in hand with a more focused approach to targeting aspects of the service on growth businesses.

There is also clear scope to further develop and enhance progression routes between different elements of the CE and NBSS support package. In particular, more could be done to identify and 'talent spot' young people who are engaged by the youth entrepreneurship strand so that where appropriate, these are encouraged directly through into the NBSS element. There is also room to ensure that progression, post-start up from the NBSS project into the CE project is sharpened up.

Cross cutting themes

The evaluation found examples of good practice in the way in which the cross cutting themes have been incorporated into the delivery of the CE and NBSS projects. The dedicated team of equality and diversity and resource efficiency advisors has meant that the CCTs have been taken seriously and there has been a genuinely proactive approach to their delivery. The fact that the CCT advisors have met to share learning and experiences is also good practice.

There was also evidence that there had been particularly good integration between the CCT advisors and the tendering element of the CE service with both a 'pull' effect coming from public sector tenders that require businesses to implement relevant policies and a 'push' effect from the service itself to help businesses develop and put these in place.

More generally however, and especially given the progress made in relation to incorporating the CCTs, the evaluation found that less than a quarter of the surveyed sample of assisted enterprises could recall receiving any support on the CCTs which is disappointing.

It was also disappointing that the equality related targets were missed by some margin in both of the CE projects. Performance in relation to the enterprises adopting or improving environmental management systems (EMS)

targets was also disappointing with both CE projects under-performing in relation to these.

Overall recall in relation to the CCTs amongst the survey and case study sample was low and may in part be due to assisted enterprises not having recognised the support they received as being related to equalities or environmental sustainability.

The evaluation found that a key 'trigger point' for businesses taking an interest in the equality cross-cutting theme was when they decide to recruit staff for the first time but that this was likely to have been viewed as assistance on HR issues rather than equalities per se. A key learning point for the future integration of CCTs is therefore the importance of presenting advice relating to the themes in business friendly language and for evaluation activity to be aware of and use this same language in research aimed at gathering feedback and evidence from supported enterprises.

Effects and impacts

In terms of the NBSS projects, the evaluation found evidence that a majority of the individuals supported already intended to start a business and had a clear idea of what they wanted to achieve before engaging with the service. Qualitative evidence from the evaluation suggests that the NBSS projects helped confirm and clarify decisions and meant that some businesses started trading sooner and on a stronger, more informed footing than would otherwise have been the case.

In terms of job creation, the survey evidence showed that only 14 percent of CE and NBSS supported enterprises had created jobs. Between them, these enterprises had created some 485 new jobs, an average of 0.45 new jobs per business for the evaluation survey sample of 1,085. There was little evidence from the qualitative evidence gathered via the 25 case study visits of attributable job creation outcomes. Eight percent of supported enterprises in the evaluation sample said that jobs had been safeguarded as a result of the support. Between them, these enterprises estimated that some 205 jobs had been safeguarded. The majority of the jobs safeguarded were ones in CE assisted enterprises.

Around half of supported enterprises reported typical starting salaries of between £10,000 and £19,999 per annum with just over a fifth having starting salaries of between £30,000 and £49,999 per annum. Most (70 percent) of the enterprises assisted across CE and NBSS and who employ more than one person offer gross starting salaries below the Welsh average of £25k¹⁰ in 2015.

Just over half of the CE and NBSS assisted enterprises in the evaluation sample said that their turnover had increased since receiving support. This compares with 41 percent in the 2012 ERDF Business Survey.

However, only a minority (13 percent) of assisted enterprises responding to the evaluation survey were able to make a direct and attributable link between the support they had received and a positive change in turnover.

Just under half (46 percent) of the surveyed enterprises said that profitability had increased since receiving CE or NBSS support. Of these enterprises, just over a quarter (26 percent or 11 percent of all 1,085 supported enterprises in our sample) were able to make a direct, attributable link between the improvement in profitability and the assistance they had received. The picture was similarly mixed on the basis of the qualitative evidence gathered with only a very small minority (three of the 25 case study enterprises visited) citing positive, attributable outcomes relating to turnover and profitability.

The evaluation found evidence that the CE and NBSS projects had resulted in positive outcomes relating to overall business performance. This was true of 78 percent of the evaluation sample with the majority of those enterprises (70 percent) saying that the performance gains had happened more quickly than would otherwise have been the case (i.e. without the CE or NBSS support received). There was also evidence of attributable productivity and/or performance outcomes from the qualitative evidence (this was the case in four of the nine CE case studies and in seven of the 16 NBSS case studies). Positive outcomes included better performance in competitive tendering activity and improved quality assurance systems.

¹⁰ Source: Official Labour Market Statistics. Office for National Statistics.

There was evidence to show that just over half (53 percent) of assisted enterprises in the evaluation sample had introduced new products or services since receiving support.

The evaluation found evidence that the survival chances of new enterprises created with NBSS assistance and incorporated as companies are good and compare favourably with trends in the wider population of SMEs in Wales, with 68 percent of incorporated NBSS assisted enterprises still trading as of January 2016.

The evaluation also examined the credit risk scores of NBSS assisted enterprises and showed that of Convergence area new starts some 28 percent were classified as having either stable or normal credit risk, with 27 percent in the RCE area classified as having stable or normal credit risk. In the Convergence area 33 percent were classified as unstable or high risk, and in the RCE area 32 percent were classified as unstable or high risk. However, the evaluation also found that there were a large number of enterprises on which there is no information and this was largely related to those businesses that had ceased trading or had been dissolved.

Net Impacts

The evaluation found evidence of a degree of deadweight in relation to the support delivered by the CE and NBSS projects with a likelihood that some of the positive outcomes (e.g. in terms of new business creation and job creation) would have taken place regardless of the intervention. Based on the evidence gathered, it is estimated that between 36 and 47 percent of the gross new jobs created would have occurred even in the absence of CE and NBSS support.

The evaluation also considered displacement effects and found evidence that displacement is likely to have occurred given that the majority of the enterprises assisted were serving localised markets and were competing against local competitors. However, the extent of the displacement was offset somewhat by the micro and lifestyle nature of some of the assisted enterprises which limits the extent to which trade will potentially have been taken away from local competitors. On this basis, the evaluation concluded

that for every 10 new jobs created, one might be displaced in a local or regional competitor.

Finally, the evaluation found that where new employment was created as a result of growth in assisted enterprises, there was some evidence of fairly modest multiplier effects through supply chain purchases made by new businesses, but also through the spending of new wage incomes. On this basis, the evaluation estimated that for every new job created, a further 0.4 jobs were supported in the wider regional economy. Taking account of the different deadweight, displacement and multiplier effects, the evaluation concluded that for every 100 new jobs created by the CE and NBSS projects (gross jobs) an estimated 75 (net jobs) were additional and could be attributed to the assistance.

Recommendations

The evaluation sets out a series of five recommendations which are intended to be forward looking and draw on key learning points to help inform the delivery of the next generation of Business Wales services.

Recommendation 1

The recommendation made in the First Stage Final Evaluation in relation to the targeting strategy for business support services being structured around a funnel approach holds true and should be taken forward by Welsh Government and the providers delivering the next phase of Business Wales. In particular, there should be a universally available information offer made available through the Business Wales website to cater for lifestyle and low growth clients. The more expensive and intensive advice and guidance services should be more targeted on businesses where growth in terms of sales, productivity, profitability and thereafter, ultimately jobs can be unlocked from a higher baseline position than has been the case under the outgoing projects. This should facilitate a better return on investment for the Welsh Government, ERDF and the Welsh economy. This recommendation applies to new-start and business advisory services under the next generation Business Wales project. In addition, the key performance indicators for the next generation service should reflect this targeting strategy and should avoid any

over-reliance on job creation targets as a principal measure of success. As such, an appropriate balance of indicators relating to turnover, productivity and profitability should be applied to the new service.

Recommendation 2

In tandem with the increased focus on targeting Business Wales services outlined in recommendation 1, the providers appointed to deliver the next generation service should further intensify their efforts to engage with and involve private sector providers, particularly accountants in supporting clients.

Recommendation 3

The good practice elements relating to the delivery and incorporation of the Cross Cutting Themes should be carried forward into the delivery of the next generation of Business Wales services. This will require dedicated resources to be in place to ensure a proactive approach to delivering advice on equalities, sustainability and tackling poverty in an integrated way with other aspects of the new service.

Recommendation 4

Welsh Government policy officials and the providers appointed to deliver the next generation of Business Wales services should prioritise further improvement relating to the progression of clients through the various stages and elements of support on offer. The more integrated nature of the commissioning framework for the new contract should help facilitate this process. This work should include a more defined focus on role models and youth ambassadors talent spotting young people with a view to 'fast-tracking' them directly into the new starts element of the next generation service. It should also involve consideration of nominating dedicated advisors within the new starts element that are trained and experienced in supporting young people to ensure that the service is 'youth friendly'. The appointed providers should also prioritise improvements to the progression of new start clients into the general advisory elements of the new service. Again, the more integrated nature of the new commissioning framework should facilitate this. The evaluation of the next generation service should further examine the extent to

which improvements in progression through the different elements of the service have been realised.

Recommendation 5

The Welsh Government needs to improve the accuracy, robustness and inter-connectedness of its on-going monitoring information in relation to Business Wales. This is essential not only to increase the robustness of future evaluation activity but also in terms of having a more informed and rigorous approach to on-going contract management. More detailed and regular analysis of project databases should be undertaken to give a 'real-time' understanding of the extent to which appropriate businesses are being targeted and crucially the extent to which there is progression (and overlap) between different elements of the Business Wales service including youth entrepreneurship as well as other related services such as innovation, R&D interventions managed by Welsh Government and Finance Wales. In addition, the Welsh Government and providers delivering the next generation of Business Wales should as a minimum build in data monitoring procedures to record company registration numbers for assisted enterprises that incorporate and VAT registration numbers where applicable. This will be essential in enabling more robust counterfactual impact evaluation via approaches that adopt data matching with the wider SME population.

1. Introduction

- 1.1 Old Bell 3 Ltd., in conjunction with IFF Research and the Welsh Economy Research Unit (WERU) of Cardiff University, were commissioned to undertake the Stage 2 Final Evaluation of the Customer Engagement (CE) and New Business Start-up Support (NBSS) projects which formed the key components of the Welsh Government's Business Wales service.

Evaluation Aim and Objectives

- 1.2 The aim of the evaluation was 'to evaluate the impact of the CE and NBSS projects, in particular against the key performance indicators as outlined in the project business plans'¹¹.
- 1.3 This report outlines the findings, conclusions and recommendations of the evaluation.

¹¹ Evaluation specification. Page 10.

2. Methodological Approach

- 2.1 A detailed methodological statement is included in the technical appendix which accompanies this final report.
- 2.2 In summary, the methodology agreed for this evaluation consisted of five stages.
- **Stage 1** - inception phase
 - **Stage 2** - detailed scoping phase
 - **Stage 3** - research fieldwork
 - **Stage 4** - counterfactual research element. This involved three different methodological approaches in order to gain inference on the counterfactual perspective.
 - **Stages 5 and 6** - project management and analysis and reporting.

3. Project Design, Evaluation Evidence and Strategic Considerations

- 3.1 In this chapter, we consider the key design features of the CE and NBSS projects and the policy rationale on which they were developed. This is done in a summarised format drawing on the project business plans.
- 3.2 We then turn to explore important learning points from earlier evaluation work before drawing on evidence from stakeholder consultations¹² on a number of key, strategic issues relating to the CE and NBSS projects.

Project Design and Rationale

- 3.3 Figure 3.1 draws together for each of the two projects (CE and NBSS), a summary of:
- The evidence of underpinning need and market failure characteristics;
 - The policy rationale;
 - Strategic aims and specific objectives; and
 - The different types of information, advice and guidance in the support offer.
- 3.4 This is based on information set out in the project business plans developed by Welsh Government and submitted to WEFO as the basis for securing ERDF funding.

¹² A full list of those interviewed is included in the accompanying technical appendix. In all, 33 stakeholder consultation interviews were conducted.

Figure 3.1: Overview of CE and NBSS Project Design/Rationale

Business Wales (Overarching brand)	
New Business Starts Service Project (NBSS)	Customer Engagement Project (CE)
Evidence of need/market failure	
<ul style="list-style-type: none"> • Early stage entrepreneurial activity (TEA) reported by the Global Entrepreneurship Monitor (GEM) was slightly lower in Wales (at 5.8 percent in 2010) than for the UK as a whole (6.5 percent). • Slightly lower business birth rate in Wales than in the UK (10.1 percent for Wales compared with 11.6 percent for the UK as a whole in 2008). • Business death rate slightly higher in Wales (at 9.5 percent in Wales) than in the rest of the UK (rest of UK 9.4 percent) in 2008. 	<ul style="list-style-type: none"> • Around a quarter (23.4 percent) of businesses in Wales looked to Government to access business support in 2007. This was a slightly higher proportion (at the time) than for the UK as a whole (17.3 per cent). • A Review of the former Business Eye information service operated by the Welsh Government demonstrated that ‘there is clearly a strong demand for this type of service in all parts of West Wales and the Valleys’. • The Evaluation of the former General Support for Business (GSB) programme operated by the Welsh Government showed ‘strong demand’ for general business advisory services.

New Business Starts Service Project (NBSS)	Customer Engagement Project (CE)
Policy Context	
<ul style="list-style-type: none"> • The Enterprise Strategic Framework (2009) accompanying the 2007-2013 ERDF Programmes in Wales. Specifically, Priority 2 which aimed to ‘strengthen the economy by increasing the size of the business stock’ and to ‘build a strong environment for enterprise by supporting new and existing businesses’. • The Welsh Government’s Programme for Government (2011) which set out the aim of ‘strengthening the conditions that will enable businesses to create jobs and sustainable economic growth’. • Economic Renewal: A New Direction (ERP, 2010) which set out that there ‘remains a role for Government in encouraging entrepreneurship’ and introduced a policy emphasis on an initial list of six priority sectors – later expanded to nine. 	<ul style="list-style-type: none"> • Economic Renewal: A New Direction (ERP, 2010) which stated that ‘we [Welsh Government] will reduce our one to one support beyond the start-up phase and create space for private-sector business support for more established businesses’. • Micro Business Task and Finish Group Report (2011) which recommended that the Welsh Government should proactively promote access to and awareness of business support services, to create a single, well recognised brand and develop a ‘one stop shop’ approach to supporting micro businesses.

Strategic Aim	
New Business Starts Service Project (NBSS)	Customer Engagement Project (CE)
To provide new business start up support to those individuals who are considering establishing a new business in Wales or have established a business in the past 12 months (the past 36 months in approved cases).	To provide a first class business support customer service for all businesses in Wales and a first class business advisor service to small, local businesses in Wales.
Specific Objectives	
<ul style="list-style-type: none"> • Build the confidence of individuals to start new ventures and support businesses to grow through creating an entrepreneurial culture. • Increase the business stock in Wales through focussing on new enterprises with the capacity and ambition to grow, especially high potential starts of high quality in terms of the jobs and incomes they generate. • Deliver an inclusive service to ensure that an increased number 	<ul style="list-style-type: none"> • Maintain and develop the business.wales.gov.uk 'supersite'. • Develop the Business Information Centre to provide a high standard of information services. • Maintain the network of regional centres and associated outreach services. • Provide businesses with an online channel to comprehensive business support information and services.

of people from under-represented groups can access support to enter self-employment.	<ul style="list-style-type: none"> • Enable businesses to transact with Welsh Government and its partners online. • Enable businesses to be referred through an online, customer friendly, simple business diagnostic tool to advisers and regional centres. • Provide a single telephone number to access comprehensive business support.
Overview of Support Offer	
New Business Starts Service Project (NBSS)	Customer Engagement Project (CE)
Taster seminars, Taste of Enterprise activity, Youth Entrepreneurship Programme, Modular Workshops, Business Advice Surgeries, Growth Start Up Support, High Potential Starts Support, Graduate start up service and general services including a start-up diagnostic and support via a team of diversity champions.	Business Wales website and telephone helpline, business support brokerage, business advice, mentoring co-ordination and mentoring advice, workshops, employment and equality advice, resource efficiency advice, winning tender advice, international trade advice, Sell 2 Wales, corporate social responsibility advice and E-business Wales support.

Sources used: Convergence and Competitiveness Business Plans for the CE and NBSS projects prepared by Welsh Government for submission to WEFO. Mid Term Evaluations of the CE and NBSS projects.

- 3.5 The information presented in Figure 3.1 shows that while the policy rationale, strategic aim and specific objectives were clear, the evidence presented in the original business plans relating to need and market failure characteristics could have been more detailed and robust.
- 3.6 In particular, the evidence base in relation to the NBSS project showed that (pre-recession), key indicators relating to entrepreneurship activity lagged only very marginally behind UK levels. Market failure evidence in relation to the CE project relied to some extent on reviews of previous interventions (taking account of the views of treated businesses via the GSB and Business Eye interventions). However, some wider population level data was used to demonstrate the need for the CE project and showed that just under a quarter of businesses in Wales were likely to look to Government to access business support (slightly higher than for the UK as a whole).
- 3.7 It is also notable that while some of the evidence from the policy review and the stakeholder consultation evidence points to an increasing focus on targeting the more intensive aspects of CE and NBSS interventions on enterprises offering growth potential, the rationale underpinning the design of the two projects (as set out in the original and revised business plans) did not preclude supporting lower growth or lifestyle businesses.

Policy Context

- 3.8 A review of key policy documents was undertaken as part of the First Stage Final Evaluation of the CE project¹³. The evaluation considered:
- The Welsh Government's Programme for Government document.

¹³ Business Wales Review. Final Report, Department for Economy, Science and Transport. Welsh Government. January 2014. Old Bell 3 Ltd.

- Economic Renewal: A New Direction (ERP) and subsequent Ministerial policy announcements on the Welsh Government's strategy in relation to priority business sectors.
- The report of the Micro Business Task and Finish Group and the published response of the Economy, Science and Transport (EST) Minister to the report's recommendations.
- The stage 1 report of the Access to Finance Review commissioned by the Minister for EST.
- A series of policy announcements on City Regions and Enterprise Zones.
- The 2014-2020 EU Structural Fund Programmes Economic Prioritisation Framework (EPF).
- A discussion document published by the Welsh Government's Department for Education and Skills (DfES) relating to the approach to delivering employment and skills support to businesses during the 2014-2020 period.

3.9 The main conclusions from the policy review were that:

- Welsh Government policy clearly supports the use of European funding being invested in interventions that support the creation, competitiveness, productivity and overall growth of Welsh SMEs.
- There is a clear policy rationale for some business support services to be universally available, while there is an expectation that other, more intensive and expensive elements are targeted.
- There is a policy emphasis on closer integration between different forms of support, in particular financial and non-financial support to businesses.
- There is an on-going focus on targeting business support services via priority sectors, spatially (in the context of

Enterprise Zones and City Regions) and more broadly on growth potential.

- There is an emphasis on tackling, rather than perpetuating market failure. This includes a recognition that Government should play a facilitative rather than a 'hands-on' delivery role, encouraging wherever possible businesses to advise other businesses.
- The Department for Education and Skills within Welsh Government has identified a new approach to delivering skills and training provision to employers during 2014-2020. This includes the development of a new, single engagement assessment and referral service for individuals and employers wishing to access skills (referred to as a skills gateway)¹⁴.

