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## Final Evaluation of the Export Assist Programme

# Final Evaluation of the Export Assist Programme

Public and Corporate Economic Consultants (PACEC) Ltd

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

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## Glossary

BIS	(Department for) Business, Innovation and Skills
BRIC	Brazil, Russia, India and China
CIVET	Columbia, Indonesia, Vietnam, Egypt and Turkey
ERDF	European Regional Development Fund
ESNR (formerly ES&T)	(Department for) Economy, Science and Natural Resources
ES&T (now ESNR)	(Department for) Economy, Science and Transport
EU	European Union
IBW	International Business Wales
ICT	Information and Communications Technology
ITD	International Trade Development
ITO	International Trade Organisation
OBDV	Overseas Business Development Visits
OECD	Organisation of Economic Cooperation and Development
SME	Small and Medium Enterprises
UKTI	United Kingdom Trade and Investment
WDA	Welsh Development Agency
WTI	Wales Trade International

## Glossary text

- 'Britain Open for Business', United Kingdom Trade and Investment (2011);
- 'Competitiveness and Innovation Programme': European Commission (2007-2013);
- 'Economic Renewal: A New Direction': Welsh Assembly Government (2010);
- Firm Level Empirical Study of the Contribution of Exporting to UK Productivity Growth'. Harris, R., Li, Q.C. Report submitted to UKTI March 2007;
- 'One Wales: A Progressive Agenda for the Government of Wales': Welsh Assembly Government (2007);
- 'Self-Selection, export market heterogeneity and productivity improvements: Firm level evidence'. The World Economy Vol 29, Damijan, J., Polanec, S., and Prasnikar, J.;
- 'Top Barriers and Drivers to SME Internationalisation': Organisation of Economic Co-operation and Development (2009); and
- 'Trade and Investment in Growth', White Paper: Department of Business, Innovation and Skills (2011).

## Executive Summary

### Programme Overview

1. The Welsh Government appointed Public and Corporate Economic Consultants (PACEC) to conduct a final evaluation of the EU funded Export Assist Programme (the Programme). The Programme commenced in April 2009 and was completed in June 2015. The core of the Programme was *'to promote and support the internationalisation of businesses in six key economic sectors as well as non-sectoral companies of strategic importance to Wales'* in order to enable them to compete in global markets.
2. The Programme involves the following four interventions:
  - **International Trade Development (ITD)**: A comprehensive programme of one-to-one mentoring and training workshops which allows inexperienced exporters to develop and strengthen their exporting skills and enables more experienced exporters to refresh their knowledge and obtain an update on current best practice;
  - **International Trade Opportunities (ITO)**: This provides companies with international trade advice and identifying potential opportunities in overseas markets;
  - **Trade Missions and Exhibitions**: This supports exporting through trade visits to Asia, the Middle East and North America, offering a 50 per cent contribution towards the cost of travel and accommodation; and
  - **Overseas Business Development Visits (OBDV)**: This provides support towards the costs of business development visits to overseas markets. This can include costs of exhibiting at trade fairs and travelling to meetings with potential customers, but not to service existing relationships or contracts. The grant is for 50 per cent of eligible costs up to a maximum of £10,000.
3. The primary benefits of the Programme were focused on increasing export activity, creating and sustaining jobs and improving the profitability of companies located in Wales. However, it was also anticipated that there would be secondary benefits for the Welsh economy through enhancing the productivity of Welsh Small and Medium sized enterprises (SMEs). Key criteria for the inclusion of a business was for it to be an SME, based in the Convergence area of Wales and that without support, their export activity would be constrained.



## **Scope and aims of the evaluation**

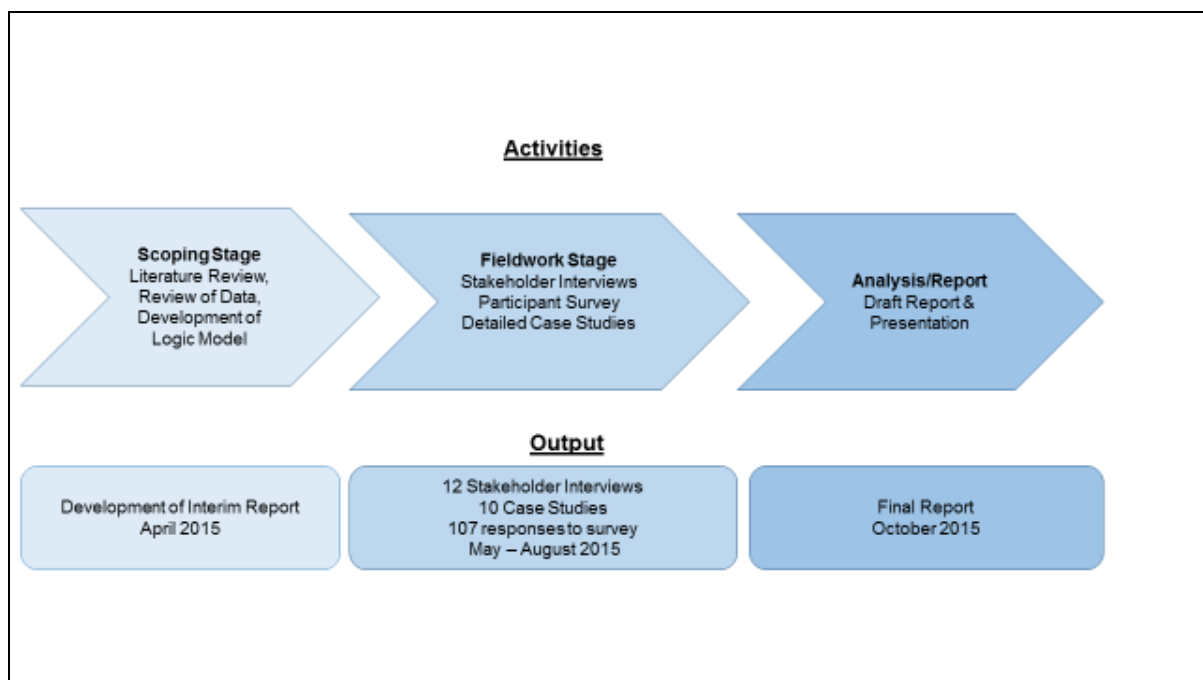
4. The evaluation aimed to analyse the effectiveness of processes, measure the net impacts and assess the value for money of the Export Assist Programme, whilst also ensuring that the evaluation satisfied the requirements of the Welsh European Funding Office (WEFO).
5. The aims of the evaluation were as follows:
  - To conduct a comprehensive evaluation of Export Assist programme activity and outcomes against the key performance indicators as outlined in the programme business plan;
  - To assess the effects of programme delivery in achieving programme aims and objectives outlined in the business plan;
  - To understand the added value of the programme for its beneficiaries and stakeholders with regard to the packages of support offered; and
  - Address the programme's delivery and achievement against the cross cutting themes (CCT) aims, objectives and CCT-related indicators outlined in their business plan.
6. In summary, this programme evaluation sought to assess the overall value for money and impact of the suite of interventions provided by the Export Assist programme over the period 2009 - 2015. The impact of individual interventions was assessed through case studies.

## **Evaluation methods**

7. A range of methods, including both qualitative and quantitative approaches were required to assess the effectiveness of delivery and the impact of the Programme.

8. Our approach is summarised in the diagram below:

**Figure 0.1: Our Methodology**



Source: PACEC 2015

## Methodological Limitations

9. A number of constraints have impacted on the evaluation process.
10. Limitations associated with the survey included:
- Up to date and accurate contact information not being available for circa one third of programme beneficiaries; and
  - Circa 30 per cent of survey respondents not being able to recollect the support they had received from Export Assist. Key factors contributing to this were:
    - The length of time that had elapsed between the company receiving support and the implementation of the survey/evaluation. In a number of cases, key staff within beneficiary organisations had left and/or there was no recollection of the details of the support the organisation had received; and
    - A lack of understanding by beneficiaries of the type of support they had received (i.e. ITO, ITD etc) and whether it had been supported by Welsh Government or one of its predecessor organisations.

11. Programme information was absent or incomplete in relation to:
- Cross Cutting Themes;
  - Risk Register;
  - Communication and Marketing Strategy; and
  - Delivery against key targets.
12. In the absence of independent data relating to the performance of non-participating SMEs from the Convergence area of Wales we have used standard questions in the survey to assess a pre and post intervention position for each respondent and have used this information as an assessment of overall programme impact. We have also benchmarked performance with a comparable programme of export support delivered by Invest NI in Northern Ireland. The Invest NI Suite of Trade Interventions has the same range of business supports as Welsh Government's Export Assist Programme and is delivered in a comparable economic region.
13. We have assessed and reported on programme performance where there was a robust source of information available. In circumstances where there have been significant gaps in information, we have highlighted these gaps and have made recommendations as to how they can be addressed.

## **Findings**

14. The key findings of this evaluation are as follows:

### **Delivery against Targets**

15. The Export Assist Programme has been developed to deliver:
- An increase in the capability and capacity of new and existing SMEs to trade internationally;
  - An increase in the number of new and existing SMEs trading internationally (creating new exporters); and
  - An increase in the international trade value/volume of assisted SMEs.

16. The table below summarises the performance against key metrics/targets as reported to WEFO over the Programme period.

**Table 0.1: Programme Performance**

	<b>ERDF Priority 2 Target</b>	<b>Export Assist Programme Proposed Target</b>	<b>Achieved</b>
<b>Outputs</b>			
Enterprises Assisted	9,000	652	459
Enterprises financially supported	900	102	111
<b>Results</b>			
Gross Jobs Created	11,000	170	3
Profit Benefit	£143.1million	£408,000	£825,550
Increase in level of export	£34.65million	£112,608,000	£144,005,750

Source: Quarterly Report: August 2015

17. Following consultation with the Programme Management Team, we are aware of significant under-reporting to WEFO for two targets: Enterprises Assisted and Gross Jobs Created. WEFO requires that for each output reported against, detailed supporting evidence must be sourced from the beneficiary company. This has proven especially problematic for companies who have not received financial assistance (Enterprises Assisted) and for those who have to specify job creation as a result of the Programme.
18. The Welsh Government's own database has more comprehensive performance information for each of the targets. However, performance information submitted to WEFO is only a subset (due to the ineligibility of many outputs as a result of insufficient supporting information) of collated information (i.e. although there have been 683 companies assisted to date, only 459 have been reported to WEFO).
19. We believe that this difference between Welsh Government's own internal performance reporting and that submitted to WEFO illustrates either a deficiency in record keeping or an inability to source participant details.