Learning from earlier evaluations

3.10 A detailed review of relevant project level evaluation evidence was undertaken as part of the First Stage Final Evaluation of the CE project¹⁵. The main evaluations of relevance are:

- The Mid Programme Evaluation of the Start Up Service¹⁶.
- The Mid Term¹⁷ and Final Evaluations of the Enterprise Networks Project¹⁸.
- The Mid Term Evaluation of the Customer Engagement Project¹⁹.

¹⁴ See: <https://businesswales.gov.wales/skillsgateway/>

¹⁵ Business Wales Review. Final Report, Department for Economy, Science and Transport. Welsh Government. January 2014. Old Bell 3 Ltd.

¹⁶ Mid Programme Evaluation of the Start Up Service for the Welsh Assembly Government. ERS, Beaufort Research and Hywel Evans.

¹⁷ Mid Term Evaluation of the Enterprise Networks Project. Final Report. CM International. January 2011.

¹⁸ Final Evaluation of the Enterprise Networks Project. A Report to the Welsh Government. Old Bell 3 Ltd. and Cardiff University. September 2013.

¹⁹ Mid Term Evaluation of the Customer Engagement Project. A report for the Department for Business, Enterprise, Technology and Science of the Welsh Government. May 2012. Old Bell 3 Ltd. and Cardiff University.

- The First Stage Final Evaluation of the Customer Engagement Project²⁰.
- The Mid-term Evaluation of the Youth Entrepreneurship Programme²¹.

3.11 In summary, the main learning points from this earlier work which are relevant in the context of this final evaluation are that:

- Frequently re-branding business support interventions is highly destabilising and damages credibility with business customers and intermediaries. Effective interventions are based on long-term aims and objectives which are well defined, recognised by businesses and clearly linked to their needs.
- Websites and on-line information sources are a useful complement to but are not a substitute for 'core' face to face advisory services and established adviser-business relationships.
- There are significant benefits to having a joined-up and easy to use approach to promoting and delivering business support services. In this regard, co-location (of business support providers) results in a better quality, more efficient service being provided to the customer.
- Combining aspects of financial and non-financial support in a co-ordinated way contributes to positive impacts (notably productivity gains) for supported businesses. The First Stage Final Evaluation report found evidence of this having been demonstrated in policies to support micro businesses and SMEs in New Zealand, Canada, Germany, Denmark and

²⁰ The Report was entitled 'Business Wales Review'. Final Report to the Welsh Government. Old Bell 3 Ltd. January 2014.

²¹ Undertaken by Wavehill Ltd, the Centre for Local Economic Strategies and Rosemarie Davies Consulting. December 2014.

Scotland as well as in counterfactual impact based meta-evaluation work undertaken by the European Commission²².

- There is on-going evidence of market failure and a clear rationale for continued intervention by the Welsh Government. While some aspects of the Business Wales service should be universally available, 'deeper, more intensive and expensive' elements of the service need to be targeted carefully to generate the greatest return on investment.
- Targeting businesses with growth potential is a complex and imprecise process. Good practice suggests that a rounded approach, taking account of a number of factors including 'critical events' that unlock growth, the skills and capabilities of the people running the business, and the knowledge and intelligence of advisors who know and understand the business can be particularly effective.
- There is evidence of strong customer satisfaction levels with different elements of the EST Business Support offer during the current 2007-13 delivery phase.
- There are clear opportunities to improve progression between the new start service (NBSS) and Business Wales (CE). There are also clear opportunities to strengthen the linkages between the Welsh Government's Sector teams and Business Wales.
- Businesses may be prepared to make a financial contribution towards some elements of support, though the potential implications of a fee policy in relation to effect on up-take and potential displacement of the private sector are complex and require careful consideration.
- The Youth Entrepreneurship Programme has been delivering valuable work which is regarded as good practice. However,

²² Business Wales Review. Final Report, Department for Economy, Science and Transport. Welsh Government. January 2014. Old Bell 3 Ltd. Figure 3: Summary of Key learning points from Literature Review of International Research and Evaluation Evidence. Pages 38 and 39.

there is a need to better understand a young person's journey through youth entrepreneurship and to increase the levels of progression into more mainstream support services (such as NBSS) for those young people that want to start a business.

Strategic considerations since the Mid-Term Evaluations

- 3.12 During the course of undertaking stakeholder consultation interview as part of the final stage evaluation, a number of strategic considerations and issues were raised which flow from earlier evaluation findings. We reflect on these here.

The Business Wales Brand

- 3.13 In-line with the findings of the First Stage Final Evaluation, all of the stakeholders we interviewed (and particularly delivery providers) continued to feel that the Business Wales brand had been further consolidated and were pleased that no further branding changes had taken place.

Links with the Private Sector Advisory Services

- 3.14 Welsh Government policy officials and the CE/NBSS providers said that they had placed considerable emphasis over recent years on strengthening relationships with banks, accountants and other private sector, professional advisory services and intermediaries. The importance of nurturing stronger relationships between business support services and banks in particular had been emphasised in the two stages of the Access to Finance Review²³ commissioned by the EST Minister. This was also in-tune with the general drive to focus advisory resources on enterprises with growth potential and we reflect on this further in latter parts of the report.
- 3.15 In general, providers felt that while cultivating better relationships with accountants in particular had been resource intensive and at times,

²³ Access to Finance Review Stage 1 Report. Professor Dylan Jones-Evans, University of Wales. June 2013. Stage 2 of the Review concluded that 'it is important that banks and the Welsh Government do not operate in isolation' and that banks and Welsh Government should 'work more closely in developing the potential of growth businesses in Wales'. (Page 4).

difficult, this was proving to be worthwhile. In this context, one provider described the past two years or so as having been ‘a breakthrough’. The benefits were starting to become clear with providers arguing that accountants generally had a much clearer sense of what Business Wales could offer and that this did not represent a threat to their own client portfolios.

‘It’s been really important for us to invest time in developing those relationships’. (Provider organisation)

- 3.16 While one of the accountancy bodies that participated in the evaluation did not disagree with this assessment of good progress, there was still a sense that further work needed to be done in terms of getting accountants on board. This was also reflected by the views of CE and NBSS providers, with one commenting that:

‘We are getting there [with accountants] and the emphasis on targeting growth businesses will help that going forward’. (Provider organisation)

Progression between Youth Entrepreneurship and NBSS

- 3.17 Previous evaluations have found that there was room for improvement in terms of the linkages and progression between various strands of the NBSS and CE projects. The qualitative evidence gathered as part of this evaluation suggests that while progress has been made, there continues to be further potential for this to be strengthened.
- 3.18 In the context of progression between the youth entrepreneurship element and NBSS support, the evidence (both from our own examination of the various client databases and the views of providers) suggests that to date, this has been very limited indeed.
- 3.19 Stakeholders (including Welsh Government officials and providers) felt that while the ‘one to many’ activities²⁴ which promote a culture of entrepreneurship in schools and colleges is still needed, greater

²⁴ One to many activities (e.g. presentations by Role Models) that involve engaging groups of young people at the same time.

emphasis could in future be placed on 'talent spotting' young people with genuine aspirations to start a business. Some suggested that the youth entrepreneurship role models and ambassadors would be ideally placed to do some of this talent spotting and to proactively encourage and support progression through into the NBSS service.

- 3.20 One provider felt that there may have been too much of a focus on the technical aspects of setting up and running a business in the support provided to young people which may have been off-putting. This provider was also concerned that if a more targeted and talent spotting approach could generate higher levels of progression into the NBSS project, advisors would need to be carefully matched with young clients to ensure a good 'fit'. In this context, they suggested that an appropriate advisor with special responsibility for young people being referred into the service via the youth element should be appointed in each region to ensure that the service is appropriately geared to young people.

Progression between NBSS and CE

- 3.21 Welsh Government officials and providers both argued that there had been some improvements in relation to progression between the NBSS and CE strands, particularly where the same provider was responsible for the two services or there were co-location arrangements in place. However, there was also a general recognition that there is room for further improvement in terms of progression between the different NBSS and CE strands. There was some evidence to support this view from some of the follow-up visits undertaken with supported enterprises where post-start up support for NBSS clients had not always been as accessible as they would have liked.

'I think on reflection the linkages and progression could have been a bit better...so for example, the tendering adviser or the equality and diversity advisors could have been brought in sooner in some cases'.
(Provider organisation)

4. Performance

4.1 In this chapter, we analyse the performance of the CE and NBSS projects against their agreed ERDF output and result targets. We also consider financial outturns. The chapter draws on monitoring information provided by WEFO. The cumulative data presented for target achievements and financial outturn in this chapter covers the period between the respective project approval dates (July 2008 for the two NBSS projects and January 2009 for the two CE projects) and 31st March 2015.

NBSS

4.2 Figure 4.1 provides an overview of the targets for the two NBSS projects and cumulative performance to 31st March 2015.

Figure 4.1: NBSS ERDF Targets and Performance

	Numbers			
	<i>NBSS</i>	<i>NBSS</i>	<i>NBSS</i>	<i>NBSS</i>
	<i>Conv</i>	<i>Conv</i>	<i>RCE</i>	<i>RCE</i>
	<i>Profiled</i>	<i>Actual</i>	<i>Profiled</i>	<i>Actual</i>
	<i>31.03.15</i>	<i>31.03.15</i>	<i>31.03.15</i>	<i>31.03.15</i>
Individuals assisted to set up a new enterprise	16,285	16,064	7,340	7,015
Enterprises created	7,333	7,391	3,015	3,844
Gross jobs created	11,943	13,016	5,924	7,014
Enterprises assisted	460	655	270	439

Source: WEFO Monitoring Information

4.3 This shows that in terms of the NBSS Convergence project, the job creation target was exceeded by 1,073 jobs (109 percent of target), the target for enterprises assisted was surpassed by 195 (142 percent of target) as was the target for new enterprises created (exceeded by 58 or 101 percent of target). The target for individuals assisted was narrowly missed by 221 (1 percent behind target).

4.4 On the RCE project, three of the four targets (relating to enterprises created, gross jobs created and enterprises assisted) were

substantially exceeded. The target relating to individuals assisted was narrowly missed (by 4 percent).

4.5 To put the new enterprise creation achievement into some context, the 11,235 new enterprises created by the combined Convergence and RCE NBSS projects between their approval in 2008 and their completion in March 2015 represents around 17 percent of the total 64,210 recorded business births in Wales between 2008 and 2014²⁵.

4.6 Figure 4.2 provides an overview of the financial outturn in relation to the two NBSS projects.

Figure 4.2: NBSS Financial Outturn

	<i>Eligible Expenditure Profiled 31.03.15</i>	<i>Eligible Expenditure (Claimed) 31.03.15</i>	<i>ERDF Profiled 31.03.15</i>	<i>£ ERDF (Claimed) 31.03.15</i>
NBSS Convergence	29,835,915	28,614,960	18,865,260	18,599,723
NBSS RCE	9,920,016	9,772,249	4,371,520	4,298,841
Total	39,755,931	38,387,209	23,236,780	22,898,564

Source: WEFO Monitoring Information

4.7 This shows that both the Convergence and RCE NBSS projects have spent the vast majority of their eligible budgets (96 percent Convergence and 99 percent RCE) and have also drawn down the vast majority of their ERDF allocations (99 percent Convergence and 98 percent RCE).

4.8 Figure 4.3 provides an analysis of the unit costs associated with the two NBSS projects. This is based on the budgets committed and targets outlined in the business plans and the achieved targets and actual financial outturn. Please note that the assessment in Figure 4.3 is based on total eligible expenditure.

²⁵ Source: Stats Wales. Business births by area and year. Combined total new business births for 2008-2014 was 64,210. Data for 2015 was not available on the Stats Wales website at the time of writing.

Figure 4.3: NBSS Unit costs (Based on Eligible Expenditure)

Unit costs	£			
	NBSS	NBSS	NBSS	NBSS
	Conv	Conv	RCE	RCE
	Profiled	Actual	Profiled	Actual
	31.03.2015	31.03.15	31.03.15	31.03.15
Individual assisted to set up a new enterprise	1,832	1,781	1,352	1,393
Enterprise created	4,069	3,872	3,290	2,542
Gross new job created	2,498	2,198	1,675	1,393

Source: Analysis based on WEFO Monitoring Information

4.9 This shows that the actual unit costs for the Convergence NBSS project were similar to those envisaged in the business plan, with all three coming in slightly under the amounts profiled in the business plan.

4.10 For the RCE project, a similar picture exists for enterprises created and gross new jobs created (both of which came in beneath the unit cost amounts profiled in the business plan). The actual unit cost per individual assisted to set up a new enterprise was very slightly above the profiled amount in the RCE area.

Customer Engagement

4.11 Figure 4.4 provides an overview of the targets for the two CE projects and cumulative performance as of 31st March 2015.

Figure 4.4: CE ERDF Targets and Performance

	Numbers			
	<i>CE</i>	<i>CE</i>	<i>CE</i>	<i>CE</i>
	<i>Conv</i>	<i>Conv</i>	<i>RCE</i>	<i>RCE</i>
	<i>Profiled</i>	<i>Actual</i>	<i>Profiled</i>	<i>Actual</i>
	<i>31.03.15</i>	<i>31.03.15</i>	<i>31.03.15</i>	<i>31.03.15</i>
Enterprises Assisted	4,027	3,638	2,238	1,808
Social Enterprises Assisted	144	10	106	5
Gross Jobs Created	2,098	1,524	1,083	980
Enterprises adopting or improving equality strategies and monitoring systems	2,226	637	1,293	403
Enterprises adopting or improving environmental action plans	1,027	504	608	288

Source: Revised CE Project Business Plans (2010) and WEFO Monitoring Information

- 4.12 This shows that the gross job creation targets were missed in both the Convergence (73 percent of target) and RCE projects (90 percent of target). Both projects also narrowly missed their enterprise assist targets (90 percent of target in Convergence and 81 percent of target in RCE) and between them having supported 5,446 enterprises.
- 4.13 To give some context, there were some 92,445 active enterprises in Wales in 2014²⁶. Taking the cumulative total of 5,446 enterprises supported by the two CE projects since their inception in 2009, this represents a reach of around six percent of the total population of active enterprises in Wales in 2014. Put in the context of the estimated 23.4 percent of businesses in Wales cited in the original business plans as looking to Government for business support, it would appear that the projects reached only around a quarter of the businesses who potentially were interested in such support. It is impossible to be sure whether this reflects a lack of sufficient marketing/awareness of the projects amongst the business population, the deliberate targeting policy of Business Wales, or

²⁶ Source: Stats Wales. Active Business Enterprises by area and year.

problems with the data on demand for support cited in the business plans (given that it was from 2007 i.e. before the recession).

- 4.14 The performance was less positive in relation to social enterprises assisted, the two projects between them having only achieved 15 assists against a target of 250. This raises the fundamental question as to whether it was worthwhile including this target, given that social enterprise support was the focus of other ERDF funded interventions.
- 4.15 In relation to the two cross cutting theme targets, the equality related targets were missed by some margin in both of the CE projects which is disappointing. Performance in relation to the enterprises adopting or improving environmental management systems (EMS) targets was also disappointing with both CE projects under-performing in relation to these.
- 4.16 Figure 4.5 provides an overview of the financial outturn data for the two CE projects. The financial data presented here does not include final claims. Final claims for both the Convergence and RCE projects were yet to be submitted at the time of preparing the report.

Figure 4.5: CE Financial Outturn

	<i>Eligible Expenditure Profiled 31.03.15</i>	<i>Eligible Expenditure (Claimed) 31.03.15</i>	<i>ERDF Profiled 31.03.15</i>	<i>ERDF (Claimed) 31.03.15</i>
CE Convergence	30,030,632	26,370,636	14,974,052	13,853,846
CE RCE	8,407,710	7,533,962	879,423	813,229
Total	38,438,342	33,904,598	15,853,475	14,667,075

Source: WEFO Monitoring Information

- 4.17 As of March 2016, 88 percent of the project's eligible expenditure had been claimed/spent in the Convergence area and 90 percent had been claimed/spent in the RCE area. The bulk (but not all) of the ERDF funding had also been used, with 93 percent having been claimed by the Convergence project and 93 percent having been claimed by the RCE project.

4.18 Figure 4.6 provides an analysis of the unit costs associated with the two CE projects based on the budgets committed and targets outlined in the business plans and the achieved targets and actual financial outturn.

Figure 4.6: CE Unit costs (Based on Eligible Expenditure)

Unit costs	£			
	CE	CE	CE	CE
	Conv	Conv	RCE	RCE
	Profiled 31.03.15	Actual 31.03.15	Profiled 31.03.15	Actual 31.03.15
Enterprises assisted	7,457	7,249	3,756	4,167
Gross new jobs created	14,314	17,304	7,763	7,688

Source: Analysis based on WEFO Monitoring Information

4.19 This shows that for the Convergence CE project, the actual unit cost for enterprises assisted was slightly below the profiled amount in the business plan. The unit cost per gross new job created was 17 percent higher at £17,304 than had been envisaged.

4.20 For the CE project in the RCE area, the opposite was true. The unit cost per enterprise assist was higher (by 11 percent) than was profiled in the business plan, while the unit cost per job created was very slightly lower (by 1 percent) than that implied in the business plan.

5. Profile of Supported Enterprises

5.1 In this chapter, we provide an overview of findings in relation to assisted enterprises, drawing principally on the supported enterprise survey data but also taking into account evidence gathered from the 25 follow-up visits undertaken with a sample of CE and NBSS supported enterprises.

SME Survey Sample

5.2 In all, 600 telephone interviews were achieved by IFF Research. Data relating to the CE and NBSS projects was also extracted from the 2014 ERDF survey undertaken by SQW which yielded 485 records. These were added to boost the overall sample for analysis to 1,085.

5.3 A more detailed methodological statement relating to the telephone survey is included in the technical appendix. Note that throughout the report, we refer to ‘assisted’ or ‘supported’ enterprises as being those that participated in the SME survey and form part of the sample rather than the wider population of treated businesses.

5.4 Figure 5.1 provides an overview of the sample available for analysis following the completion of survey fieldwork and the combination of the two data sets.

Figure 5.1: Sample Overview

	<i>NBSS</i>	<i>NBSS</i>	<i>CE</i>	<i>CE</i>	Numbers <i>Combined</i>
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	<i>Total</i>
CE & NBSS Survey Data 2016	147	273	59	121	600
ERDF Business Survey Data 2014	124	225	65	71	485
Total Sample Base	271	498	124	192	1,085

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

Characteristics of Enterprises Created/Supported

5.5 In terms of the profile of enterprises created and supported by the CE and NBSS projects, Figure 5.2 provides an overview of their profit making status.

Figure 5.2: Status of Supported Enterprises

	NBSS	NBSS	CE	CE	Percentage Combined
	RCE	Conv	RCE	Conv	
Base (number)	271	498	124	192	1,085
For profit	97	96	92	93	95
Charity/voluntary/co-operative	3	3	6	6	4
Public sector	-	1	2	1	1

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

5.6 This shows that for both the NBSS and CE projects, the majority of enterprises supported have sought to make a profit. This is in-line with the policy focus of both intervention types.

5.7 Figure 5.3 outlines the size of supported enterprises according to the number of people on their payrolls.

Figure 5.3: People on the payroll (including you, partners, directors and owners) of Supported Enterprises

	NBSS	NBSS	CE	CE	Percentage Combined
	RCE	Conv	RCE	Conv	
Base (number)	271	498	124	192	1,085
0-4	93	93	65	62	84
5-9	5	4	16	19	8
10-24	3	3	8	12	5
25-49	-	-	6	5	2
50-99	-	-	3	2	1
100-199	-	-	1	-	-

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

5.8 This shows that for both the NBSS and CE projects, the majority of enterprises supported (92 percent) have been micro businesses (with

fewer than nine employees in total on the payroll). Within this category, a higher proportion of slightly larger micro businesses (with between five and nine employees) has been supported by the two Customer Engagement projects. This is as would be expected given the intention of the CE project to support more established businesses than NBSS. This is also broadly in-line with of the stock of Welsh businesses with 99 percent of total enterprises in Wales being SMEs²⁷ of which micro enterprises (0-9 employees) amounted to 95 percent²⁸.

- 5.9 Of the 911 enterprises that said they employ between zero and four people, 34 of these (four percent) said that their business did not employ anyone (presumably implying these businesses were either dormant or run as a hobby or sideline to the owner's main employment). The majority (617 of the 911 enterprises or 68 percent) said that their business had one person on the payroll (which included themselves) meaning that well under half of the total sample (434 or 40%)²⁹ employed somebody other than the owner/proprietor.
- 5.10 Combined (CE and NBSS), the proportion of businesses larger than micro (i.e. more than nine employees) is eight percent. This is reflected in the profile of the qualitative sample of 25 enterprises that participated in qualitative follow-up visits with most of these being micro enterprises. The qualitative sample also reflected the survey data in that some of the micro businesses (particularly some of those supported via the NBSS project) are in practice hobby or lifestyle enterprises that generate very modest levels of sales/turnover and do not employ staff or pay the owner/proprietor.
- 5.11 Turning to the age of supported enterprises, Figure 5.4 outlines data relating to business establishment dates.

²⁷ SMEs are defined as micro (0-9 employees) plus small (10-49 employees) plus medium (50-249) employees.

²⁸ Source: Statistics for Wales. Size analysis of Welsh businesses, 2015. SDR 202/2015 (10 December 2015).

²⁹ i.e. 434 of the total sample of 1,085.

Figure 5.4: Age of Supported Enterprises according to when they were established

	NBSS		CE		Percentage Combined
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	
Base (number)	271	498	124	192	1,085
Last five years	94	94	35	41	78
6-10 years ago	2	3	29	17	8
11-15 years ago	2	1	18	17	6
16-20 years ago	1	1	9	9	3
More than 20 years ago	2	1	8	16	5

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

5.12 This shows that for both the NBSS projects, the vast majority of enterprises were established within the last five years, which is as would be expected of this type of intervention. Also as expected, the CE projects have supported a more even spread of businesses according to age, though most are still less than 10 years old.

5.13 Figure 5.5 provides an overview of where supported enterprises' customers are located.

Figure 5.5: Location of Customers³⁰

	NBSS		CE		Percentage Combined
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	
Base (number)	271	498	124	192	1,085
Local (individual city or town)	65	74	61	67	69
Across Wales	39	39	54	48	42
Across the UK	40	30	60	46	39
International (outside UK)	20	14	31	19	18
Other	-	2	-	1	1
Don't know	-	1	-	-	-

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

5.14 This shows that most of the CE and NBSS supported enterprises were principally serving local markets. It also shows (as would be expected given the nature of the respective target groups) that a

³⁰ Respondents could select multiple options.

higher proportion of CE supported enterprises served UK and international markets than NBSS supported enterprises. A higher proportion of CE supported enterprises in the RCE area were serving UK wide and international markets than was true for the other three projects.

- 5.15 Almost 58 percent³¹ of CE and NBSS supported enterprises said that 100 percent of their sales were generated in Wales. This was higher (again as would be expected given the nature of businesses being targeted by the respective projects) for the NBSS projects (at 63 percent) than it was for the CE projects (at 44 percent).
- 5.16 These characteristics were broadly reflected in the qualitative sample of 25 enterprises that participated in follow-up visits with the majority serving community, local or sub-regional (i.e. more than one local authority area) markets.
- 5.17 Figure 5.6 provides an overview of where the competitors of CE and NBSS supported enterprises are located.

Figure 5.6: Location of Competitors³²

	<i>NBSS</i>	<i>NBSS</i>	<i>CE</i>	<i>CE</i>	Percentage
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	<i>Combined</i>
Base (number)	271	498	124	192	1,085
Local (individual city or town)	65	64	56	60	63
Across Wales	34	37	44	42	38
Across the UK	40	32	60	41	39
International (outside UK)	15	15	23	17	16
Other	4	3	2	3	3
Don't know	-	2	1	1	1

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

³¹ Base of 600. This question was not asked in the ERDF survey, so the sample base was restricted to the 2016 survey of CE and NBSS supported businesses undertaken by IFF.

³² Respondents could select multiple options.

5.18 This mirrors to a large extent the findings on location of customers with most supported enterprises (across the CE and NBSS projects) having local competitors. CE supported enterprises (particularly in the RCE area) are more likely to have competitors located across the UK and internationally perhaps reflecting the different economic conditions in parts of East Wales and West Wales and the Valleys.

5.19 Figure 5.7 provides an overview of the size of supported enterprises by turnover.

Figure 5.7: Size of supported enterprises by turnover

	<i>NBSS</i>	<i>NBSS</i>	<i>CE</i>	<i>CE</i>	Percentage
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	<i>Combined</i>
Base (number)	271	498	124	192	1,085
£0-£9,999k	25	28	7	5	21
£10k-£49,999	38	38	23	26	34
£50k-£99,999	9	8	14	12	10
£100k-£199,999	8	5	8	14	8
£200k-£499,999	4	3	18	13	7
£500k-£999,999	1	1	7	9	3
£1m-£1,999,999	-	-	6	5	2
£2m-£4,999,999	-	-	3	3	1
£5m-£9,999,999	-	-	1	3	1
£10m-£19,999,999	-	-	1	0	-
£20m-£49,999,999	-	-	-	1	-
Don't know/refused	14	15	12	10	13

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

5.20 This shows that more than half of all CE and NBSS supported enterprises turned over less than £50,000 in their most recent financial year. As would be expected, the two CE projects tended to support a higher proportion of slightly larger (albeit mainly still micro) enterprises with turnover of £50,000 or above per annum.

5.21 Figure 5.8 provides an overview of the profitability of CE and NBSS supported enterprises.

Figure 5.8: Profitability of supported enterprises (most recent financial year)

	<i>NBSS</i>	<i>NBSS</i>	<i>CE</i>	<i>CE</i>	Percentage
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	<i>Combined</i>
Base (number)	263	476	114	178	1,031
Profit	51	47	76	69	55
Loss	22	25	9	13	20
Break even	14	16	7	11	14
Don't know	10	10	4	4	8
Refused	3	1	4	2	2

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

- 5.22 In all, 1,031 of the 1,085 assisted enterprises answered a question on their profitability³³ in the most recent financial year. This shows that overall, just over half (55 percent) of the 1,031 CE and NBSS supported enterprises who answered this question reported that they made a profit in their most recent financial year. Taken together, 69 percent of the CE and NBSS supported enterprises who answered the question on profitability either broke even or made a profit.
- 5.23 A higher proportion of enterprises supported by the two CE projects were for-profit than those supported by the NBSS projects (with less than half (47%) of the NBSS supported enterprises in the Convergence area saying this was the case). This is not an unexpected finding given the start-up nature of the NBSS client base and the more established nature of the enterprises being supported by the CE projects.
- 5.24 Figure 5.9 provides some further detail on the scale of profits made by CE and NBSS supported enterprises.

³³ The remaining 54 enterprises were ones which had previously said that they were not-for-profit and were therefore not asked this question.

Figure 5.9: Size of profit made by (for-profit) supported enterprises

	<i>NBSS</i>	<i>NBSS</i>	<i>CE</i>	<i>CE</i>	Percentage
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	<i>Combined</i>
Base (number)	133	226	87	123	569
£0-£9,999k	37	37	13	19	29
£10k-£49,999	43	44	40	40	42
£50k-£99,999	6	6	13	7	7
£100k-£199,999	1	1	6	5	3
£200k-£499,999	-	1	5	2	2
£500k-£999,999	-	-	-	2	-
£1m-£1,999,999	-	-	-	1	-
£2m-£4,999,999	-	-	1	-	-
Don't know/refused	14	11	23	24	16

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

- 5.25 This shows that the majority (71 percent or 404 supported enterprises) of those supported enterprises that made a profit, made a profit of under £50,000 in their most recent financial year. This is the equivalent of 37 percent of the overall survey sample of 1,085. This is not surprising given the findings on the turnover levels of assisted enterprises.
- 5.26 The two CE projects supported slightly higher proportions of enterprises making more than £50,000 of profit in the most recent financial year. This is in-keeping with the overall picture on turnover.
- 5.27 Figure 5.10 provides an overview of the industry sectors in which supported enterprises operate.

Figure 5.10: Industry sectors of supported enterprises (SIC 2007)

	NBSS		CE		Percentage
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	<i>Combined</i>
Base (number)	271	498	124	192	1,085
Wholesale and retail trade, repair of motor vehicles and motorcycles	10	16	12	17	14
Professional, scientific and technical*	15	12	22	9	13
Manufacturing*	10	9	16	12	10
Administrative and support service activities	13	11	6	8	10
Construction*	6	10	5	7	8
Education	10	8	6	8	8
Accommodation and food service activities*	7	5	7	10	7
Other service activities	7	8	4	4	7
Human health and social work activities	7	6	6	6	6
Information and communication*	7	5	4	4	5
Arts, entertainment and recreation*	4	7	5	4	5
Transportation and storage	1	2	2	2	2
Agriculture, Forestry and Fishing*	1	1	1	4	2
Water supply	-	-	2	2	1
Financial and insurance activities*	-	-	-	2	1
Real estate activities	1	-	-	1	1
Unclassified	-	-	-	1	-

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

* Denotes alignment with one of the Welsh Government's priority sectors³⁴

5.28 This shows that overall, the CE and NBSS projects have worked with a wide cross section of industry sectors. Several of the Welsh Government's priority sectors are represented by the enterprises supported (marked with an * in Figure 5.10). However, some of the

³⁴ The Welsh Government's priority sectors are Advanced materials and manufacturing, construction, creative industries, energy and environment, food and farming, financial and professional services, ICT, life sciences and tourism.

priority sectors represent a relatively small proportion of assisted enterprises – notably financial and insurance services and ICT.

- 5.29 Overall, the largest sector is wholesale, retail and trade and this is in-keeping with the fact that this is the largest sector in the Welsh economy in terms of overall number of enterprises³⁵.

Demographic characteristics of individual survey respondents

- 5.30 Turning to the demographics of the individuals involved in running the assisted enterprises in our survey sample, 68 percent of those responding said that they worked full time in running the business, while 31 percent said that they worked part time in running the business³⁶.
- 5.31 In terms of gender balance, 58 percent of owners/directors (in assisted enterprises where there was only a sole owner/director) were male, while 42 percent were female³⁷.
- 5.32 In all, 287 assisted enterprises (combined from our own survey and data from the ERDF survey) had more than one owner or director. Of these, 54 percent said that one of these was a woman, 10 percent said that two of the partners or directors were women while six percent said that three or more of the owners/directors were women. Just under a third (29 percent) of supported enterprises that had more than one owner/director said that none of these were women.
- 5.33 A minority (18 percent) of sole owner/directors said that they had a longstanding illness or disability, while seven percent of sole/owners directors considered themselves to belong to an ethnic minority group³⁸.

³⁵ 58,060 enterprises of 2,311,110 enterprises (25 percent). Source: StatsWales. Econ0047: Size analysis of business by industry (SIC2007).

³⁶ The sample base for this question was 796 (424 from our own survey and 372 from the ERDF Survey). Seven respondents (one percent) refused to answer this question.

³⁷ Source: IFF Survey of CE and NBSS Supported Enterprises. Base 424. This question was not asked in the SQW ERDF Business Survey.

³⁸ Combined base of 796 (424 from the IFF Survey of CE and NBSS Supported Enterprises and 372 from the SQW ERDF Survey).

6. Reasons for using CE and NBSS and routes into the service

6.1 In this chapter, we analyse the survey data to gain an understanding of why supported enterprises turned to the CE and NBSS projects for assistance and how they became aware of the service. We then contextualise these findings by considering qualitative evidence from the 25 follow-up visits with assisted enterprises and consultation interviews with stakeholders.

Motivation for Involvement

6.2 In terms of the motivation for getting involved with the CE and NBSS projects, Figure 6.1 provides an overview of how supported enterprises responded on this issue.

Figure 6.1: Reason for involvement³⁹

	Percentage				
	<i>NBSS</i>	<i>NBSS</i>	<i>CE</i>	<i>CE</i>	<i>Combined</i>
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	
Base (number)	271	498	124	192	1,085
Grow the business	63	62	87	89	70
Introduce new products or services	41	46	56	61	49
Start a business	54	54	10	17	42
Encouraged by a business support organisation	44	44	35	39	42
Diversify into new markets	34	39	48	44	40
Develop staff skills	34	37	56	50	40
New collaborative partnerships	28	26	41	30	29
Consolidate the business	21	21	32	34	25
Increase exports	10	9	19	10	11
Seeking financial support	4	4	1	6	4
Other motivation	4	3	2	5	4
Seeking advice	4	3	2	3	3
Improve business processes	2	1	2	3	2
In difficulty and looking to down-size the business	3	2	2	2	2
Don't know	-	1	-	-	-

³⁹ Respondents could cite more than one response.

- 6.3 This shows that the most popular reason cited for getting involved with both the NBSS and CE projects was to grow the business. Interestingly, growing the business was more likely to be cited as a motivation than starting a business in the case of both NBSS projects.
- 6.4 The motivation for growth is positive in that it chimes with the policy direction for Business Wales as a whole (including both the CE and NBSS elements). However, the findings in chapter 4 on the characteristics of supported enterprises (e.g. on staff numbers, turnover and profitability) provides some context to this and suggests that growth in any of these three areas would be taking place from a low base.

Approach to targeting CE and NBSS services

- 6.5 The consultation interviews undertaken with CE and NBSS provider organisations revealed that the Welsh Government's policy drive towards targeting Business Wales resources at enterprises with growth potential had, in practice, been challenging to deliver. Indeed two providers serving rural areas were concerned that the CE and NBSS projects should not become overly preoccupied with trying to target growth businesses at the expense of supporting lifestyle enterprises arguing that in practice there was not a significant 'untapped pool' of growth businesses in their areas waiting to be supported.
- 6.6 All of the providers (CE and NBSS) said that the increased focus on targeting growth enterprises had meant that they had altered their approach to proactive engagement activities with businesses. This included a greater focus on investing time and resources to engage with banks and accountants in order to generate referrals, particularly into the CE project. While this had been a challenging process in terms of 'winning the hearts and minds' of some accountants and banks, it had, according to several providers started to pay dividends

with a steadier flow of slightly bigger (though in the main still micro) businesses being referred through to the CE project from these sources.

- 6.7 One provider made the point that Business Wales marketing material was geared more towards lifestyle enterprises than growth businesses and that changes would be needed to support their own, more targeted approaches to awareness raising activities.
- 6.8 As might be expected, the evidence from the qualitative follow-up visits with supported enterprises showed a variety of motivations for engaging with the CE projects, while the motivations for seeking support from the NBSS projects were more focused on starting a new business.
- 6.9 For the nine CE supported enterprises in our qualitative sample, the motives for involvement included four businesses that got involved because they were looking for advice on procurement and tendering processes. Two got involved because they were looking for advice on access to finance (for growth purposes), two were looking for advice on HR issues (including staff recruitment and payroll) and one had sought advice on introducing a quality assurance system.
- 6.10 The case study examples below provide a flavour of the motivations for involvement.

Qualitative Evidence (Motivation for involvement)

Link to Logic Models: Evidence of Need/Market Failure

Enterprise U was assisted by the NBSS project in the RCE area. The business, which directly employs one person but sub-contracts to a portfolio of associates is a University spin-out that delivers specialist training services. This was the first time that the Director involved with Enterprise U had gone about setting up a business. As such they had identified the need for support to help with various aspects of establishing the business. Colleagues at the University had told the Director of Enterprise U about Business Wales and suggested that they should make contact with the service. The Director of U initially got in touch with Business Wales via the central telephone line. This then led to them accessing

several different types of support from the NBSS project, including various workshops on topics such as legal advice, innovation, accessing business finance, raising venture capital and social media/web marketing. The Director also received one to one meetings with Business Wales advisors on specific topics including exporting and setting up a website.

Enterprise F was supported by the CE project in the RCE area. Enterprise F is a large, social enterprise employing around 1,000 members of staff and operating in the social housing sector. A Development Manager within Enterprise F had identified the need for the organisation to prepare themselves in order to bid for a range of services that were being outsourced by local authorities via competitive tender processes. The Development Manager could not recall exactly how they had become aware of Business Wales but thought that it had probably been the result of direct contact via e-mail from the service itself. Their motivation for involvement was to develop a clearer understanding about the 'nuts and bolts' of open tender procurement processes in order to strengthen their prospects of securing work commissioned in this way.

6.11 Figure 6.2 provides an overview of how supported enterprises became aware of CE and NBSS.

Figure 6.2: Awareness of Business Wales (CE and NBSS elements)⁴⁰

	<i>NBSS</i>	<i>NBSS</i>	<i>CE</i>	<i>CE</i>	Percentage
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	<i>Combined</i>
Base (number)	271	497	124	192	1,085
Word of mouth	35	36	34	38	36
Referred from a business support organisation	27	35	31	32	32
Saw Business Wales marketing	20	16	30	26	20
Previous contact with delivery organisation	11	11	28	21	15
Jobcentre Plus	10	11	1	1	8
Internet search	10	6	7	7	7
Other	7	7	10	5	7
Government	3	2	1	3	2
Bank	1	2	-	1	1
Don't know/can't recall	4	2	2	3	3

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

⁴⁰ Respondents could cite more than one response.

6.12 This shows that word of mouth was the most common way supported enterprises became aware of the CE and NBSS projects and the Business Wales brand. This was also true of the 25 follow-up enterprises visited. For these businesses, the source of word of mouth referrals had come for instance from friends and family and work colleagues. In terms of Business Wales marketing, this appears to have been most effective in raising awareness for the CE project in the RCE area and least effective for the NBSS project in the Convergence area.

7. CE and NBSS Services Used and Feedback

7.1 In this chapter, we draw on the survey data to analyse which elements of the CE and NBSS services were used and consider feedback from assisted enterprises on the services they received. We also analyse qualitative evidence gathered as part of the 25 follow-up visits with assisted enterprises and consultation interviews with stakeholders.