20. PACEC's survey found that 55 per cent of respondents were actively recruited onto the Export Assist Programme by Welsh Government Business Advisors, with only 12 per cent either finding out about the Programme through mail shot or social media. This would imply that the Programme is focusing on supporting experienced exporters who wish to expand/diversify their export activities.
21. This focus on 'experienced exporters' has brought with it a higher proportion of enterprises receiving financial assistance (47 per cent), than was originally envisaged. Experienced exporters do not avail of introductory supports like ITO and ITD and actively seek those interventions which provide financial assistance (such as Trade Missions and OBDV).
22. We recognise however the limited resources available to Welsh Government and that the promotion of the Programme through Welsh Government Business Advisors and their established clients (who are generally existing exporters), rather than focusing on non client managed companies (who apply through the online portal and who are predominantly non exporters), brings with it a proportionately higher financial impact, but at the cost of higher deadweight. Deadweight would have been considerably lower if the Programme had assisted a greater number of first time exporters.

### **Assessment of Fitness of Purpose of Interventions**

23. Respondents expressed the opinion that Export Assist was largely fit for purpose in terms of interventions as it addressed the following market failures:
  - Asymmetric information/Networking Coordination Issues: The Programme addressed this by providing sectoral/market intelligence and also in-market support by sectoral experts who identify potential clients for Welsh firms;
  - Financial Barriers: The Programme addressed this through the provision of financial support to companies, thereby enabling them to visit target markets and develop linkages; and
  - Demonstration Effect: The Programme addressed this by illustrating the benefits of exporting through the use of mentoring and workshops, leading to the identification and delivery of trade missions to target markets.
24. All respondents appreciated the flexibility associated with the Programme, in that eligibility criteria and indicative activities could be widely interpreted and so permit most types of support.

## **Assessment of Value Added**

25. We estimate that the Export Assist Programme has contributed an additional £19.3million to the Welsh economy and has created/sustained 780 jobs with an average GVA per job of £45,474 (20 per cent higher than the Welsh average). It should be noted that the Programme has a high level of deadweight (40 per cent) due to focusing support on existing exporters who wish to diversify into other markets.
26. When compared against the much larger Invest NI Suite of Trade Interventions programme, Export Assist performs comparatively well in terms of cost per net additional jobs (£7,179 to Invest NI's £12,973) and cost benefit ratio (1:3.5 to Invest NI's 1:4).
27. There is also strong evidence to suggest that Export Assist has led to the development and embedding of new and innovative ways of working amongst beneficiary companies which, in the longer term, should enhance productivity, including:
  - Eighteen respondents had developed an international strategy/action plan;
  - Sixteen respondents had adapted products for new markets;
  - Twelve respondents had developed new products; and
  - Eleven respondents had developed a joint international research and development programme.
28. Our survey of beneficiaries and in-depth interviews with beneficiary representatives also highlight the development of new overseas partnering arrangements (by 76 per cent of survey respondents), which could reflect the move towards working in more distant/culturally divergent markets.
29. We believe that Export Assist offers good value for money and has achieved higher financial returns than Invest NI's Suite of Trade Interventions. However, it has achieved this by focusing on experienced exporters, and this has resulted in a significant level of deadweight. Deadweight would have been considerably lower if the Programme had assisted a greater number of first time exporters.

## **Impact on Cross Cutting Themes (CCT)**

30. At present, WEFO does not have specific 'CCT targets', only indicator targets which may relate to the CCTs. Following consultation with the Programme Management Team it was noted that WEFO had not set any indicator targets for CCT for the

Export Assist Programme, but had identified a number of indicative activities which, if delivered, would ensure compliance.

31. PACEC reviewed the delivery of the Programme against the two Cross Cutting themes and notes that the mitigating actions carried out by the Programme Delivery team and its subcontractors was comprehensively applied and ensured minimal negative impact.
32. However, the absence of specific CCT targets means that it is currently not possible to demonstrate the Added Value of the Programme for the two Cross Cutting Themes. There is consequently a need for CCT targets to be agreed with WEFO for any subsequent Programme.

### **Review of Programme Delivery/Identification of Good Practice**

33. The Programme does not have a formal communications strategy in place. The negative impacts of this became obvious during the consultation exercise when there was a lack of awareness of the role of Welsh Government in the delivery of Export Assist and a low take up of the Programme by non-client managed companies. However, this may also be due to a strategic decision by Welsh Government to focus on existing Client managed companies.
34. PACEC reviewed the Export Assist Risk Register and noted that no risks were reported during programme implementation. Although not reported in the risk register, the following actions were undertaken:
  - Following negative client feedback on a small number of external contractors, the Delivery Team retendered its external delivery contracts for ITO, ITD and Trade Missions/Exhibitions to provide a long list of sub-contractors for each intervention from whom participants could select services; and
  - The Welsh Government augmented its existing Customer Relationship Management tool with additional databases to capture all Programme outputs and results.
35. We note that the effective programme management was impeded by:
  - Output and result data being incomplete (i.e. no activity was recorded due to a lack of supporting information);
  - The absence of key risks from the programme's risk register;
  - The absence of CCT targets to report against; and
  - The absence of a communications strategy.

36. The Programme Team has largely been successful in delivery of the Programme. We believe that the issues highlighted above have largely occurred as a result of resource limitations. For example, the Welsh Export Assist Programme is comparable to Invest NI's Portfolio of Trade Support. However the Invest NI Trade support budget is approximately four times that of Welsh Government and has significantly greater administrative support.

### **Lessons Learnt on Programme Implementation**

37. There are a number of issues that constrain the effectiveness of programme delivery, namely:
- a lack of administrative support – the Programme's underspend of £660,771, of which £656,990 was not considered eligible due to a failure by the Programme Management Team to submit time sheets for salary claims and travel and subsistence, is largely attributable to an absence of administrative support;
  - Many trade fairs are no longer considered to be fit for purpose, as they don't provide access to local agents/distribution networks. There is a need to identify other effective market entry solutions;
  - The Export Assist Programme does not assist companies in entering supply chains, which are a key entry point for many intermediary products;
  - The existing Programme has provided support to significantly more experienced exporters than non-exporting companies. A move to supporting more non-exporting companies would significantly enhance the additionality of the Programme;
  - Trade Missions are mainly focused on established markets (which do provide guaranteed market opportunities), they do not take into consideration opportunities for new markets and enabling technologies; and
  - There is a need to address specific resourcing issues related to accessing emerging markets, which because of their culture and distance from Wales, need additional time and financial support to develop market opportunities. There are opportunities to encourage micro and small companies to develop new ways of working/collaboration to enter target markets.



## Recommendations

38. The Programme should be supported in the next funding period subject to the adoption of the following recommendations:
39. **Recommendation 1:** There should be an increase in administrative support for the Programme with the sole function of ensuring the completion of the following tasks on a monthly basis:
- Development and subsequent population of a comprehensive customer relation management system, which captures the following information (in line with WEFO reporting requirements):
    - Name, Location, Sector, Scale and turnover of all participants;
    - Details of all support interventions (including timing);
    - Details of all financial support; and
    - Details of beneficiary specific monitoring information (including key performance indicators).
40. **Recommendation 2:** A Risk Register should be developed and agreed with WEFO. This should be reviewed by the Programme Management Team on a monthly basis with any variances/mitigating actions reported to WEFO in the Quarterly Report;
41. **Recommendation 3:** A Marketing and Communication Strategy should be developed and agreed with WEFO, which should then be reviewed by the Programme Management Team on a monthly basis with any variances/mitigating actions reported to WEFO in the Quarterly Report;
42. **Recommendation 4:** The Programme Management Team should liaise with WEFO and the CCT Team to develop a number of additional targets which will demonstrate the added value of the Programme i.e.
- Number of first time exporters;
  - Number of markets entered for the first time;
  - Total Export Sales;
  - Total Export Sales in new markets;
  - Gross Jobs created;
  - Number of participants from under-represented sections of the Community; and
  - Number of new products/processes specifically developed to enter new export markets.

43. **Recommendation 5:** The Programme Management Team should liaise with WEFO and CCT to develop and implement a robust process of Programme Monitoring and Evaluation. This should include:
- Gathering of baseline participant information;
  - Quarterly reporting against all targets;
  - Terms of Reference for a Mid Term Evaluation (at Year 3); and
  - Terms of Reference for a Final Evaluation (at Year 6).
- Compliance with the agreed Monitoring and Evaluation Framework should be assessed on a regular basis during programme implementation;
44. **Recommendation 6:** The Programme should focus on supporting first time exporters and a target should be set in relation to the number of first time exporters that are to be supported;
45. **Recommendation 7:** The Programme Management Team should liaise with Local Authorities and other agencies involved in economic development to signpost the Programme to first time exporters;
46. **Recommendation 8:** A group of practitioners should be convened by Welsh Government to identify emerging trends/new markets to inform the calendar of trade missions;
47. **Recommendation 9:** In-market support to emerging markets should be reviewed with enhanced financial assistance provided for the identification of networks of delivery agents in target markets;
48. **Recommendation 10:** In order to permit greater access to emerging markets by micro and small companies, support should be provided to develop collaboration/partnership arrangements with other Wales based SMEs targeting the same markets; and
49. **Recommendation 11:** It is recommended that supply chain support is considered in any new Programme in order that Welsh producers' of intermediary goods can access key procurement opportunities.

# 1. Introduction and Background

## Programme Overview

- 1.1 The Welsh Government appointed Public and Corporate Economic Consultants (PACEC Ltd) to conduct a final evaluation of the Export Assist Programme (the Programme). The Programme commenced in April 2009 and was completed in June 2015. The core of the Programme was *'to promote and support the internationalisation of businesses in six key economic sectors as well as non-sectoral companies of strategic importance in Wales'* in order to enable them to compete in global markets.
- 1.2 Whilst the primary benefits of the Programme were focused on increasing export activity, creating and sustaining jobs and improving the profitability of companies located in Wales. It was also anticipated that there would be secondary benefits for the Welsh economy through enhancing the productivity of Welsh Small and Medium sized enterprises (SMEs). Key criteria for the inclusion of a business was for it to be an SME, based in the convergence area<sup>1</sup> of Wales and that without support, their export activity would be constrained.

## Scope and Aims of the Evaluation

- 1.3 The specific aims of the evaluation were as follows:
  - To conduct a comprehensive evaluation of Export Assist programme activity and outcomes against the key performance indicators as outlined in the programme business plan;
  - To assess the effects of programme delivery in achieving programme aims and objectives outlined in the business plan;
  - To understand the added value of the programme for its beneficiaries and stakeholders with regard to the packages of support offered; and
  - Address the programme's delivery and achievement against the cross cutting themes' (CCT) aims, objectives and CCT-related indicators outlined in their business plan.

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<sup>1</sup> The Export Assist Programme is only accessible to SMEs from the following 15 Local Authorities, including: Isle of Anglesey, Conwy, Denbighshire, Gwynedd, Ceredigion, Pembrokeshire, Carmarthenshire, Swansea, Neath Port Talbot, Bridgend, Rhondda Cynon Taff, Merthyr Tydfil, Blaenau Gwent, Caerphilly and Torfaen,

1.4 The terms of reference also had the following objectives:

(1) How and to what extent did programme activity reflect the commitments set out in the business plan?