Services used

7.2 Figure 7.1 provides an overview of the services used by CE and NBSS assisted enterprises.

Figure 7.1: Services used by supported enterprises⁴¹

	Percentage				
	<i>NBS</i>	<i>NBSS</i>	<i>CE</i>	<i>CE</i>	<i>Combined</i>
	<i>S</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	
Base (number)	<i>RCE</i>	<i>273</i>	<i>59</i>	<i>121</i>	<i>600</i>
	<i>147</i>				
Business Planning Support	69	76	51	47	66
Advice or support on setting up a business	82	83	25	22	65
Marketing Support	56	57	46	50	54
Mentoring support	52	48	34	36	45
Innovation advice or support	35	45	36	38	40
Advice on regulation and legislation	37	44	44	32	40
Other business development advice or support	33	33	37	36	34
Developing a collaboration, partnership or networking support	29	28	29	34	30
ICT or e-commerce advice or support	26	25	32	38	29
Supply chain development and tendering support	14	18	49	37	24
Advice or support on HR and recruitment issues	15	25	31	29	24
Advice on energy and resource efficiency	6	13	29	22	15
Export advice or support	4	9	12	10	8
Accounting/book-keeping advice	3	3	2	2	3
Other	1	1	2	1	1
None	3	2	3	2	3

Source: IFF Survey of CE and NBSS Supported Enterprises (2016)

⁴¹ Note that this question was only asked in the 2016 IFF Survey. The base numbers are therefore lower, particularly in the case of the CE project in the RCE area.

7.3 This shows that the five most used services (ranked in order) in the context of the NBSS projects have been:

- Advice or support on setting up a business.
- Business planning support.
- Marketing support.
- Mentoring support.
- Advice on regulation and legislation.

7.4 In terms of the CE projects, the most used services (ranked in order) have been:

- Business planning support.
- Marketing support.
- Supply chain development and tendering support.
- Advice on regulation and legislation.
- Innovation advice or support.

7.5 The usage patterns shown are in-line with the design and policy intentions of the respective projects. These usage patterns also broadly reflect the experiences of the 25 assisted enterprises that participated in follow-up visits.

Cross Cutting Themes

7.6 Figure 7.2 provides an overview of the support received by enterprises on the two cross cutting themes of environmental sustainability and equal opportunities.

Figure 7.2: Support received on cross-cutting theme issues

	<i>NBSS</i>	<i>NBSS</i>	<i>CE</i>	<i>CE</i>	Percentage <i>Combined</i>
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	
Base (number)	271	498	124	192	1,085
Advice or support on equality issues	21	23	26	25	23
Advice or support on environmental issues	19	22	33	31	24
Neither of these	69	67	55	57	64
Don't know	4	2	2	3	3

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

- 7.7 This shows that across the different projects, two thirds (64 percent) could not recall having received any support on the cross-cutting themes.
- 7.8 Just under a quarter (23 percent) could recall having received support on equality issues. A similar proportion (24 percent) could recall having received support on environmental sustainability issues. A notably higher proportion of enterprises supported by the two CE projects (33 percent in RCE and 31 percent in Convergence) recalled receiving support on environmental issues than those supported by the NBSS projects (19 percent in RCE and 22 percent in Convergence).
- 7.9 Of those that had received support on equalities issues, the majority (89 percent NBSS RCE, 86 percent NBSS Convergence, 81 percent CE RCE and 85 percent CE Convergence) said that the support they received had been helpful.
- 7.10 The findings were similar in the context of support on environmental issues. The majority of supported enterprises which had received support (83 percent NBSS RCE, 84 percent NBSS Convergence, 90 percent CE RCE and 87 percent CE Convergence) said that the support on environmental issues had been helpful.

- 7.11 None of the 25 enterprises participating in the qualitative follow-up visits, could recall having been advised specifically on either equalities or environmental sustainability issues⁴².
- 7.12 The providers involved in delivering the CE and NBSS projects felt that there had been significant progress in incorporating the delivery of advice on the CCTs into the services provided. A team comprising five dedicated resource efficiency advisers and six equality and diversity advisers had been put in place. The teams met on a regular basis to discuss individual cases and to consider good practice.
- 7.13 Providers pointed out that there had been very good integration between the CCT advisors and the tendering element of the CE service with both a 'pull' effect coming from public sector tenders that require businesses to implement relevant policies and a 'push effect' from the service itself to help businesses develop and put these in place.
- 7.14 It was also noted that a key 'trigger point' for businesses taking an interest in the equality cross-cutting theme was when they decide to recruit staff for the first time. In this context, the CCT advisors had presented their service as being about 'HR' practices and according to one provider, they felt that this aspect of the service had 'massively added value' to assisted enterprises. A key learning point for the future integration of CCTs is the importance of presenting advice relating to the themes in business friendly language.

Satisfaction Levels

- 7.15 In terms of overall satisfaction with the quality of the support received, Figure 7.3 provides an overview of the responses given.

⁴² It is important to stress here that we asked specifically about equalities and environmental sustainability rather than using the term 'cross-cutting themes'.

Figure 7.3: Overall satisfaction with quality of the advice/support received

	<i>NBSS</i>	<i>NBSS</i>	<i>CE</i>	<i>CE</i>	Percentage
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	<i>Combined</i>
Base (number)	271	498	124	192	1,085
Very satisfied	53	49	37	45	48
Satisfied	30	39	45	40	38
Neither satisfied nor dissatisfied	9	6	9	9	7
Dissatisfied	3	4	5	4	4
Very dissatisfied	5	2	4	2	3

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

- 7.16 This shows that overall, satisfaction levels with both the NBSS and CE services are very positive, with 86 percent either satisfied or very satisfied. This compares favourably with satisfaction levels in relation to overall quality of advice and support received (79 percent either very satisfied or satisfied) as reported in the 2012 Wales ERDF Business Survey⁴³.
- 7.17 Overall, respondents supported by NBSS projects were more likely to be very satisfied (51 percent) than those supported by the CE projects (42 percent). This pattern was reflected (with higher levels of very satisfied NBSS clients) across the sample of 25 enterprises that participated in qualitative follow-up interviews.
- 7.18 In terms of a comparison with the Mid Term Evaluation of the Customer Engagement projects, that evaluation found very similar levels of overall satisfaction with the quality of services received with 40 percent 'very satisfied' and 38 percent 'satisfied'⁴⁴. This suggests that overall satisfaction has remained at a fairly consistent level within the CE projects.

⁴³ ERDF Business Survey. Final Report. 2012. Old Bell 3 Ltd. in association with Cardiff University and IFF Research Ltd. Page 16.

⁴⁴ Mid-Term Evaluation of the Customer Engagement EU Project. Final Report. Old Bell 3 Ltd. And Cardiff University. May 2012. Page 46.

7.19 Survey respondents were asked whether they had clear objectives and expectations for what they wanted to achieve at the point of accessing support from the CE or NBSS projects. Figure 7.4 provides an overview of responses.

Figure 7.4: Clarity of objectives and expectations for support

	NBSS		CE		Percentage
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	<i>Combined</i>
Base (number)	271	498	124	192	1,085
Objectives were clear	38	35	32	36	36
Reasonably clear idea	44	47	49	44	46
Not totally sure what to expect	18	17	19	19	18
Don't know/can't recall	1	-	-	1	-

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

7.20 This shows that for both the CE and NBSS projects, supported enterprises had either clear or reasonably clear objectives and expectations for what they wanted to achieve. Again, this was consistent with the evidence from the 25 qualitative follow-up visits undertaken where both NBSS and CE clients had a clear idea beforehand of what they were looking for from the support service.

7.21 Figure 7.5 shows the extent to which the initial expectations of CE and NBSS service users were subsequently met.

Figure 7.5: Extent to which objectives and expectations for CE and NBSS support were met

	NBSS		CE		Percentage
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	<i>Combined</i>
Base (number)	220	411	101	154	886
All objectives met	43	47	35	39	43
Some objectives met	51	48	53	50	50
No objectives were met	6	4	11	10	6
Don't know/can't recall	-	1	1	1	1

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

- 7.22 This shows that across the CE and NBSS projects, less than half (43 percent) of the responding enterprises said that all of their objectives and expectations had been met with half saying that some of their objectives had been met.
- 7.23 This might be seen as something of a contrast to the high levels of satisfaction reported by assisted enterprises. Evidence from the 25 follow-up visits suggests that in part, enterprises may have been pleased with the quality of the support they received, but that ultimately some of their initial expectations might not have been met in full. For instance, there was evidence from assisted enterprises and CE/NBSS providers that suggested businesses came to the service with clear expectations of securing grant funding which in some cases may not have been realised on the basis of non-eligibility.
- ‘When we ask for feedback, the clients’ perception of our service can be quite narrowly and directly linked to whether and how much of a grant they get’. (Provider Organisation)
- 7.24 There was also evidence to suggest that providers felt that on occasion, the most appropriate course of action was to advise their clients not to proceed, for instance with starting or investing in the expansion of a business.
- ‘Sometimes, we advise people not to start or to expand their business in a certain way’. (Provider organisation)
- 7.25 The proportion of those having had all of their objectives met was higher for those supported by the NBSS projects than it was for those supported by the CE projects, reflecting perhaps the clearer expectation that support via NBSS would ultimately lead to starting a business.
- 7.26 Turning to the evidence from the qualitative sample on the quality and relevance of services, for the CE projects, this was mixed, despite the fact that the large majority of survey respondents had said they were satisfied or very satisfied (Figure 7.3). Of the nine CE assisted enterprises in the qualitative sample, three were entirely satisfied and

very complimentary about the service they received, three were partially satisfied and three were left feeling disappointed and gave negative feedback. For those six enterprises that were partially satisfied or unhappy with the service they had received via the CE projects, the main feedback given was that the advice they received (particularly via Business Wales workshops) had been overly generic and not relevant enough to their particular business. Two of these (Enterprises C and H) also said that they were disappointed by a lack of follow-up and poor communication on the part of their assigned Business Wales advisors.

- 7.27 Of the 16 NBSS supported enterprises in our qualitative sample, nine of these were fully satisfied with the quality and relevance of the support they had received. Five of the 16 were partially satisfied with these having provided generally positive feedback but suggested areas for improvement around the need for less generic, more specific advice while two were disappointed with what they had received and gave negative feedback. In one of the instances where negative feedback had been given, this was because the NBSS advisor had informed the enterprise that they were ineligible for grant funding. In the second instance, the assisted enterprise felt that the NBSS advisor's advice had been overly focused on gearing their business plan to securing grant funding.
- 7.28 The following case study examples highlight some of the feedback from the qualitative evidence on quality and relevance of services received.

Qualitative Evidence (Views on Quality and Relevance of Services Received)

Link to Logic Models: Inputs and Activity

Enterprise J is a sole-trader working in the hair and beauty industry. The proprietor of Enterprise J, who suffers from a long-term, work limiting illness was assisted by the NBSS project in the Convergence area. Enterprise J had accessed several forms of support, including workshops on topics such as finance and marketing, one-to-one advice on developing a business plan, marketing and advertising support and branding. The NBSS advisor had also helped Enterprise J to secure a small amount of funding (from another source) to help purchase some uniforms which helped professionalise the business. The proprietor of J was very satisfied with the support that they had received via the NBSS project rating the service very highly indeed in terms of quality and usefulness. The only suggested, minor improvement that the proprietor of Enterprise J made was that the NBSS workshops might have been available more locally. As it was, the workshops meant that the proprietor had to travel some distance to attend which was a key consideration given their work-limiting illness.

Enterprise R was established in 2013 and was supported via the NBSS but is no longer trading as a limited company. The proprietor of Enterprise R initially contacted Business Wales as they were looking for more information about starting and running their own business (with a view to turning it into a limited company). They were first put in touch with an advisor through their local Job Centre. The NBSS advisor helped them to develop a business plan. The proprietor of Enterprise R was disappointed with the support as the advisor recommended that the business plan should be focused on securing grant funding. This had resulted (in the view of the proprietor) on key details about the nature of the business being changed and which resulted in it moving away from the concept that they wanted to achieve. They also felt that the information provided by the NBSS advisor had been presented in a way that was 'daunting' rather than inspiring and that the service would have benefitted from providing more practical advice on the 'everyday aspects' of running of a business.

Enterprise D is a limited company based in the Convergence area. The company received support via the CE project. A Director from Enterprise D attended two Business Wales workshops during 2014. One of the workshops focused specifically on tendering and the second was a more general workshop on the theme of building a strong customer base. The Director that attended the workshops felt that they had both been very well organised and delivered

professionally. They also felt that the content of both workshops had been particularly relevant to their business with the knowledge and information gained being of direct use and value to them.

Enterprise E was established in 2014 and is a non-profit making company which provides training and advice for professionals working with people who are on the verge of social exclusion. The company, which is based in the Convergence area, is run on a voluntary basis by the director and has clients across the UK and include local government, voluntary organisations and the NHS. Enterprise E received support in a workshop setting relating to business set-up and finance and received a one to one session with an advisor on tendering.

Overall, the director of Enterprise E was disappointed with the quality and relevance of the support received via the workshop. They felt the business-set up workshops did not take into account that some businesses could operate on a non-profit, social enterprise basis.

Enterprise E did not feel they been able to put into practice any of the advice or guidance received via Business Wales and had been put off approaching Business Wales again in the future.

Availability of Alternative Support

7.29 Survey respondents were asked whether, prior to receiving CE or NBSS support, they had considered getting similar advice from elsewhere. Figure 7.6 provides an overview of responses.

Figure 7.6: Whether surveyed respondents had considered getting similar advice from elsewhere

	NBSS		CE		Percentage
	RCE	Conv	RCE	Conv	Combined
Base (number)	271	498	124	192	1,085
Yes	24	19	32	26	23
No	76	80	67	71	76
Don't know/can't recall	-	-	1	3	1

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

- 7.30 This shows that most supported enterprises (76 percent across the projects combined) had not considered getting similar support from other sources prior to the CE or NBSS intervention. As might be expected, the proportion of those not having considered seeking alternative support was slightly higher for NBSS than it was for the more general business advice offered by CE to existing businesses.
- 7.31 Had the CE or NBSS projects not been available to them, 82 percent of supported enterprises that had considered support from elsewhere (250 enterprises across all four projects) said that it was likely they would have gone to this alternative source. This was slightly higher for the NBSS (at 86 percent⁴⁵) than for the CE projects (at 76 percent⁴⁶).

⁴⁵ Base of 161.

⁴⁶ Base of 89.

8. Effects and Impacts of CE and NBSS Support

8.1 In this chapter, we draw on the survey data to analyse the effects and impacts of CE and NBSS support. We also consider the qualitative evidence gathered via the 25 follow-up visits undertaken with assisted enterprises and stakeholder consultation interviews.

New Enterprise Creation

8.2 Figure 8.1 provides an overview of the extent to which enterprises would have been set-up without NBSS support.

Figure 8.1: Likelihood business would have started without NBSS support

	<i>NBSS RCE</i>	<i>NBSS Conv</i>	Percentage <i>Combined</i>
Base (number)	260	483	743
Definitely would have been set up anyway	48	46	47
Very likely	19	15	16
Likely	16	21	19
Unlikely	8	10	10
Very unlikely	4	4	4
Definitely would not have been set up	4	4	4
Don't know	-	1	1

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

8.3 This shows that most (82 percent or 609 enterprises) of the NBSS supported enterprises said that they probably would have started their business, even without NBSS support. This chimes with the earlier finding that NBSS service users had a clear idea of what they wanted to achieve. It is also borne out by the qualitative evidence from the follow-up visits with NBSS supported enterprises.

8.4 The case study example below for instance is fairly typical in the sense that those involved in receiving support already had the idea for and the inclination to start a business but felt that NBSS support had helped confirm their decision, moved them over the 'tipping point': in several of our case-studies this meant that they had started their business sooner than would otherwise have been the case.

Qualitative Evidence (New Business Creation)

Link to Logic Model: Impacts (Increased Business Stock)

Enterprise T is a media sector business. Based in the RCE area, it was established in 2014 and was assisted in various ways by the NBSS project.

The two directors involved in setting up Enterprise T had decided that they wanted to investigate starting their own business but had never run one before and were unsure as to how to go about it. They then searched for information on starting a business online, and came across Business Wales. This led to them enrolling on and attending a week-long start-up course organised by the NBSS project which they felt had been very informative and 'a real eye-opener' that had been a 'good start'. The directors felt that they had been able to apply all of what they had learned in the training course but pointed out that some aspects of the training (e.g. tasks) were quite general and 'more relevant to people setting up cafes or a garage' and less relevant to business models associated with the creative industries sector. One of the directors summed up the NBSS course as 'brilliant, but a bit general...we basically used everything we learned'.

Following the training course, Enterprise T was then assigned an NBSS advisor who provided more detailed advice on business planning and cash flow forecasting. While they had been disappointed with some aspects of the advisor's work (there was a lack of follow-up on specific aspects of the agreed support package), one of the Directors felt that it had been 'comforting to get expert advice and to be pointed in the right direction' during the early stages.

Both Directors felt that while they had been keen to start the business before getting involved with the NBSS project, the training course had been instrumental in giving them the confidence and the information they needed to take the final decision to go-ahead. They also felt that the NBSS support meant that the business started on a stronger footing and got going sooner than would otherwise have been the case.

Continued Operation

- 8.5 Figure 8.2 provides an overview of the extent to which enterprises would have continued operating without CE support.

Figure 8.2: Likelihood business would have continued operating without CE support

	<i>CE</i>	<i>CE</i>	Percentage
	<i>RCE</i>	<i>Conv</i>	<i>Combined</i>
Base (number)	95	162	257
Definitely would have continued anyway	63	57	60
Very likely	20	19	19
Likely	14	17	16
Unlikely	2	4	4
Very unlikely	1	1	1
Definitely would not have been set up	-	1	-
Don't know	-	1	1

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

- 8.6 This shows that the majority (95 percent or 244 enterprises) said that it was likely they would have continued operating even without the support they received from the CE projects.

Jobs

- 8.7 In terms of the effects of the CE and NBSS projects on employment levels within supported enterprises, Figure 8.3 provides an overview of responses to this question across the different projects.

Figure 8.3: Impact of CE and NBSS projects on employment levels

	<i>NBSS</i>	<i>NBSS</i>	<i>CE</i>	<i>CE</i>	Percentage
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	<i>Combined</i>
Base (number)	271	498	124	192	1,085
Yes	15	15	31	27	19
No	85	85	67	72	80

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

- 8.8 This shows that the effect of the NBSS intervention on employment levels has been relatively modest in both the Convergence and RCE areas with 15 percent of businesses reporting an impact on employment as a result of support. The effect of the CE intervention on employment levels is more notable with 27 percent in the Convergence area and 31 percent in the RCE area reporting an

impact. This was consistent with the evidence from the follow-up visits with the tendering element of the CE project having been the most notable strand of support where attributable job creation gains had occurred as a result of securing new contracts via competitive tender, though less than a quarter (24 percent) of the surveyed enterprises had benefitted from this strand of the support service⁴⁷.