- Synthesise and analyse quantitative data on the Welsh European Funding Office (WEFO) key performance indicators to determine whether outcomes met the targets set at the start of the programme;
- Devise a logic model to help understand how resources and programme activity contributed to outputs and outcomes; and
- Conduct a review of documentation e.g. business plans, quarterly claim forms and any other relevant information to understand how programme activity led to programme outcomes.

(2) What are the perceived outcomes of the programme from the perspective of beneficiaries? How and to what extent is this making a difference compared to if the improvements had not been implemented?

- Use primary research to engage with a sample of beneficiaries and stakeholders to understand how they perceive the funding has made a difference;
- Conduct a scoping study to establish whether a counterfactual could be constructed which would objectively assess the additionality of the funding;

(3) Based on evidence, what would be the outcome and potential long term impacts, of withdrawal of programme funding for beneficiaries of the programme?

- Use primary research to engage with a sample of beneficiaries and stakeholders to examine and analyse the perceived need and viability of future funding based on outcomes of the current programme.

(4) Which aspects of programme delivery have led to positive outcomes or could be viewed as good practice?

- Collate and analyse documentation relating to programme delivery, focusing on examples of effective practice. Use primary research, possibly a case study approach where appropriate, to provide an in-depth understanding of how good practice was achieved from the perspective of beneficiaries and stakeholders.

(5) What barriers and constraints has the programme faced? What are the lessons learnt from dealing with such barriers and constraints?

- Undertake desk based and/or primary research to understand how programme delivery has affected programme outcomes, identifying problematic areas of delivery and how such difficulties were addressed.

- Provide a summary of the lessons learnt and recommendations for effective delivery and should the programme be funded in the next round.

1.5 In summary, this evaluation sought to assess the overall value for money impact of the suite of interventions operated by the Welsh Government. The impact of individual interventions was assessed through case studies.

## Evaluation methods

1.6 A range of methods, including both qualitative and quantitative approaches were required to assess the effectiveness of delivery and the impact of the Programme.

1.7 Our approach involved:

- **Desk based research:** a review of relevant programme information and best practice in relation to the delivery of export support programmes (both national and international);
- **A stakeholder consultation** involving in-depth interviews, conducted face to face and by telephone with 12 stakeholders involved in the design, management, delivery and monitoring of the Export Assist Programme and working in related policy areas.

These included:

- Welsh Government Trade Team;
- Welsh Government Sector Teams for Life Sciences, Energy and Environment, ICT, Financial and Professional Services, Creative and Advanced Materials and Manufacturing; and
- Welsh/Cardiff Chamber of Commerce.
- **Qualitative research:** ten in-depth telephone interviews reflecting:
  - Two pre-starts, three micro companies and five SMEs;
  - Seven experienced exporters (including one Born Global<sup>2</sup>); and
  - Three new exporters (including two Born Global companies).

The ten consultees were from the following sectors:

- Two from Advanced Manufacturing;
- Two from Craft and Outdoor Manufacture (Lifestyle Businesses);
- Two from Creative Industries;
- Two from Life Sciences; and
- Two from Food and Drink.

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<sup>2</sup> Born Global businesses are a rare type of business, usually university spinouts, which have near simultaneous domestic and export expansion. Due to the high proportion of Research and Development intensive companies, they favour extensive use of sectoral networking and therefore have a focus on trade exhibitions and developing networks.

## **Quantitative Analysis:**

1.8 The focus of the online survey was to:

- capture quantitative data on economic outcomes and impact of the programme at the firm level, as well as on the wider Welsh economy:
  - Including key metrics such as turnover (and consequent impact on employment) and Gross Value Add (GVA) and other Value for Money measures; and
  - An assessment of additionality (including deadweight, displacement/substitution, leakage and economic multiplier effects).
- Engage the programme beneficiaries to identify relevant evidence on:
  - Motivation and barriers to exporting;
  - Exporting patterns and experience;
  - Support received from Export Assist and satisfaction levels; and
  - Identify lessons and instances of best practice.

The draft business survey is contained in Appendix A.

1.9 A sampling frame was identified, i.e. a list of beneficiaries with the necessary information to draw a sample and to contact the respondents (in this case: name, job position, workplace, email address and phone number). The datasets were supplied by the Client. The sampling frame was checked for errors and duplicates were removed from the lists.

1.10 The level of sampling accuracy required for the study was agreed at the 95per cent confidence level. A target of +/- five percent sampling error was also set for the survey. In order to achieve the desired sample accuracy all beneficiaries in the sampling frame were invited to participate in the survey. One hundred and seven responses were achieved between 29 March and 15 May 2015. This accords with a response rate of 26per cent and provided an overall margin of error of +/- 7.91 per cent at the 95 per cent confidence level.

## **Methodological Limitations**

1.11 A number of constraints have impacted on the evaluation process.

1.12 Limitations associated with the survey, included:

- Up to date and accurate contact information not being available for circa one third of programme beneficiaries; and

- Circa 30 per cent of survey respondents not being able to recollect the support they had received from Export Assist. Key factors contributing to this were:
  - The length of time that had elapsed between the company receiving support and the implementation of the survey/evaluation. In a number of cases, key staff within beneficiary organisations had left and/or there was no recollection of the details of the support the organisation had received; and
  - A lack of understanding by beneficiaries of the type of support they had received (i.e. ITO, ITD etc) and whether it had been supported by Welsh Government or one of its predecessor organisations.

1.13 Programme information was absent or incomplete in relation to:

- Cross Cutting Themes;
- Risk Register;
- Communication and Marketing Strategy; and
- Delivery against key targets.

1.14 In the absence of independent data relating to the performance of non-participating SMEs from the Convergence area of Wales<sup>3</sup> we have used standard questions in the survey to assess a pre and post intervention position for each respondent and have used this information as an assessment of overall programme impact. We have also benchmarked performance with a comparable programme of export support delivered by Invest NI in Northern Ireland. The Invest NI Suite of Trade Interventions has the same range of business supports as Welsh Government's Export Assist Programme and is delivered in a comparable economic region<sup>4</sup>.

1.15 We have assessed and reported on programme performance where there was a robust source of information available. In circumstances where there were significant gaps in information, we have highlighted these gaps and have made recommendations as to how they can be addressed.

## **Structure of the report**

1.16 The structure of the report is as follows:

- Chapter 3 provides the strategic context for the Programme;
- Chapter 4 presents the rationale, aims and objectives of the Programme, along with a discussion of the logic model and the outputs;

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<sup>3</sup> This level of sub regional information is not available at present in Wales.

<sup>4</sup> Invest NI offers its export support to all companies across Northern Ireland. In terms of geography and number of companies, this is comparable to the Convergence area of Wales.

- Chapter 5 explores the effectiveness of the delivery model;
- Chapter 6 assesses the economic impact and value for money of the Programme;
- Chapter 7 discusses the WEFO cross cutting themes; and
- Chapter 8 presents the evaluation's conclusions and recommendations.



## **2. Strategic Context**

2.1 This section considers the strategic alignment between the Export Assist Programme, the ERDF Operational Programme and the wider economic agenda within the United Kingdom (UK) and Wales.

### **Key Government Strategies**

2.2 There is a commitment at the European level to ensure enhanced support for SMEs operating outside of their home markets and, through the Small Business Act for Europe, to put in place SME envoys charged with promoting SMEs interests throughout all government bodies and specifically take up of procurement opportunities across borders.

2.3 At the UK level<sup>5</sup> there are four main ambitions:

- to encourage significantly (a doubling) more SMEs to export, in particular targeting innovative and high growth SMEs;
- to help bring high value opportunities home, not only through a programme of intensive support for larger companies, but also promoting supply chain opportunities for SMEs;
- to encourage investment in innovation through the demonstration effect of exporting; and
- to expand the number of export markets for UK companies, in particular the emerging BRIC<sup>6</sup> and CIVET<sup>7</sup> economies and the cash rich countries of the Middle East<sup>8</sup>.

### **Welsh Policy Context**

2.4 Economic development (and particularly export support) in Wales has been subject to a number of organisational changes since the Export Assist Programme commenced in 2009. Prior to 2010, two predecessor organisations had responsibility for export support, namely:

- Wales Trade International (1999-2006); and
- International Business Wales (2006-2010).

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<sup>5</sup> “*Trade and Investment in Growth, White Paper*”, Department of Business, Innovation and Skills ,2011

<sup>6</sup> BRIC: Brazil, Russia, India and China.

<sup>7</sup> CIVET: Colombia, Indonesia, Vietnam, Egypt and Turkey

<sup>8</sup> Gulf States including United Arab Emirates.

- 2.5 International Business Wales (IBW) brought together the responsibilities of the former Welsh Development Agency (WDA) and Wales Trade International (WTI). In common with WTI, IBW was the trade and investment arm of the Welsh Government and was tasked with developing international trade and attracting inward investment, relocation and international collaboration.
- 2.6 In July 2010, 15 months after the Export Assist Programme had commenced, economic development in Wales was reformed in line with the recommendations of the Welsh Assembly Government Strategy: 'Economic Renewal: A New Direction', which had the following five priorities:
- Investing in high quality and sustainable infrastructure;
  - Making Wales a more attractive place to do business;
  - Broadening and deepening the skills base;
  - Encouraging innovation; and
  - Targeting Business support (a focus on six priority sectors<sup>9</sup> as opposed to ten sectors<sup>10</sup>).
- 2.7 In response to the recommendations of the Economic Renewal Plan ES&T undertook principal responsibility for economic development in Wales and the specific export promotion responsibilities of IBW were transferred to the Department.
- 2.8 The Programme was funded under the ERDF Convergence Programme for Wales, Priority Two, Theme One: Improving Business Competitiveness. The Objective of the Priority was:
- “To strengthen the economy by increasing the size and widening the range of business stock and tackling market failures in relation to business advice, information and finance.”*
- 2.9 The Export Assist Programme was only accessible to SMEs from the following fifteen Local Authorities, including: Isle of Anglesey, Conwy, Denbighshire, Gwynedd, Ceredigion, Pembrokeshire, Carmarthenshire, Swansea, Neath Port Talbot, Bridgend, Rhondda Cynon Taff, Merthyr Tydfil, Blaenau Gwent, Caerphilly and Torfaen, otherwise referred to as the Convergence area of Wales.