8.9 Figure 8.4 gives more detail on how businesses perceived the impact of CE and NBSS support on employment levels.

Figure 8.4: Businesses' Views on CE and NBSS projects' impact on employment levels

	Number (Percentage) of businesses				
	<i>NBSS</i>	<i>CE</i>	<i>NBSS</i>	<i>CE</i>	<i>Combined</i>
	<i>RCE</i>	<i>RCE</i>	<i>Conv</i>	<i>Conv</i>	
Base (number)	271	124	498	192	1,085
New jobs have been created	35 (13%)	29 (23%)	55 (11%)	38 (20%)	157(14%)
Jobs have been safeguarded	10 (4%)	19 (15%)	31 (6%)	31 (16%)	91(8%)
Jobs have disappeared	2 (1%)	1(1%)	0 (0%)	0(0%)	1(0%)
Other employment changes	2 (1%)	3 (2%)	1 (0%)	0(0%)	6 (1%)

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

8.10 This shows that new jobs had been created as a result of CE and NBSS support across 14 percent of surveyed enterprises (157 respondents). The proportion of those creating new jobs was highest for the two CE projects (averaging 21 percent), particularly in the RCE area and lower across the two NBSS projects (averaging 12 percent). Of the 157 enterprises that said new jobs had been created 83 percent of these were micro businesses employing less than nine people while the remaining 16 percent employed between 10 and 99 members of staff. Given that such micro-businesses represented 92%

⁴⁷ See Figure 7.1. Base 600.

of the sample, this suggests, however that small but non-micro businesses had a slightly greater propensity to report job creation.

- 8.11 Of the 157 supported enterprises that said they had created new jobs as a result of support received, 152 were able to give a specific number of jobs created. In all, these 152 assisted enterprises said that they had created 485 new jobs between them (an average of 3.2 new jobs per business). These jobs were fairly evenly split across the NBSS (234 new jobs created) and CE projects (251 new jobs created).
- 8.12 It follows that the mean average job created per enterprise supported across both the NBSS and CE projects stood at 0.45 per business⁴⁸.
- 8.13 For CE surveyed enterprises, an average of 0.79 new jobs were created per business (based on 251 new jobs having been created across a sample of 316 surveyed enterprises). This is notably higher than the average of 0.46 new jobs per business based on the monitoring information presented in Chapter 4, Figure 4.4⁴⁹.
- 8.14 For the NBSS projects, the survey data showed that an average of 0.30 new jobs per business had been created (given that 234 new jobs were created across a sample of 769 enterprises). This is considerably lower than the average of 1.78 new jobs per business based on the monitoring information presented in Chapter 4, Figure 4.1⁵⁰.
- 8.15 Overall, eight percent of surveyed enterprises (91 respondents) thought that jobs had been safeguarded across the CE and NBSS projects. The proportion of supported enterprises saying jobs had been safeguarded was higher for both of the CE projects (at an average of 16 percent) and lowest for the NBSS projects, particularly in the RCE area (at four percent).

⁴⁸ Calculated as 485 new jobs created across a total of 1,085 surveyed enterprises.

⁴⁹ Figure 4.4 claims a total of 5,446 enterprises assisted and a total of 2,504 gross new jobs created by the CE projects (Convergence and RCE combined).

⁵⁰ Figure 4.1 claims a total of 11,235 enterprises assisted and a total of 20,030 gross new jobs created by the NBSS projects (Convergence and RCE combined).

- 8.16 Just under half (44 of the 91 assisted enterprises) that said they had safeguarded jobs as a result of intervention were able to provide a specific number of jobs safeguarded. Between them, these 44 assisted enterprises said that they had safeguarded a total of 285 jobs. As would be expected (given the nature of the intervention), the majority of these jobs safeguarded (82 percent or 234 of 285 jobs) were ones in CE assisted enterprises. Of the remaining 47 enterprises who indicated the number of jobs safeguarded in bandings, most of these (39 of the 47) said that they had safeguarded between 1-4 posts. If we were to take the minimum number of posts safeguarded across these enterprises as the basis of calculating the overall number of jobs safeguarded then it follows that an overall total of 429 posts were safeguarded (i.e. at least 144 posts in addition to the 285 reported).
- 8.17 It follows that the mean average job safeguarded per enterprise supported across both the NBSS and CE projects was at least 0.40 per business⁵¹.
- 8.18 In-keeping with the survey findings (where job creation took place in only a minority of supported enterprises) there was little evidence from the follow-up visits to 25 supported enterprises of attributable job creation outcomes. There was one exception to this (assisted enterprise A, supported by Customer Engagement) as highlighted in the case study box below. Beyond that however, there were either no job creation outcomes to report, or where there were (as in the example of NBSS assisted enterprise L below), those running the business did not attribute job outcomes to the intervention.

⁵¹ Calculated as 429 posts safeguarded across 1,085 enterprises.

Qualitative Evidence (Job creation and safeguarding)

Link to Logic Models: Outcomes (Gross Jobs Created) and Impacts (Net Jobs Created)

Enterprise A specialises in providing asbestos removal and thermal insulation services. It is based in the RCE area and employs some 30 members of staff. Enterprise A was assisted by the tendering service as part of the CE project. Enterprise A was keen to tender for larger contracts (including with local authorities) and as a result of information received through Sell 2 Wales, they signed up for a 'how to tender' workshop offered as part of the Business Wales service. The fact that the workshop was available free of charge was a 'big selling point' for Enterprise A who would not have attended had there been a fee involved. The Operations Manager from Enterprise A who attended the workshop found it very useful and 'took a lot away from it' in terms of knowledge about how various procurement processes work. Following on from the initial workshop, Enterprise A registered to attend a 'meet the buyer' event organised via the CE project with a Welsh local authority. Enterprise A had found this workshop of direct relevance to their business and explained that Business Wales Advisors had been on hand to assist and guide them with the tender process for the local authority concerned.

As a result of their attendance at these two workshops and the support they had received from Business Wales advisors, Enterprise A had since become more active and confident in submitting tenders to supply Welsh public sector bodies with their specialist services. They had been successful on several occasions, particularly with local authorities. Enterprise A estimated that as a result of the support received, they had probably secured new contracts via competitive tender worth in the region of £200,000 and this had led to the creation of at least four new jobs.

Enterprise L is an NBSS supported cleaning business based in the Convergence area that provides both domestic and commercial cleaning services. The business was established in 2012 and employs 22 people, all on part time contracts. Enterprise L felt they had been unable to use any of the information or advice given by the NBSS service to any meaningful extent. Overall, they thought the support had not been particularly relevant or practical to their business.

The MD of Enterprise L argued that the NBSS support received via Business Wales had not been instrumental in them establishing the business (they argued that they would have done so anyway) and none of the job creation or turnover growth outcomes could be attributed in any way.

8.19 Figure 8.5 provides an overview of how likely the employment changes would have occurred without CE and NBSS support.

Figure 8.5: Likelihood of employment changes occurring without CE and NBSS Support

	<i>NBSS</i>	<i>NBSS</i>	<i>CE</i>	<i>CE</i>	Percentage
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	<i>Combined</i>
Base (number)	39	73	36	51	199
Definitely would have occurred	15	11	6	6	10
Likely that it would have occurred	31	34	47	33	36
Unlikely that it would have occurred	33	33	33	45	36
Definitely would not have occurred	21	19	8	12	16
Don't know	-	3	6	4	3

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

8.20 This shows that, when specifically questioned about whether the changes to employment would have occurred even without support, just over half (52 percent) of all supported enterprises (across the CE and NBSS projects) positively attributed employment changes to the support received. Positive attribution in relation to changes in employment was fairly consistent across the two NBSS projects and for CE in the Convergence area. However, it was notably lower for the CE project in the RCE area.

8.21 Turning to our assessment of the quality of jobs created and safeguarded, Figure 8.6 provides an overview of how wages paid by supported enterprises compared with the workplace averages.

Figure 8.6: Pay levels of jobs created or safeguarded in relation to workplace average

	<i>NBSS</i>	<i>NBSS</i>	<i>CE</i>	<i>CE</i>	Percentage <i>Combined</i>
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	
Base (number)	39	72	36	51	198
In-line with workplace average	46	54	67	57	56
Above workplace average	36	26	22	27	28
Below workplace average	13	10	6	8	9
Don't know	5	6	6	4	5
Refused	-	4	-	4	3

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

8.22 In terms of the pay levels of jobs created or safeguarded with the assistance of CE and NBSS support, most of these (84 percent across the projects) were either in-line with or above the workplace average. The proportion of jobs created/safeguarded above the workplace pay average was notably higher for the NBSS project in the RCE area than the other projects.

8.23 In order to gain some further inference on the quality of jobs supported enterprises have created or safeguarded, the survey questionnaire included a question on the annual starting salaries of jobs. Figure 8.7 provides an overview.

Figure 8.7: Full time equivalent annual starting salaries for jobs in supported enterprises who employ more than one person¹

	NBSS	NBSS	CE	CE	Percentage Combined
	RCE	Conv	RCE	Conv	
Base (number)	74	136	82	134	426
Less than £10,000	11	13	7	8	10
£10k-£14,999	22	26	16	25	23
£15k-£19,999	28	22	29	25	25
£20k-£24,999	8	10	13	13	12
£25k-£29,999	3	6	11	4	6
£30k-£49,999	5	3	4	2	3
Don't know	14	18	17	14	16
Refused	9	2	1	8	5

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

¹The question asked was: What would be the full-time equivalent annual starting salary for an average employee before any deductions for tax, national insurance, pension contributions etc. for one of your workers?⁵²

8.24 This shows that just under half (48 percent) of the CE and NBSS supported enterprises offered jobs which carried gross starting salaries of between £10,000 and £19,999 per annum. Just over a fifth (21 percent) offered gross starting salaries of between £20,000 and £49,999 per annum.

8.25 To give some broader context, the gross annual salary for Wales in 2015 was estimated to be £28,392 by Stats Wales (provisional), while NOMIS⁵³ estimates the annual gross salary for Wales in 2015⁵⁴ to have been £25,168. Taking the lower of these two estimates, Figure 8.7 shows that most (70 percent) of the enterprises assisted by the CE and NBSS projects and which employ more than one person offer gross starting salaries below the Welsh average.

⁵² It *may* be possible that some survey respondents inadvertently provided an average salary figure including part-time staff which would obviously bring the full time starting salary figure down. It is also not a direct comparison between average salaries for all jobs and average starting salaries.

⁵³ Official Labour Market Statistics. Office for National Statistic.

⁵⁴ Source: ONS annual survey of hours and earnings – resident analysis 2015. Nomisweb.

8.26 It should be noted of course that data on starting salaries only provides a fairly limited picture and does not for instance provide any inference on the likely levels of progression into roles with more responsibilities and higher salaries.

8.27 Figure 8.8 provides an overview of the qualification levels supported enterprises would require candidates to have, assuming they had job vacancies.

Figure 8.8: Qualification levels required for any likely job vacancies¹

	NBSS		CE		Percentage
	RCE	Conv	RCE	Conv	Combined
Base (number)	41	77	48	88	254
NVQ 5 equivalent	5	4	2	5	4
NVQ 4 equivalent	10	13	17	11	13
An apprenticeship	-	3	4	3	3
NVQ 3 equivalent	17	16	10	15	15
NVQ 2 equivalent	14	16	18	15	16
Depends on the job role	2	4	10	9	7
Other	10	5	4	3	5
No formal qualifications required	29	32	33	31	31
Not applicable	7	4	-	6	4
Refused	5	1	-	2	2

Source: IFF Survey of CE and NBSS Supported Enterprises (2016)

8.28 This shows that the largest grouping of supported enterprises (31 percent across the CE and NBSS projects) said that, assuming they had vacancies, they would not require candidates to have any formal qualifications. The same proportion (31 percent) said that they would require either an NVQ Level 2 or Level 3 qualification. A minority (of 17 percent) said that they required higher level (i.e. NVQ Level 4 and above) qualifications from job candidates. There were no notable differences in relation to likely qualification requirements across the four different projects.

8.29 Overall, this shows that potential job vacancies within supported enterprises are likely to be relatively low skilled. However, this is broadly in-keeping with the picture in Wales. For instance, the UKCES

Employer Perspective Survey (2014) found that 56 percent of employers in Wales attached no value (20 percent) or a small amount of value (36 percent) to particular levels of achievement of academic qualifications⁵⁵.

Turnover and Profitability

- 8.30 In terms of changes to turnover, Figure 8.9 provides an overview of changes which have taken place since enterprises received CE or NBSS support. In presenting this data, it needs to be recognised of course, that for many (though not all) NBSS assisted enterprises, given that they were completely new businesses, their sales/turnover increases would have been starting at a zero base.

Figure 8.9: Sales/Turnover changes since receiving CE or NBSS Support

	NBSS RCE	NBSS Conv	CE RCE	CE Conv	Percentage Combined
Base (number)	271	498	124	192	1,085
Increased	49	52	50	54	51
Decreased	3	3	6	8	4
Stayed the same	33	33	36	30	33
Don't know	4	4	5	3	4
Not applicable	11	8	2	6	8
Refused	-	-	1	-	-

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

- 8.31 This shows that overall, just over half (51 percent) or 553 enterprises said that turnover had increased. The proportions saying that turnover had increased were broadly consistent across the four projects but was highest for the CE Convergence project and lowest for the NBSS project in the RCE area. This compares with 42 percent of assisted

⁵⁵ Source: UK Commission for Employment and Skills Employer Perspectives Survey 2014. First published 27 March 2015. Wales Data Tables. Table 14, Question C5-1 'Importance of factors looked for in candidates: Having a particular level of achievement of academic qualifications (e.g. GCSEs, A levels or a degree). The unweighted sample base for this question was 2,007 establishments.

enterprises that said there had been a positive change in turnover since receiving support in the 2012 Wales ERDF Business Survey⁵⁶.

8.32 Turning to the size of the impacts on sales which assisted enterprises attributed to the support they received from the CE and NBSS projects, Figure 8.10 provides an overview.

Figure 8.10: Assisted enterprises attributing average annual impact on sales to CE or NBSS support

	<i>NBSS</i>	<i>NBSS</i>	<i>CE</i>	<i>CE</i>	Numbers
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	<i>Combined</i>
Base (number)	28	64	15	32	139
1-9 percent increase	2	5	7	7	21
10-24 percent increase	13	25	5	14	57
25-49 percent increase	3	13	1	5	22
50-74 percent increase	6	10	2	5	23
75-99 percent increase	3	3	-	1	7
100 percent increase	1	8	-	-	9

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

The question asked was 'What would you say has been the average annual impact of the support from Business Wales on your sales?'

8.33 Of the 553 assisted enterprises who reported an increase in sales/turnover, a quarter (139 enterprises) in all attributed an increase in average annual sales to CE or NBSS support while the remaining 414 enterprises (75 percent) did not attribute the increase in sales/turnover to the support received.

8.34 Taken in the context of the overall sample of 1,085 the proportion that were able to attribute average annual increases in sales to CE or NBSS support was 13 percent.

8.35 Of those that attributed increased sales to CE or NBSS support, over half (56 percent or 78 of 139 enterprises) reported an average annual increase in sales of under 25 percent. A slightly smaller proportion (44

⁵⁶ ERDF Business Survey. 2012. Old Bell 3 Ltd. Cardiff University and IFF Research Ltd. Table 3.11, Page 37.

percent or 61 of 139 enterprises) were able to attribute average annual sales increases of more than 25 percent.

8.36 Figure 8.11 provides an overview of profitability since receiving CE or NBSS support.

Figure 8.11: Profitability since receiving CE or NBSS Support

	<i>NBSS</i>	<i>NBSS</i>	<i>CE</i>	<i>CE</i>	Percentage
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	<i>Combined</i>
Base (number)	267	486	119	179	1,051
Increased	46	46	47	45	46
Decreased	1	5	8	11	5
Stayed the same	34	36	34	34	35
Don't know	6	6	7	3	6
Not applicable	12	7	3	7	8
Refused	-	-	1	-	-

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

8.37 This data on profitability shows a similar pattern to sales/turnover since receiving CE or NBSS support. Overall, just under half of the supported enterprises (46 percent) said that profitability had increased since receiving CE or NBSS support and this was fairly consistent across each of the four projects.

8.38 Figure 8.12 provides inference on the extent to which assisted enterprises attributed average annual impacts on profitability to CE or NBSS support.

Figure 8.12: Assisted enterprises attributing average annual impact on profitability to CE or NBSS support

	<i>NBSS</i>	<i>NBSS</i>	<i>CE</i>	<i>CE</i>	Numbers <i>Combined</i>
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	
Base (number)	25	59	13	27	124
1-9 percent increase	1	2	7	9	19
10-24 percent increase	13	20	4	7	44
25-49 percent increase	1	14	1	6	22
50-74 percent increase	5	11	1	4	21
75-99 percent increase	4	3	-	1	8
100 percent increase	1	9	-	-	10

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

- 8.39 This shows that of the 484 assisted enterprises who said that their profitability had increased since they received CE or NBSS support, 124 (26 percent) were able to attribute average annual increases in profit directly to the support they had received. The remaining 360 (a majority of 74 percent) did not attribute any annual increases in profit to CE or NBSS support.
- 8.40 Taken in the context of the overall sample of 1,085 the proportion that were able to attribute any annual increases in profitability to CE or NBSS support was 11 percent.
- 8.41 Of those that were able to attribute average annual increases in profit to CE or NBSS support, just over half (51 percent or 63 of 124 enterprises) reported an average annual increase in profit of under 25 percent. A slightly smaller proportion (49 percent or 61 of 124 enterprises) were able to attribute average annual profit increases of more than 25 percent.
- 8.42 Turning to the evidence from the qualitative sample of enterprises we conducted follow-up visits with, a similarly small proportion (three of 25 enterprises visited or 12 percent) demonstrated positive, attributable outcomes relating to turnover and profitability.
- 8.43 The case studies below provide a flavour of the evidence gathered, with Enterprise X and Enterprise D being more typical of the wider

sample, while Enterprise Q was one of the minority of three case studies where there was evidence of positive and attributable impact on turnover and profitability.

Qualitative Evidence (Turnover and profitability)

Link to Logic Model: Outcomes/Results (Increased Turnover and Income) and Impacts (Net sales/turnover generated)

Enterprise Q is a technology based start-up business providing a range of cloud based customer relationship management (CRM) software applications to the service sector. The business was set-up in 2014 in the Convergence area but serves a UK wide market and has aspirations to export the technology, starting with North American markets. Enterprise Q was provided with advisory support via the NBSS project and received support on formulating their business plan, advice on grant and debt finance, innovation vouchers, marketing and exporting. Enterprise Q has been very pleased with the quality and relevance of the support they have received and described their NBSS advisor as having been 'invaluable'.

The Directors of Enterprise Q felt that while they had already taken the decision to start the business, they were able to directly attribute a number of positive outcomes to the NBSS support received. The Directors themselves had defined their job roles more clearly, they had improved the product in a number of key areas and had identified key markets to prioritise for expansion. Enterprise Q had exceeded its turnover and profit expectations in its first few years of trading. The Directors of Enterprise Q estimated that as a direct result of changes and improvements they had made following the NBSS support, turnover and profitability was 50 percent higher than it would otherwise have been.

Enterprise X was established in 2013 with NBSS support and offers eco-friendly self-catering accommodation for up to 30 people and associated packages for events etc. in the RCE area. Enterprise X has a good mix of national and international clients, but there are several competitors in the local area. Currently, only the proprietor/owner is employed by the business.

While satisfied with the support they received, saying their advisor had helped them both practically and with their wider work-life balance, the support had not been directly linked to any positive impacts in terms of turnover or profitability for the business.

Enterprise D is a CE supported limited company based in the Convergence area operating in the professional services sector. Approximately two thirds of the

company's work is for London based clients. As a consequence of attending Business Wales (CE) workshops, Enterprise D introduced a range of new policies and practices that the business did not previously have in place. A key driver for this had been the need to prepare for the requirements of future tendering activity. While this tendering activity has yet to take place, Enterprise D argued that they are more aware of the requirements of the public sector when it comes to procurement as a result of Business Wales. However, there have been no direct financial (i.e. increased turnover or profitability) benefits of the workshops but Enterprise D hopes that there may be once tenders are submitted using the knowledge gained.