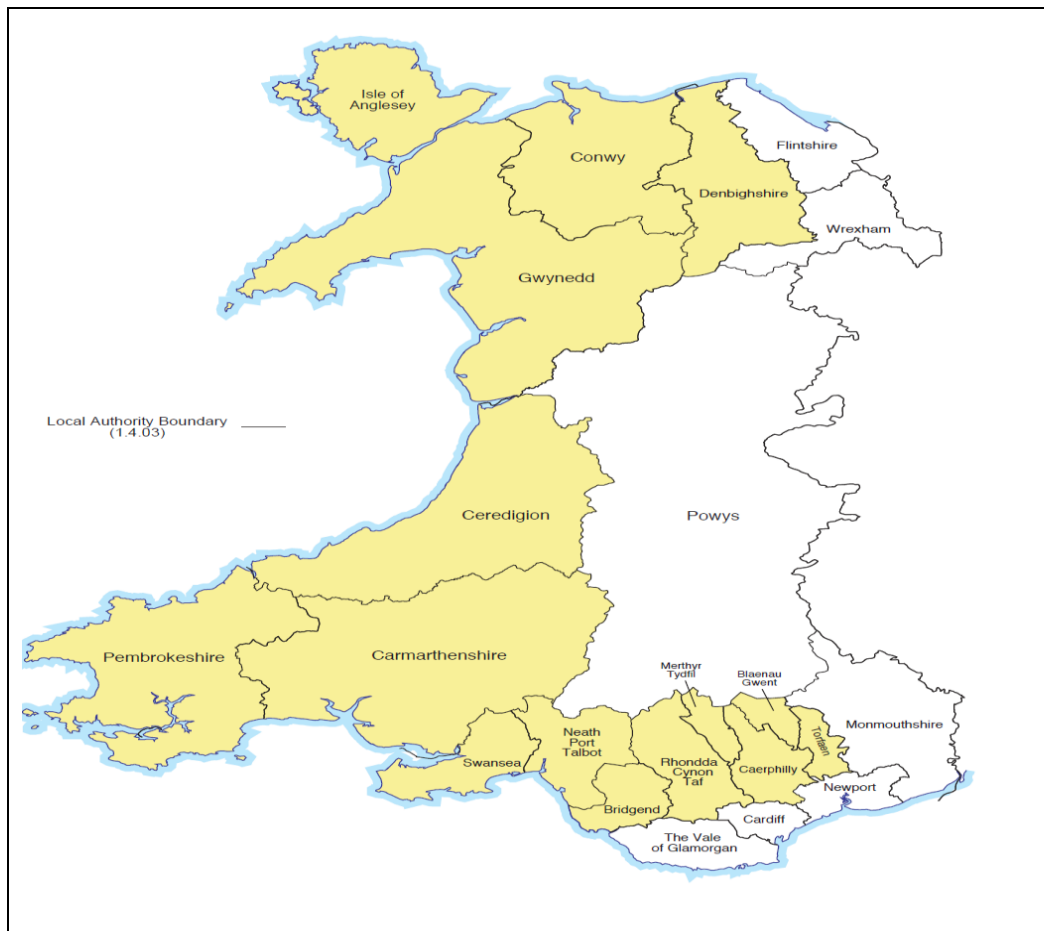
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<sup>9</sup> The Priority sectors are: Life Sciences, Energy and Environment, ICT, Financial and Professional Services, Creative and Advanced Materials and Manufacturing.

<sup>10</sup> Previous target sectors: Automotive, Aerospace, Agri-food, High Technology, Pharmaceutical/bio-chemicals, financial services, creative industries, construction, hospitality, leisure and tourism and social care

2.10 The eligible area is illustrated in the map below:

**Figure 2.1: Map of Convergence Area**



Source: ERDF Operational Programme

## Assessment of Fit

2.11 The Programme is in strategic alignment with emerging strategies at the European, UK and Welsh levels and has been developed to specifically assist non-exporting and experienced companies to export. It does this by addressing a number of key issues, specifically:

- Identifying foreign business opportunities;
- Limited information to locate/analyse markets;
- Inability to contact potential overseas customers;
- Obtaining reliable foreign representation; and
- Lack of managerial time to deal with internationalisation.

2.12 The Programme also complies with the Operational Programme by delivering the following outputs and indicative activities, i.e.

**Indicative Activities:**

- Mentoring Support;
- Workshops; and
- Financial Support.

**Outputs**

- Enterprises Assisted;
- Enterprises Financially Assisted;
- Gross Jobs Created;
- Profit Benefit; and
- Increase in level of export.

### 3. Rationale and Programme Overview

#### Introduction

3.1 This section explores the rationale for the Export Assist Programme and provides an overview of its logic model and delivery arrangements.