Productivity and Performance

8.44 Turning to the effects of CE and NBSS support on productivity, Figure 8.13 provides an overview.

Figure 8.13: Effect on productivity since receiving CE or NBSS support

	NBSS	NBSS	CE	CE	Percentage
	RCE	Conv	RCE	Conv	Combined
Base (number)	271	498	124	192	1,085
Increased	43	44	41	47	44
Decreased	2	3	3	1	2
Stayed the same	35	33	42	36	35
Don't know	4	5	5	2	4
Not applicable	15	15	8	14	14
Refused	-	-	1	-	-

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

8.45 This shows that overall (CE and NBSS combined), just under half (44 percent) of the assisted enterprises said that the support had helped increase their productivity. The proportions saying that productivity had increased were very similar across the four projects. This finding chimes with an evidence review of business advice which found that

‘business advice programmes show consistently better results for productivity and output than they do for employment’⁵⁷.

8.46 Figure 8.14 shows the extent to which assisted enterprises thought that CE or NBSS support had contributed to their performance.

Figure 8.14: Contribution to business performance since receiving CE or NBSS Support

	NBSS RCE	NBSS Conv	CE RCE	CE Conv	Percentage Combined
Base (number)	271	498	124	192	1,085
Vital contribution	28	28	15	20	25
Some contribution	48	51	65	55	53
No contribution	24	20	20	25	22
Don't know	-	1	1	-	1

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

8.47 Overall, this shows that more than three-quarters of the enterprises supported by CE and NBSS combined felt that the support had made a positive contribution to their business performance. Those enterprises supported by the two NBSS projects were more likely than CE supported enterprises to say that the support had made a vital contribution. The survey data also showed that 70 percent of respondents who said that the support they received had made a positive contribution⁵⁸ to gains in business performance (842 in all) felt that the support had had enabled these positive outcomes to be achieved more quickly than would otherwise have been the case.

8.48 Figure 8.15 provides an overview of assisted enterprises that had introduced new or improved products or services in the past five years.

⁵⁷ Evidence Review. Business Advice. What works centre for local economic growth. May 2014. Page 5.

⁵⁸ Either a vital contribution (271 respondents) or some contribution (571 respondents).

Figure 8.15: Assisted enterprises introducing new or improved products or services in the past five years

	Percentage				
	<i>NBSS</i>	<i>NBSS</i>	<i>CE</i>	<i>CE</i>	<i>Combined</i>
	<i>RCE</i>	<i>Conv</i>	<i>RCE</i>	<i>Conv</i>	<i>1,085</i>
Base (number)	271	498	124	192	
Business who had introduced new or improved products or services over last five years	48	45	64	73	53

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

8.49 Over half of the surveyed enterprises (53 percent or 574 respondents) had introduced new products or services over the five years prior to being surveyed, as shown in Figure 8.15. Of these, 37 percent (214 of 574 respondents combined) said that the support from CE or NBSS had directly affected the development or introduction of these products or services. In all, then, some 20 percent⁵⁹ of supported businesses said that they had introduced new products or services which they would not have done without the support of Business Wales.

8.50 In terms of qualitative evidence from the 25 follow-up visits with supported enterprises, there was strong evidence of attributable productivity and/or performance outcomes in four of the nine CE case studies. Examples included better performance in relation to tendering activity, improved quality assurance systems, improved policies and practices. To a large extent, these positive outcomes had been achieved as a result of increased confidence and skills gained from CE workshops and one to one advice provided by CE advisors. The evidence was weak in a further four and was moderate in one case.

8.51 For the 16 NBSS supported enterprises in our qualitative sample, there was strong evidence of improved productivity and/or performance in seven cases. Examples here included more efficient working practices, better supply chain networks and more clearly

⁵⁹ 214 of 1,085 survey respondents.

defined job roles that had led to product improvements. The evidence around productivity/performance was weak in seven cases and was moderate in the remaining two cases.

- 8.52 The case studies below are typical of the examples where positive productivity and/or performance outcomes had been realised.

Qualitative Evidence (Productivity and Performance)

Link to Logic Model: Outcomes/Results (Increased confidence and skills gained)

Enterprise G is a small limited company operating in the transport sector. It is based in the RCE area but serves a sub-regional territory that covers parts of the Convergence area. It employs nearly 60 staff on a mix of full and part-time contracts. The Finance Manager of Enterprise G attended some workshops offered via the CE project. They rated the quality of the workshops very highly and were impressed that the Business Wales advisors were 'very knowledgeable' and went 'above and beyond' in terms of responding to follow-up queries and requests for further information. The Finance Manager felt that they had gained a number of new skills as a result of the CE organised workshops including the use of e-procurement portals. This had helped them become significantly more efficient in the way they used e-procurement portals to tender for contracts.

Enterprise B is a well-established family business based in the Convergence area. It operates in the engineering sector and employs some 30 staff. A member of staff from Enterprise B turned to Business Wales for support on strengthening their quality assurance systems. They attended two workshops delivered as part of the CE project – one on 'easy quality management systems' and another on 'easy environmental management systems'. As a result of the workshops, Enterprise B felt that they had clearer knowledge of what was involved and required in terms of putting systems in place and acquiring relevant accreditations.

'I wouldn't have had a clue where to start otherwise'.

As a result, Enterprise B commissioned an external consultant to help them put relevant systems in place and apply for the relevant accreditations.

9. Survey of NBSS Assisted Individuals

9.1 A sample of 100 individuals that had been recorded on the NBSS databases as having been assisted but had not been counted against the enterprise created targets were surveyed. The underpinning assumption from the monitoring information was that these assisted individuals had not started trading.

9.2 We explore some of the key findings from this survey in the following paragraphs to help gain inference on a number of questions:

- What proportion of these assisted individuals actually went on to start a business?
- To what extent did the support they received from the NBSS projects influence their decision to start a business or not?
- For those that did not go on to start a business, did the support they received from the NBSS projects help them in any other ways?

NBSS Assisted Individuals that Started Trading

9.3 Figure 9.1 provides an overview of responses to the question of whether assisted NBSS individuals went on to start a business.

Figure 9.1: Assisted Individuals Started Trading

	<i>NBSS RCE</i>	<i>NBSS Conv</i>	<i>Numbers Combined</i>
Base (number)	30	70	100
Yes	15	42	57
No	15	28	43

Source: IFF Survey of NBSS Assisted Individuals (2016)

9.4 This shows that almost three fifths (57 of 100 individuals assisted) that were not recorded as having started a business on the NBSS databases did in fact do so. The proportion of assisted individuals that went on to start was somewhat higher in Convergence than in the RCE area, although care must obviously be taken not to attach too much weight to these findings given the low base numbers involved.

Around two thirds of those 57 individuals that started a business said that they did so between 2011 and 2013.

- 9.5 This suggests that there may have been an element of under-reporting against the new enterprises created targets across the two NBSS projects. There was no clear evidence from the qualitative fieldwork as to why there may have been an element of under-reporting, though NBSS providers emphasised that supported individuals were not always keen to complete monitoring information requirements which would enable them to claim new start outputs.
- 9.6 Figure 9.2 attempts to provide some further inference on the extent to which NBSS support was instrumental in the decision to go ahead and start the business.

Figure 9.2: Likelihood business would have started without NBSS support

	Numbers
Base (number)	57
Very likely	39
Likely	10
Unlikely	5
Very unlikely	1
Don't know	2

Source: IFF Survey of NBSS Assisted Individuals (2016)

- 9.7 This shows that most (49 of the 57 respondents) said that it was likely they would have started their business even without NBSS support. This proportion is very similar (at 86 percent) to the 82 percent of those in the enterprise survey who said it was likely they would have set up even in the absence of NBSS support. Another way of looking at this data is that six percent (six of the 100 respondents) of the assisted individual sample said that they had started a business and that this was attributable to NBSS support.
- 9.8 Of the 57 individuals that said they had started-up, 50 said that their business was still trading.
- 9.9 Of the 50 assisted individuals that started-up and were still trading, most (46) of these said that (including themselves) between 0-4 people were on the payroll of the business.

NBSS Assisted Individuals that did not set up a business

9.10 Figure 9.3 provides an overview of the reasons why assisted individuals did not set up a business.

Figure 9.3: Reasons preventing start-up (Assisted but did not start-up)⁶⁰

	Numbers
Base (number)	43
Lack of finance to get the business started	17
Business idea turned out not to be viable	11
Found a job	5
Personal circumstances changed	5
Lack of confidence/motivation	5
Nothing – still in the process of trying	4
Not enough information to move the business idea forward	3
Lack of help/advice/support	3
Don't have the right skills to run a business	3
Other	2

Source: IFF Survey of NBSS Assisted Individuals (2016)

9.11 This shows that the largest number (17 of 43 assisted individuals) said that lack of finance was the main barrier to getting the business started. This was followed by 11 assisted individuals who cited the fact that their business idea turned out not to be viable as the main reason for not starting-up. The NBSS providers interviewed as part of the evaluation confirmed that on occasion they provided advice that effectively discouraged clients from starting a business where there are serious concerns about the fundamental viability of the business concept or idea and it needs to be recognised that in some cases, the decision not to start a business could be a positive and desirable outcome of such business advice.

9.12 Figure 9.4 provides some inference on the extent to which NBSS support influenced the attitudes of those assisted individuals who did not start a business.

⁶⁰ Respondents could select more than one response.

Figure 9.4: Views on starting a business (Assisted but did not start-up)

	Numbers
Base (number)	43
Support has made it more likely that I will start a business in the future	21
Support had no effect on how I feel about starting a business	13
Support has made it less likely that I will start a business in the future	4
Don't know/can't recall	5

Source: IFF Survey of NBSS Assisted Individuals (2016)

- 9.13 This shows that around half (21 of 43) of the assisted individuals that did not start-up felt that the NBSS support made it more likely that they would start a business in the future.

Employment Status

- 9.14 Figure 9.5 provides an overview of the employment status of assisted individuals prior to getting NBSS support.

Figure 9.5: Employment Status prior to NBSS support

	Numbers
Base (number)	100
Self-employed	16
Employed full-time	21
Not in or looking for paid work (e.g. looking after children or relatives)	10
Employed part-time	16
Unemployed and looking for work	35
In full-time education or training	2

Source: IFF Survey of NBSS Assisted Individuals (2016)

- 9.15 This shows that over a third (35 of 100 people) said that they were unemployed and looking for work. The second largest grouping of respondents (21 of 100 people) said that they were employed full-time.
- 9.16 Figure 9.6 provides information about assisted individuals' employment status after receiving NBSS support.

Figure 9.6: Post Intervention Employment Status

	Numbers
Base (number)	100
Self-employed	46
Employed full-time	24
Not in or looking for paid work (e.g. looking after children or relatives)	12
Employed part-time	10
Unemployed and looking for work	6
In full-time education or training	1
Other	1

Source: IFF Survey of NBSS Assisted Individuals (2016)

- 9.17 This shows a net increase of 30 people who are self-employed, a net increase of three people who are employed full-time, a net reduction of six people in part-time employment and a net reduction of 29 people who are unemployed. In all, this suggests that a relatively high proportion of those assisted achieved positive transitions in terms of their employment after (though not necessarily as a result of) the assistance.

Unintended Impacts

- 9.18 Figure 9.7 provides an overview of the extent to which NBSS support was thought to have helped assisted individuals in other ways.

Figure 9.7: Extent NBSS advice and support helped individuals in other ways (Base – those employed prior to NBSS support and currently employed)

	Numbers
Base (number)	19
Helped me do my current job better	6
Helped improve prospects in my current job	7
Helped me find a new job	3
Helped me find the job I'm in now	5
None of the above	11

Source: IFF Survey of NBSS Assisted Individuals (2016)

- 9.19 This suggests that there may have been some unintended positive impacts for a small minority of assisted individuals who felt that the support and advice they received from the NBSS projects led to them to having improved prospects in their current job (7 of 19 respondents) and being able to do their current job better (6 of 19 respondents).

10. Additionality Assessment (Gross to Net)

10.1 In this chapter we consider the different survey findings to estimate the additionality associated with the CE and NBSS projects to assist businesses. The key issues here include:

- What are the reported jobs, enterprises created and performance outcomes?
- Would job and other outcomes have been achieved in the absence of support (in other words, how much deadweight is there)?
- Where positive outcomes have been achieved, was it at the expense of economic activity in other local businesses (i.e. is there any evidence of displacement)?
- Where employment increases have occurred is it possible to estimate the indirect economic consequences of these increases in employment i.e. multiplier effects in other parts of the regional economy?
- What is the relationship between the gross impacts of CE and NBSS projects particularly in terms of job creation, and the net impacts once deadweight, displacement and multiplier effects have been considered?

10.2 The focus of much of this chapter is on newly created and safeguarded jobs. However, the chapter also considers additionality in terms of other performance indicators, for example, enterprises created and business sales.

New Job Creation: Deadweight, Displacement and Multiplier Effects

10.3 Due to small sample sizes the discussion of deadweight is undertaken for the Customer Engagement projects across the RCE and Convergence areas (and similarly for the NBSS projects). Here we are concerned with how far employment creation might have occurred

in the absence of the support offered. Due to the low sample sizes, care needs to be taken in interpreting the findings in this section.

10.4 By way of general context, elements of the enterprise survey analysis in Chapter 8 have revealed that:

- 19 percent (205 of the 1,085 sample base) of surveyed businesses believed that the CE and NBSS support had affected employment levels.
- Of this 205, 157 enterprises or 77 percent believed the assistance had led to new job creation, with 91 enterprises (44 percent) believing jobs had been safeguarded as a result of CE and NBSS.
- Over 80 percent of both newly created and safeguarded jobs claimed as connected to the support were created in enterprises in the smallest size band (0-4 people engaged).

Deadweight

10.5 With this context noted, there is evidence across the NBSS and CE projects of the existence of deadweight. For example, the earlier analysis (see Figure 8.1 in Chapter 8) revealed that for NBSS projects, 63 percent of surveyed enterprises argued that they would have definitely or very likely set up new enterprises even in the absence of the NBSS support. Similarly, in the case of CE projects (see Figure 8.2 in Chapter 8) 79 percent of assisted enterprises argued that they would have definitely or very likely continued operations without the support received.

10.6 Figure 10.1 shows that for the CE projects, there were 67 respondents who believed that new jobs had been created in their enterprises across the RCE and Convergence areas. The majority of the employment creation reported is among businesses in the smallest size class (0-4 employees). In this 0-4 size class, 26 out of 55 enterprises believed that employment would have definitely occurred or would likely have occurred in the absence of the support.

10.7 Across all size classes, 30 out of 67 enterprises (45 percent) believed employment created would have definitely or likely occurred in the absence of the intervention. In all, 66 of these enterprises were able to place an estimate on new jobs created and as reported in Chapter 8, this amounted to 251 new jobs. Of the 66 supported enterprises, 36 believed that 160 jobs were unlikely or definitely would not have occurred without CE support i.e. around 64 percent were additional ones attributable to the support, with around 36 percent occurring in the absence of CE support.

Figure 10.1: CE (Convergence and RCE combined) Jobs Created

	Numbers			
	1-4	5-9	10-24	25-49
Base (number)	55	5	5	2
Definitely would have occurred	2	-	1	-
Likely that they would have occurred	24	1	2	-
Unlikely that they would have occurred	20	3	2	2
Definitely would not have occurred	8	1	-	-
Don't know	1	-	-	-

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

10.8 Figure 10.2 shows results for the same exercise but for jobs created under the NBSS projects across the RCE and Convergence areas combined. Similarly, a large number of the assisted enterprises reporting new employment creation are in the smallest size class (i.e. 1-4 jobs being created). Figure 10.2 shows that of the 89 enterprises reporting employment creation some 41 (46 percent) reported that employment would definitely or likely have occurred in the absence of the business support provided.

10.9 In all, 86 of these 89 NBSS assisted enterprises were able to place an estimate on new jobs created and, as reported in Chapter 8 this amounted to 234 new jobs. Of the 86 assisted enterprises, 46 believed that 125 jobs were unlikely or definitely would not have occurred without NBSS support i.e. around 53 percent were additional ones attributable to the NBSS support, with around 47 percent occurring in the absence of NBSS support.

Figure 10.2: NBSS (Convergence and RCE combined) Jobs Created

	Numbers				
	1-4	5-9	10-24	25-49	Total
Base (number)	79	6	3	1	89
Definitely would have occurred	10	1	-	1	12
Likely that they would have occurred	27	1	1	-	29
Unlikely that they would have occurred	25	3	-	-	28
Definitely would not have occurred	17	1	2	-	20
Don't know	-	-	-	-	-

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

- 10.10 The inference in Figure 10.1 and 10.2 is that between 40 and 50 percent of enterprises reporting job creation believed that jobs would have been created even in the absence of the support. Based on those respondents that provided information on employment created it is estimated that between 36 and 47 percent would have occurred even in the absence of CE and NBSS support. From this, it is possible to take a central assumption that around 40 percent of jobs claimed would have occurred even in the absence of the CE and NBSS support.
- 10.11 In addition, we have assessed deadweight levels amongst the 25 enterprises that we undertook qualitative follow-up visits with. We considered deadweight in the context of the strength of evidence to support any additionality (e.g. in terms of starting a new business, growing an existing business or new job creation) as a result of project activity. We judged that in six cases, deadweight was low (and therefore additionality was high), in five cases, deadweight was moderate and in 14 cases deadweight was high (and therefore additionality was low).
- 10.12 The following case studies provide examples of supported enterprises with levels of deadweight that were judged to be low (in the case of Enterprise P) and high (in the case of Enterprise H).

Qualitative Evidence (Deadweight Levels)

Link to Logic Model: Net Impacts

Enterprise P (Deadweight Assessment - Low)

Enterprise P (supported via NBSS) is a small transport provider specialising in private hire in the North Wales area. The business employs three people.

Enterprise P worked with a designated NBSS advisor to develop a business plan and cash flow forecast, which was then used to secure a working capital loan to cover start-up costs. The NBSS advisor had also advised Enterprise P about the legal aspects of employing people when they started to take staff on, which they had found very helpful.

Enterprise P thought the help received from Business Wales added credibility to their working capital loan application and was instrumental in enabling them to secure finance, without which they argued they would have been unable to start the business.

Enterprise H (Deadweight Assessment – High)

Enterprise H is CE supported micro enterprise providing financial brokerage services for local clients in the Convergence area.

Enterprise H sought support from Business Wales on grant funding, marketing, staff and payroll issues. They made initial contact having looked for the details online, and then received a one-to-one visit from a Business Wales advisor.

Enterprise H felt that the support received from the advisor had been 'minimal' and they had been hoping to receive more information about available grants. The advisor informed Enterprise H that they were ineligible for some grant funding programmes but did help them secure funding for a member of staff via the Jobs Growth Wales scheme (although the person did not turn out to be suitable and was released shortly after taking up their post). Enterprise H would have liked more regular contact than the 'one off' session received and felt that an element of proactive follow-up was missing from the service. The proprietor of Enterprise H felt that the support received from Business Wales' had not made a difference to their business or the way that it has developed.

- 10.13 Using the data from Figures 10.1 and 10.2, together with further details of employment created within the assisted enterprises as a guide would suggest that around 40 percent of this employment

claimed under both the CE and NBSS projects might have been created anyway, although it is accepted that this is a broad assumption. We conclude that for those businesses identifying job creation as a result of the support there is a relatively large level of deadweight at the business level and we apply a 40 percent deadweight factor across the Customer Engagement and NBSS projects i.e. an assumption that just under half of the employment being claimed would have been created in the absence of the programme resources.

Displacement

- 10.14 The next issue to be considered is whether a job or jobs created in one assisted enterprise effectively displaces existing employment amongst other, unassisted businesses. For the purpose of this analysis we are interested in whether displacement has occurred within Wales. Some inference on the expected level of displacement can be understood from an analysis of where respondents who reported new jobs created with the assistance of the CE and NBSS projects believed their main competition to be.
- 10.15 Figure 10.3 shows the location of competitors for those assisted enterprises creating new jobs. It is important to note that Figure 10.3 shows survey data for both the RCE and Convergence areas and for both CE and NBSS projects on a combined basis. Splitting this data down into individual projects and areas resulted in sample bases too low to derive meaningful assumptions on displacement.

Figure 10.3 Location of competitors of supported enterprises creating jobs

Number of jobs created	Likelihood of jobs having been created anyway				Numbers
	Definitely would have	Likely to have been	Unlikely to have been	Definitely would not have been	Total
Locally Based Competitors (100 had local competitors and had also created jobs)					
1-4	7	32	27	20	86
5-9	0	1	4	0	5
10-24	1	3	1	0	5
25-49	1	0	2	0	3
Don't know	1	0	0	0	1
Total	10	36	34	20	100
Welsh Competitors (50 had Welsh competitors and had also created jobs)					
1-4	6	14	14	10	44
5-9	0	1	0	0	1
10-24	1	2	0	0	3
25-49	1	0	1	0	2
Total	8	17	15	10	50
UK Competitors (67 had UK competitors and had also created jobs)					
1-4	9	18	22	10	59
5-9	0	1	2	1	4
10-24	0	2	0	2	4
25-49	0	0	0	0	0
Total	9	21	24	13	67
International Competitors (28 had international competitors and had also created jobs)					
1-4	4	12	9	2	27
5-9	0	0	0	1	1
10-24	0	0	0	0	0
25-49	0	0	0	0	0
Total	4	12	9	3	28

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

- 10.16 Figure 10.3 reveals that many of the surveyed enterprises which had created employment were competing against local or Welsh based businesses. This means that gross job estimates should be adjusted for displacement effects i.e. where enterprises assisted affect the prospects of unassisted businesses. Businesses based in Wales whose competitors are predominantly located in the wider UK or overseas would generate lower levels of displacement. However, in assessing displacement, the size of assisted enterprises and whether they are producing new or innovative goods and services where it is less likely that there is local completion also needs to be considered.
- 10.17 The likelihood of some displacement is also evidenced by the analysis of data on location of customers (Figure 5.5) and location of competitors (Figure 5.6) in Chapter 5.
- 10.18 Turning to the evidence from the follow-up visits with our sub-sample of 25 enterprises. We judged displacement levels to be low in 21 of the 25 cases and moderate in the remaining four cases. In the 21 cases where displacement was judged to be low, the main reason for this was that the enterprises concerned were very small, hobby or lifestyle businesses with modest levels of turnover. Less than half (10) of the 25 enterprises in the qualitative sample were trading at a level or in a way that would generate any significant levels of displacement for instance by potentially taking trade away from local competitors which might result in the threat of job losses.
- 10.19 The two case studies below provide some context to the judgements in relation to evidence of displacement (low in the case of Enterprise W and moderate in the case of Enterprise J) within our qualitative sample.

Qualitative Evidence (Displacement Levels)

Link to Logic Model: Net Impacts

Enterprise W (Displacement Assessment – Low)

Enterprise W is a self-employed ceramic artist based in the RCE area. They were supported by the NBSS project to help start the business. Enterprise W is essentially a very small scale hobby business but the owner would like to expand it in the future. Turnover is modest (less than £1k in the most recent financial year) meaning that displacement effects on other ceramic artists is low,

Enterprise J (Displacement Assessment – Moderate)

Enterprise J is a sole-trader working in the hair and beauty industry and had been supported via the NBSS project in the Convergence area. Enterprise J reported several positive impacts as a result of the Business Wales support including an increased customer base due to the marketing support; continual improvement of the business due to the business planning process; and an improved work life balance. Much of this was felt to be directly attributable to the Business Wales support, and the proprietor felt the business would have developed at a slower pace without that support. Most of Enterprise J's competitors are locally based however and it is very likely that the establishment and growth of Enterprise J will have displaced at least some custom away from these other businesses.

- 10.20 As highlighted above, it is important to recognise that some of these businesses creating employment have been shown in other parts of this report to be creating new or innovative goods and services which supports the argument that sales and employment growth may not have been achieved at the expense of other businesses. Taking account of these various factors we believe that a modest level of displacement has occurred and apply a 10 percent displacement factor i.e. that for every 10 new jobs claimed one might be displaced in a local or regional competitor.

Multiplier Effects

- 10.21 Finally, we consider the sectors in which jobs were reported to have been created. This analysis is important for establishing the estimated multiplier effects associated with created employment i.e. new activity

supporting new jobs has impacts on other parts of the economy as industries expand output and purchase goods and services from other Welsh industries, and as new wage incomes are spent in the regional economy.

- 10.22 Here we used the Welsh Input-Output tables to derive an average employment multiplier taking account of the different industries that have been assisted by the NBSS and CE projects⁶¹.
- 10.23 Evidence gathered as part of the follow-up qualitative visits with our sample of 25 CE and NBSS assisted enterprises suggests that multiplier effects were weak in 21 of the 25 cases and moderate in the remaining four. Again, this is derived on the basis that the majority of the assisted enterprises were very small and there was little evidence to suggest strong positive impacts in terms of developing local supply chains (i.e. purchasing goods or services locally) or the creation of new jobs resulting in wage incomes being spent in the local economy.
- 10.24 The two case studies below provide some context to the judgements in relation to evidence of multiplier effects (moderate in the case of Enterprise N and weak in the case of Enterprise C) within our qualitative sample.

Qualitative Evidence (Multiplier Effects)

Link to Logic Model: Net Impacts

Enterprise N (Multiplier Effects – Moderate)

Enterprise N is an NBSS supported guest house located in the Convergence area. It employs two full time permanent members of staff who are supplemented by part time seasonal workers.

Enterprise N had received business planning support via the NBSS project which had been useful in validating the business plan already produced, and advised on regulation and legislation, such as Health and Safety. However, for Enterprise N, the most valuable aspect of the support had been that the NBSS advisor had made them aware of a range of potential local food and toiletries suppliers that

⁶¹ Further information on the Welsh Input-Output tables project is available at http://business.cardiff.ac.uk/sites/default/files/IO_2007_Final_30_6.pdf

they subsequently developed relationships with and now purchase goods from on a regular basis.

Enterprise C (Multiplier Effects – Weak)

Enterprise C (supported by the CE project) was initially established as a not for profit charity selling a variety of disability aids and providing information and advice to disabled people. The charity also provided an ICT repair and support facility. More recently, Enterprise C changed its status to a company limited by guarantee – though in effect still operates as a social enterprise.

After an initial meeting with a Business Wales advisor, Enterprise C met with two further advisors - one to review various policies and documents related to employment issues, and another to advise on the managerial and strategic side of the business. The first advisor confirmed that the business' policies were sufficient, whereas the second advisor visited a few times and undertook a diagnostic review of the business. However, communication from the latter advisor ceased suddenly, while Enterprise C was in the middle of developing a business plan with them.

While enterprise C serves a local market place, there was no evidence that the advice and support received via the CE project had led to any attributable, positive outcomes which would have resulted in increased direct or indirect spend by the business within the local or regional economy.

10.25 On this basis, it is estimated that each new job created by the NBSS and CE projects supports a further 0.4 jobs in the regional economy. These indirect employment effects are associated with businesses purchasing goods and services in Wales, therefore supporting employment amongst suppliers, and with employment in Wales also supported as wages incomes are spent.

10.26 In summary, in terms of job creation across the NBSS and CE projects, the analysis suggests that:

- For every 100 new jobs created that around 40 might have been created even in the absence of the support.
- For every 100 new jobs created, around 10 might be displaced in competing regional and local businesses who are unassisted.

- For every 100 new jobs created that 40 would be created in other parts of the regional economy as new enterprises purchase goods and services in the region and as new wage incomes are spent.
- Taking these effects together reveals that for every 100 gross new jobs being claimed under the projects that the net job creation would be around 75 after taking account of deadweight, displacement and multiplier effects.

10.27 Considering the analysis above, we would suggest that a discount factor of around 0.75 should be applied to project monitoring information which would result in an estimate of net new jobs created of around 16,900 jobs as outlined in Figure 10.4. This analysis does not take account of the effects of any potential double-counting of outputs across the different project types.

Figure 10.4: CE and NBSS Gross and Net Jobs Created

	<i>CE Conv</i>	<i>CE RCE</i>	<i>NBSS Conv</i>	<i>NBSS RCE</i>	Numbers <i>Total</i>
Gross jobs created	1,524	980	13,016	7,014	22,534
Net jobs created once discount factor applied	1,143	735	9,762	5,261	16,901

Source: WEFO Monitoring Information (January 2016), Cardiff University Gross to Net Analysis

Jobs Safeguarded

- 10.28 While jobs safeguarded were not formal targets for either the CE or NBSS projects, we have nevertheless undertaken an analysis of this metric based on survey data. As with jobs created, respondents who identified some jobs safeguarded as a result of intervention were asked how likely it was that these jobs would have been safeguarded even in the absence of this support.
- 10.29 Figure 10.5 shows that for CE, there were 49 respondents who believed that there were safeguarded jobs in their enterprises across the RCE and Convergence areas. Most of the jobs safeguarded were reported as having been in the smallest size class (1-4 jobs). In this size class 16 out of 35 enterprises believed that employment would

have definitely or likely have been safeguarded in the absence of the CE support. Across all size classes, 20 out of 49 enterprises (41 percent) believed safeguarded employment would have definitely or likely occurred in the absence of CE support.

Figure 10.5: CE Convergence & RCE Safeguarded

	Numbers					
	1-4	5-9	10-24	25-49	50-99	Total
Base (number)	35	7	2	2	3	49
Definitely would have occurred	3	-	-	-	1	4
Likely that they would have occurred	13	1	1	1	-	16
Unlikely that they would have occurred	14	4	1	1	2	22
Definitely would not have occurred	3	2	-	-	-	5
Don't know	2	-	-	-	-	2

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

10.30 Figure 10.6 reveals results for the same exercise but for jobs safeguarded under the NBSS programme across the RCE and Convergence areas. Similarly, here a large number of businesses reporting safeguarded employment are in the smallest size class. Figure 9.6 shows that of the 41 enterprises reporting employment safeguarded some 18 (44 percent) reported that employment would definitely or likely have been safeguarded in the absence of the business support provided. The inference from Figure 9.5 and 9.6 is that around 42 percent of enterprises believed that safeguarded employment would have occurred in the absence of the support.

Figure 10.6: NBSS Convergence & RCE Jobs Safeguarded

	Numbers			
	1-4	5-9	10-24	Total
Base (number)	38	2	1	41
Definitely would have occurred	3	-	-	3
Likely that they would have occurred	14	-	1	15
Unlikely that they would have occurred	15	1	-	16
Definitely would not have occurred	4	1	-	5
Don't know	2	-	-	2

Source: IFF Survey of CE and NBSS Supported Enterprises (2016) and SQW ERDF Business Survey (2014)

- 10.31 Using the same displacement and multiplier assumptions from the preceding section would suggest that for every 100 jobs claimed to have been safeguarded that around 73 would not have been safeguarded without the support offered.

New Business Starts

- 10.32 Another key performance indicator of the NBSS project is new enterprises created. The monitoring information from WEFO (as set out in Figure 4.1, Chapter 4) reveals that at the end of December 2015, a combined total of 11,235 new enterprises had been created across the NBSS projects in RCE and Convergence.
- 10.33 The findings set out in Figure 8.1 (Chapter 8) show that 82 percent of those that started a new enterprise said they would have done so regardless of NBSS support. Put another way, 18 percent of respondents believed it was certain, very unlikely or unlikely that their enterprises would have been created without the support. This means that around one fifth of the 11,235 enterprises (i.e. 2,022) claimed to have been created on the monitoring information might not have existed had it not been for the NBSS support delivered.
- 10.34 The evidence of potential under-reporting from the individuals assisted survey also needs to be considered in this context. It suggests that six percent of those assisted (but not claimed as having started trading) actually went on to start a business and said that it was unlikely that they would have done so without NBSS support (i.e.

strong attribution). If we apply this six percent to the recorded number of individuals assisted on the monitoring information, this would suggest a further 1,385 new enterprises may have been created which are unlikely to have existed without the NBSS projects.

11. New Starts Survival and Credit Rating Analysis

- 11.1 In this chapter, we examine the success or failure of new business starts that have been supported by the NBSS projects in the Convergence and RCE areas.

Methodological approach

- 11.2 The success or failure of new starts can be difficult to track because a large number of the assisted enterprises are made up of self-employed people rather than incorporated businesses. However, in this chapter, we undertake an exploratory analysis using the Bureau Van Dijk FAME⁶² database to show success and failure rates among business starts that became incorporated.
- 11.3 Using the (Convergence and RCE) NBSS databases that were made available to us by Welsh Government, we extracted details (company name) for businesses created with NBSS support during the treatment period 2010-2012 to enable a reasonable analysis of survivability. In all, a list of 1,909 new start enterprises in the Convergence area and 1,049 new start enterprises in the RCE area was used as the starting point for this exercise.
- 11.4 The NBSS databases contained a field with the trading names of assisted enterprises, and these were placed into the FAME software to locate name matches. The FAME Batch Search programme was used. The software seeks to match the names of the enterprises from the Welsh Government data with company names on FAME. The software identifies matches and shows whether the match is rated excellent to poor on an A to E scale. Only Excellent 'A' matches were used for further analysis, with B to E matches typically bringing up businesses which had similar words in the trading name.

⁶² FAME is a company database service provided by Bureau Van Dijk. The database includes companies in the UK and Ireland and includes information on financials, adverse filings, directors and managers, financial strength metrics including credit scores and county court judgements, shareholders and subsidiaries, industry descriptions and SIC codes and original 'as filed' accounts and documents as filed at Companies House. Source: Bureau Van Dijk website.

- 11.5 The records were further cleansed to remove obvious mismatches in terms of date of incorporation (only incorporations over the period 2010-15 were taken), and a number of businesses with almost identical names in other parts of the UK.
- 11.6 This process left 236 matched records for the Convergence area, and 163 for the RCE area. The low number of matches, in part, reflects a number of NBSS enterprises assisted but which are not registered companies. The FAME database contains only businesses that are registered at Companies House. As such, it needs to be borne in mind that the survival analysis was restricted to businesses that are or were incorporated.
- 11.7 There are a series of issues that might be investigated using these identified start-up enterprises. While many of these identified enterprises produce only modified accounts i.e. limited data of profit and sales performance, they can still be used to examine:
- Survival rates among new starts that have been identified in the FAME database, and how this compare to survival rates in a wider population of Welsh SMEs.
 - How assisted new-start enterprises score in terms of their credit ratings, and how stable are they in terms of their credit ratings.
 - Whether the employment created in new starts is expected to be sustainable or short-lived.
- 11.8 Clearly there are a number of related issues here in terms of the types of enterprises that have been supported, and whether assistance is being targeted upon new starts with comparatively weak or strong survival prospects. It is acknowledged that the matching process adopted is far from perfect, but some trends can be identified.

Survival Rates

- 11.9 Figure 11.1 reveals the characteristics of the incorporated enterprises identified on the FAME database in the Convergence and RCE areas. These enterprises were incorporated between 2010 and 2015. Clearly some new start enterprises identified in the administrative data for the

period 2010 to 2012, might only have become incorporated after this date.

11.10 Figure 11.1 shows that at the time of the FAME search (January 2016) of the 236 enterprises identified in the Convergence area, 165 (70 percent) were still active, and 50 (21 percent) were either dissolved or in liquidation.

11.11 Of the 163 enterprises identified in the RCE area 111 (68 percent) were registered as active, while 35 (21 percent) had been dissolved. In both cases the balance is largely made up of enterprises that were still active, but either dormant, in default or in petition to be wound up.

Figure 11.1: Enterprises having received assistance to start up identified on the FAME database at January 2016 and Status

	Convergence		RCE	
	Number	Percentage	Number	Percentage
Active	165	70	111	68
Active dormant/in default or being wound up	21	9	17	10
Dissolved or in liquidation	50	21	35	22
Total enterprises	236	100	163	100.0

Source: FAME, Bureau Van Dijk

Credit Score Rating Analysis

11.12 We next turn to the credit scores of the start-up enterprises. The credit score on FAME is a measure of the likelihood that a business will become bankrupt in the twelve months following the date of calculation. More specifically, it predicts the likelihood that a business will obtain legal relief from its creditors or cease operations over the next twelve month period.

11.13 The credit score is given as a number in the range 0 to 100, where 0 represents companies with the highest likelihood of failure. Figure 11.2 provides an overview of the credit score rating method adopted by FAME.

Figure 11.2: The FAME credit score rating method

Categorisation	Credit Score Rating	Description
Stable	61-80	Normally large and successful public companies. Businesses scoring 61-80 are classified as 'stable' meaning that failure here would be a rare occurrence and would only happen if there was a major company or market change.
Normal	41-60	Contains many businesses that do not fail, but some that will fail.
Unstable	21-40	Significant risk of failure according to FAME and that businesses in this band are 'on average, four times more likely to fail than those in the Normal Band'
High risk	0-20	Businesses likely to have problems continuing trading unless 'significant remedial action is undertaken, there is support from a parent company, or special circumstances apply'.

Source: FAME, Bureau Van Dijk

11.14 Figure 11.3 shows the FAME credit scores for the 236 identified enterprises in the Convergence area and the 163 enterprises identified in the RCE area at the time of undertaking the analysis in January 2016.

Figure 11.3: Enterprises having received assistance to start up identified on the FAME database at January 2016 and Credit Score

Credit Score Band	Convergence (Number)	Percentage in each band	RCE (Number)	Percentage in each band
Stable	15	6	6	4
Normal	52	22	38	23
Unstable	77	33	51	31
High Risk	1	-	1	1
No information	91	39	67	41
Total Enterprises	236	100	163	100

Source: Analysis of data held on FAME, Bureau Van Dijk by Cardiff University

11.15 Of the 236 new starts in the Convergence area 67 (28 percent) were classified by the FAME database as either stable or normal, and of the 163 in the RCE area, 44 (27 percent) were classified as stable or normal. In the Convergence area 78 (33 percent) were classified as

unstable or high risk, and in the RCE area 52 (32 percent) were classified as unstable or high risk.

- 11.16 It would be interesting to compare the findings in Figure 11.3 with the distribution of credit scores among SMEs across FAME. This is difficult to do on a like for like basis because the assisted enterprises include a large number of new starts which we would expect to carry lower credit scores. The FAME database as a whole includes a large number of more established firms, and indeed larger SMEs employing up to 250 people. However, for reference purposes a limited search on FAME was undertaken to identify credit scores among smaller SMEs (primary registered office in Wales and employing up to 10 people). This identified 667 SMEs and of these 44 percent were in the stable category, 37 percent were in the normal category, and 19 percent in the unstable category. Less than 0.1 percent were in the high risk category. Comparison with the information in Figure 11.3 reveals that as expected the assisted enterprises featured a higher percentage of businesses in the unstable category and a lower percentage of businesses in the stable category.
- 11.17 Figure 11.3 also reveals that there are a large number of enterprises on which there is no information and this was largely related to those businesses that have ceased trading or been dissolved.
- 11.18 Figure 11.4 presents the matched enterprises in the Convergence and RCE areas by date of incorporation. It also shows the activity status for matched enterprises by year of incorporation (i.e. whether they were active dormant, active in default, being wound up, were dissolved or in liquidation). For example, of the 85 enterprises incorporated in the Convergence area in 2011, 39 percent were shown to be not active in the January 2016 search on FAME.
- 11.19 Some care is required here because this percentage will change as companies incorporated in 2010 will submit accounts at different times of the year.

11.20 Figure 11.4 reveals that for the two incorporation years with the largest numbers of identified NBSS new start enterprises on FAME, the proportion of businesses classified as not being in the Active category in January 2016 in the Convergence area was 39 percent in 2011 and 21 percent in 2012. In the RCE area similar figures were 30 percent for enterprises incorporated in 2011 and 33 percent for enterprises incorporated in 2012.

Figure 11.4: Enterprises having received assistance to start up identified on the FAME database at January 2016 by Date of Incorporation and then percentage classified not Active on FAME at January 2016

Incorp. Date	Convergence			RCE			Combined		
	All Number	Not Active Jan 2016 Number	Percentage classified not Active	All Number	Not Active Jan 2016 Number	Percentage classified not Active	All Number	Not Active Jan 2016 Number	Percentage classified not Active
2010	21	9	43	23	10	44	44	19	43
2011	85	33	39	61	18	30	146	51	35
2012	98	21	21	57	19	33	155	40	26
2013	17	6	35	12	4	33	29	10	35
2014	9	2	22	6	1	17	15	3	20
2015	6	0	-	4	0	-	10	0	-
Total	236	71	30	163	52	32	399	123	31

Source: Analysis of data held on FAME, Bureau Van Dijk by Cardiff University

Wider Population Analysis – Enterprise Survival Rates

11.21 Next, we turn to explore how these findings relate to a wider population of enterprises. Exact matching was not possible here. However, from the FAME database it was possible to examine all SMEs in Wales incorporated in each of the years 2010-2013 and then the proportion of these which were reported as non-active (i.e. dormant, in default, dissolved or in liquidation etc) as at January 2016.

11.22 Figure 11.5 reveals that of all the SMEs incorporated in Wales in 2010, 32 percent were not classified in the active category in January 2016. This proportion of around a third is similar for SMEs

incorporated in each of the years 2011-2013. Clearly the information in Figure 11.5 includes those enterprises examined in Figure 11.4. However, the proportions of active to non-active enterprises by date of incorporation, particularly for the years 2011 and 2012 where there were a larger number of identified enterprises having had NBSS assistance is not vastly different, revealing that survival prospects for treated enterprises are not that different from overall survival trends in the population of SMEs incorporated in each reference year.

Figure 11.5: SME start ups identified on the FAME database at January 2016 by Date of Incorporation and then percentage classified not Active on FAME at January 2016

Year	SMEs incorporated (Number)	Active in January 2016 (Number)	Not Active Jan 2016 (Number)	Percentage Not Active	Percentage Active
2010	5512	3724	1788	32	68
2011	6943	4543	2400	35	66
2012	8189	5515	2674	33	67
2013	9404	6356	3048	32	68

Source: Analysis of data held on FAME, Bureau Van Dijk by Cardiff University

- 11.23 Finally, business survival rates are also reported by the Office for National Statistics (ONS). For example, Figure 11.6 reveals that for businesses started in Wales in 2011, 94 percent survived by the end of the first year, 75 percent survived until the end of the second year, and 60 percent survived until the end of the third year.
- 11.24 Of the total 146 NBSS assisted enterprise starts (see Figure 11.4) in the Convergence and RCE areas in 2011 the FAME analysis suggests around 65 percent were still active at the time of the FAME search in January 2016 which would reflect around three to four years trading activity depending on the dates that accounts are submitted.
- 11.25 This would seem to compare well with the more general Wales survival rates for all new-starts. For 2012 Figure 11.6 reveals that overall 75 percent of businesses created in Wales in 2012 had survived after two years. Figure 11.4 reveals that for the assisted

enterprises in the Convergence and RCE areas, most (74 percent) were classified as active on FAME in January 2016. Again the survival rates of assisted NBSS enterprises compare favourably with trends in the wider population of SMEs. However, it is stressed that there are problems in making these comparisons because it is not comparing like with like. For example, the StatsWales data described in Figure 11.6 refers in the main to businesses achieving the VAT registration threshold, whereas the survey evidence shows that many of the enterprises assisted under NBSS have turnover levels below the UK VAT threshold.

Figure 11.6 Business survival rates in Wales by Survival Year

	Percent			
	Year 1	Year 2	Year 3	Year 4
2010	87	72	56	47
2011	94	75	60	
2012	92	75		
2013	94			

Source: StatsWales⁶³

⁶³ See: <https://statswales.wales.gov.uk/Catalogue/Business-Economy-and-Labour-Market/Businesses/Business-Demography/businesssurvivalrates-by-area-survivalyear>

12. Conclusions and Recommendations

Rationale and design

- 12.1 Our overall conclusion is that there has been a clear logic and rationale to the design of the CE and NBSS projects. Through the CE and NBSS projects, the Welsh Government has commissioned and implemented an appropriate package of professional, high quality services to meet a defined set of needs in-line with its own policy objectives and the strategic aims set out in the original business plans submitted to WEFO for ERDF funding.
- 12.2 We have structured the remainder of our more detailed conclusions around the research objectives set out in the evaluation specification.

Performance

- 12.3 The two NBSS projects exceeded their revised targets in relation to new enterprises created, gross new jobs created and number of enterprises assisted while narrowly missing their targets for the number of individuals assisted. Between them, the NBSS projects helped create 11,235 new enterprises between 2008 and March 2015 which represents around 17 percent of the total recoded business births in Wales between 2008 and 2014. However, the separate evaluation survey of NBSS assisted individuals (not recorded as having started trading) suggests that there has been an element of under-reporting against the new enterprise created target, with 57 of the 100 individuals surveyed having in fact gone on to start trading and 50 of these saying that they were still in business.
- 12.4 The CE projects missed their revised gross job creation targets, while both also narrowly missed their enterprise assist targets having supported a combined, cumulative total of some 5,446 enterprises between 2009 and 2015. To put this achievement in context, there were some 92,000 active business enterprises in Wales in 2014.
- 12.5 The performance of the CE projects was less positive in relation to social enterprise assists, with only 15 assists between them. This

raises the fundamental question as to whether it was worthwhile including this target given that other ERDF projects were supporting social enterprises.

- 12.6 The total expenditure claimed amounted to £38.4m for the two NBSS projects and £33.9m for the two CE projects. Unit costs for the Convergence NBSS project were broadly in-line with expectations, with most marginally under the implied figures based on revised budgets and targets. The unit cost for gross new jobs created by the NBSS project in the RCE area was notably lower than anticipated.
- 12.7 For the CE projects, unit costs for enterprises assisted and gross new jobs created were also broadly in-line with expectations though the cost per gross job created was above expected levels in the Convergence area and below the expected level in the RCE area.

Satisfaction levels

- 12.8 Overall, satisfaction with the quality of CE and NBSS services has been very positive with 86 percent of clients either satisfied or very satisfied with the quality of what they received. This compares favourably with 79 percent who were either satisfied or very satisfied in the 2012 Wales ERDF Business Survey conducted by WEFO.

Effectiveness and efficiency of delivery

- 12.9 The profile of supported enterprises shows that both the CE and NBSS projects have, in the main supported mainly young (most are less than five years old), micro businesses that exist to make a profit. Most of the enterprises supported serve local markets and have local competitors.
- 12.10 The policy aspiration behind the CE and NBSS projects has been to target the more intensive advice and guidance services on businesses that demonstrate signs of growth potential (in terms of turnover and job creation). While there is evidence to suggest that growing the business has been a key motivation for involvement, the fact that annual turnover for 71 percent of assisted enterprises in the survey sample was less than £50k demonstrates that most are operating at

very modest levels. Most (60 percent) of the survey sample were either sole-traders employing only themselves (although not necessarily on a full time basis) and/or lifestyle businesses with no payroll. As such, any growth relating to turnover, profitability and in particular staff numbers would be taking place from a very low base for the majority of assisted enterprises. This is a key consideration for the next generation Business Wales service in terms of having an appropriate mix of performance indicators that are not over-reliant on job creation targets that may ultimately prove to be unachievable or potentially even counter-productive in terms of the advice delivered to businesses in relation to increasing staff levels.

- 12.11 These findings, combined with the fact that both the NBSS and CE projects have only reached fairly limited proportions of the wider population of new business births and active enterprises in Wales suggests that more could potentially be done to target, particularly NBSS advisory services on start-up enterprises with turnover growth potential (in-line with the targeting strategy recommended in the Business Wales Review⁶⁴) while continuing to migrate lower cost, universally available support to on-line platforms.
- 12.12 While positive progress has been made since the mid-term evaluations relating to the way in which the CE and NBSS projects engage with private sector business professionals (most notably accountants and banks), there is still further work to do in this respect and this work goes hand in hand with a more focused approach to targeting aspects of the service on growth businesses.
- 12.13 There is also clear scope to further develop and enhance progression routes between different elements of the CE and NBSS support package. In particular, more could be done to identify and 'talent spot' young people who are engaged by the youth entrepreneurship strand so that where appropriate, these are encouraged directly through into

⁶⁴ Business Wales Review, First Stage Final Evaluation of the Customer Engagement (CE) Project. January 2014. Old bell 3 Ltd. Targeting Strategy outlined on page 58.

the NBSS element. There is also room to ensure that progression, post-start up from the NBSS project into the CE project is sharpened up.

Cross cutting theme achievements

- 12.14 There are examples of good practice in the way in which the cross cutting themes have been incorporated into the delivery of the CE and NBSS projects. In particular, the fact that there has been a dedicated team of equality and diversity and resource efficiency advisors has meant that the CCTs have been taken seriously and there has been a genuinely proactive approach to their delivery. The fact that the CCT advisors have met to share learning and experiences is also good practice.
- 12.15 There has been particularly good integration between the CCT advisors and the tendering element of the CE service with both a 'pull' effect coming from public sector tenders that require businesses to implement relevant policies and a 'push' effect from the service itself to help businesses develop and put these in place.
- 12.16 More generally however, and especially given the progress made in relation to incorporating the CCTs, it is somewhat disappointing that less than a quarter of the surveyed sample of assisted enterprises could recall receiving any support on the CCTs. Part of the reason for the low level of recall may be to do with the fact that assisted enterprises did not directly associate the support they received as being related to equal opportunities or environmental sustainability. For instance, in relation to equalities, a key trigger point for the support has been around recruitment and as such assisted enterprises may have viewed the support as being about 'HR' issues. In this context, a key learning point for the future integration of CCTs is the importance of presenting advice relating to the themes in business friendly language and for evaluation activity to be aware of and use this same language in research aimed at gathering feedback and evidence from supported enterprises.

Effects and impacts

- 12.17 In terms of the NBSS projects, the majority of the individuals supported already intended to start a business and had a clear idea of what they wanted to achieve before engaging with the service. Qualitative evidence from the evaluation suggests that the NBSS projects helped confirm and clarify decisions and meant that some businesses started trading sooner and on a stronger, more informed footing than would otherwise have been the case.
- 12.18 In terms of job creation, the survey evidence showed that 14 percent of CE and NBSS supported enterprises had created jobs. The fact that only a relatively small minority of supported enterprises reported job creation suggests further consideration is needed as to whether support could or should be targeted more explicitly on businesses looking to grow in terms of employment. Between them, these enterprises had created some 485 new jobs, an average of 0.45 new jobs per business from the evaluation survey sample of 1,085. Eight percent of supported enterprises in the evaluation sample said that jobs had been safeguarded as a result of the support. Between them, these enterprises estimated that some 205 jobs had been safeguarded. The majority of the jobs safeguarded were ones in CE assisted enterprises.
- 12.19 Around half of supported enterprises reported typical starting salaries of between £10,000 and £19,999 per annum with just over a fifth having starting salaries of between £30,000 and £49,999 per annum. Most (70 percent) of the enterprises assisted across CE and NBSS and who employ more than one person offer gross starting salaries below the Welsh average of £25k.
- 12.20 Just over half of the CE and NBSS assisted enterprises in the evaluation sample said that their turnover had increased since receiving support. This compares with 41 percent in the 2012 ERDF Business Survey.

- 12.21 However, only a minority (13 percent) of assisted enterprises responding to the evaluation survey were able to make a direct and attributable link between the support they had received and the positive change in turnover.
- 12.22 Just under half (46 percent) of the surveyed enterprises said that profitability had increased since receiving CE or NBSS support. Of these enterprises, just over a quarter (26 percent or 11 percent of all 1,085 supported enterprises in our sample) were able to make a direct, attributable link between the improvement in profitability and the assistance they had received.
- 12.23 There is evidence that the CE and NBSS projects have resulted in positive outcomes relating to overall business performance. This was true of 78 percent of the evaluation sample with the majority of those enterprises (70 percent) saying that the performance gains had happened more quickly than would otherwise have been the case (i.e. without the CE or NBSS support received). There was also evidence to show that just over half (53 percent) of assisted enterprises in the evaluation sample had introduced new products or services since receiving support
- 12.24 The evidence also reveals that survival chances of new enterprises created with NBSS assistance of and incorporated as companies are good and compare favourably with trends in the wider population of SMEs in Wales, with 68 percent of incorporated NBSS assisted enterprises still trading as of January 2016.
- 12.25 Our analysis also examined the credit risk scores of assisted enterprises and showed that of Convergence area new starts some 28 percent were classified as having either stable or normal credit risk, and with 27 percent in the RCE area classified as having stable or normal credit risk. In the Convergence area 33 percent were classified as unstable or high risk, and in the RCE area 32 percent were classified as unstable or high risk. However, our analysis also showed that there were a large number of enterprises on which there

is no information and this was largely related to those businesses that had ceased trading or have been dissolved.

Net Impacts

- 12.26 The evaluation found evidence of a degree of deadweight in relation to the support delivered by the CE and NBSS projects with a likelihood that some of the positive outcomes (e.g. in terms of new business creation and job creation) would have taken place regardless of the intervention. Based on the evidence gathered, it is estimated that between 36 and 47 percent of the gross new jobs created would have occurred even in the absence of CE and NBSS support.
- 12.27 The evaluation also considered displacement effects and found evidence that displacement is likely to have occurred given that the majority of the enterprises assisted were serving localised markets and were competing against local competitors. However, the extent of the displacement was offset somewhat by the micro and lifestyle nature of some of the assisted enterprises which limits the extent to which trade will potentially have been taken away from local competitors. On this basis, the evaluation concludes that for every 10 new jobs created, one might be displaced in a local or regional competitor.
- 12.28 Finally, the analysis revealed that where new employment was created as a result of growth in assisted enterprises, there was some evidence of fairly modest multiplier effects through supply chain purchases made by new businesses, but also through the spending of new wage incomes. On this basis, our conclusion is that for every new job created, a further 0.4 jobs were supported in the wider regional economy. Taking account of the different deadweight, displacement and multiplier effects the evaluation concluded that for every 100 new jobs created by the CE and NBSS projects (gross jobs) that an estimated 75 (net jobs) were additional and could be attributed to the assistance.

- 12.29 We set out below a series of five recommendations which are intended to be forward looking and draw on key learning points to help inform the delivery of the next generation of Business Wales services.

Recommendation 1

- 12.30 The recommendation made in the First Stage Final Evaluation in relation to the targeting strategy for business support services being structured around a funnel approach holds true and should be taken forward by Welsh Government and the providers delivering the next phase of Business Wales. In particular, there should be a universally available information offer made available through the Business Wales website to cater for lifestyle and low growth clients. The more expensive and intensive advice and guidance services should be more targeted on businesses where growth in terms of sales, productivity, profitability and thereafter, ultimately jobs can be unlocked from a higher baseline position than has been the case under the outgoing projects. This should facilitate a better return on investment for the Welsh Government, ERDF and the Welsh economy. This recommendation applies to new-start and business advisory services under the next generation Business Wales project. In addition, the key performance indicators for the next generation service should reflect this targeting strategy and should avoid any over-reliance on job creation targets as a principal measure of success. As such, an appropriate balance of indicators relating to turnover, productivity and profitability should be applied to the new service.

Recommendation 2

- 12.31 In tandem with the increased focus on targeting Business Wales services outlined in recommendation 1, the providers appointed to deliver the next generation service should further intensify their efforts to engage with and involve private sector providers, particularly accountants in supporting clients.

Recommendation 3

- 12.32 The good practice elements relating to the delivery and incorporation of the Cross Cutting Themes should be carried forward into the delivery of the next generation of Business Wales services. This will require dedicated resources to be in place to ensure a proactive approach to delivering advice on equalities, sustainability and tackling poverty in an integrated way with other aspects of the new service.

Recommendation 4

- 12.33 Welsh Government policy officials and the providers appointed to deliver the next generation of Business Wales services should prioritise further improvement relating to the progression of clients through the various stages and elements of support on offer. The more integrated nature of the commissioning framework for the new contract should help facilitate this process. This work should include a more defined focus on role models and youth ambassadors talent spotting young people with a view to 'fast-tracking' them directly into the new starts element of the next generation service. It should also involve consideration of nominating dedicated advisors within the new starts element that are trained and experienced in supporting young people to ensure that the service is 'youth friendly'. The appointed providers should also prioritise improvements to the progression of new start clients into the general advisory elements of the new service. Again, the more integrated nature of the new commissioning framework should facilitate this. The evaluation of the next generation service should further examine the extent to which improvements in progression through the different elements of the service have been realised.

Recommendation 5

- 12.34 The Welsh Government needs to improve the accuracy, robustness and inter-connectedness of its on-going monitoring information in relation to Business Wales. This is essential not only to increase the robustness of future evaluation activity but also in terms of having a

more informed and rigorous approach to on-going contract management. More detailed and regular analysis of project databases should be undertaken to give a 'real-time' understanding of the extent to which appropriate businesses are being targeted and crucially the extent to which there is progression (and overlap) between different elements of the Business Wales service including youth entrepreneurship as well as other related services such as innovation, R&D interventions managed by Welsh Government and Finance Wales. In addition, the Welsh Government and providers delivering the next generation of Business Wales should as a minimum build in data monitoring procedures to record company registration numbers for assisted enterprises that incorporate and VAT registration numbers where applicable. This will be essential in enabling more robust counterfactual impact evaluation via approaches that adopt data matching with the wider SME population.