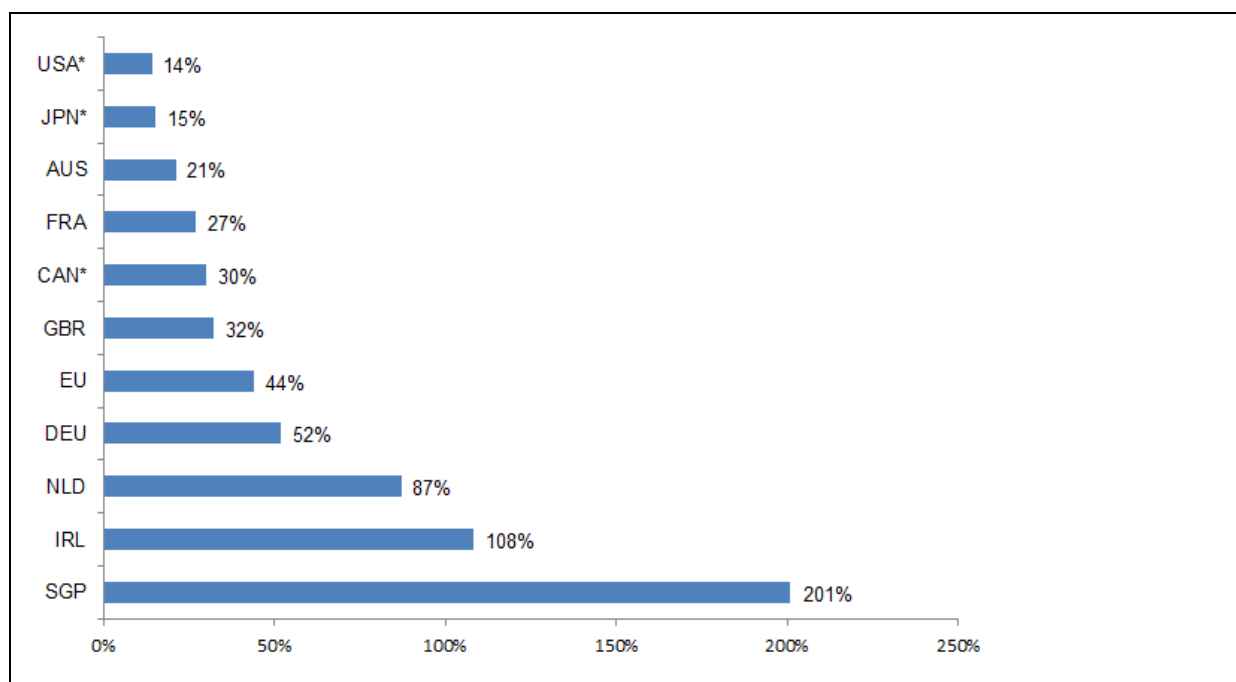
#### Evidence of Need

3.2 UK exports of goods and services<sup>11</sup> were equivalent to 32 per cent of Gross Domestic Product (GDP) in 2012<sup>12</sup>, which is an increase from 26 per cent, 10 years earlier. Figure 3.1 shows that the UK's export performance compares favourably against similar economies such as Canada, France, Australia, Japan and the United States of America. However, the UK and its constituent regions and devolved administrations (including Wales), lags significantly behind the EU average (of 44 per cent) and economies such as Singapore, Ireland, Netherlands and Germany.

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**Figure 3.1: Exports of Goods and Services (as % of GDP)**

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Source: World Bank, World Development Indicators (2012)

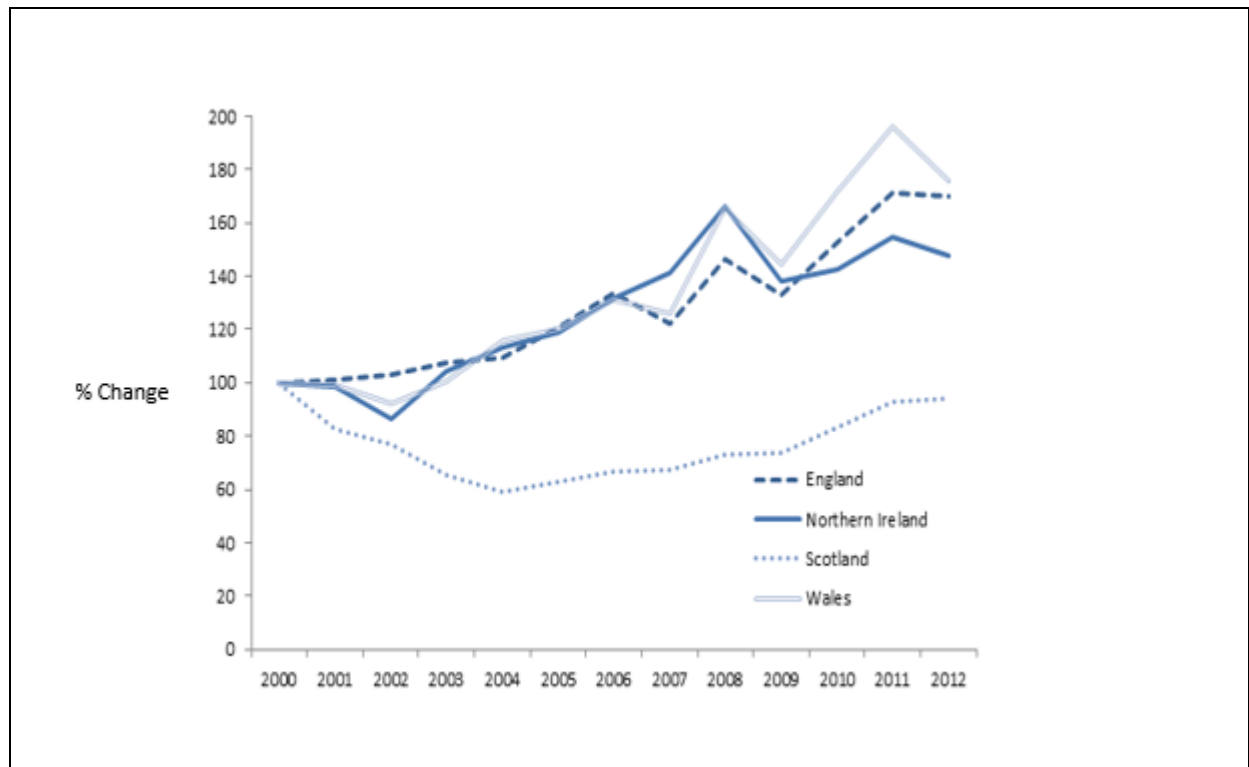
3.3 Figure 3.2 shows that Welsh exports have increased by 60 per cent over the decade to 2012. Whilst this is a strong performance in its own right, it is lower than that achieved in England.

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<sup>11</sup> Office of National Statistics: UK Trade, June 2013

<sup>12</sup> Most recent year for which there is consistent evidence across the devolved administrations and regions of the UK.

**Figure 3.2: Export Performance since 2000**



Source: HMRC 2013

- 3.4 A comparison of UK regional export intensity (measured as a percentage of GVA) is shown in the table below. Wales performs strongly and is the second most export intensive region in the UK at 28 per cent of GVA.

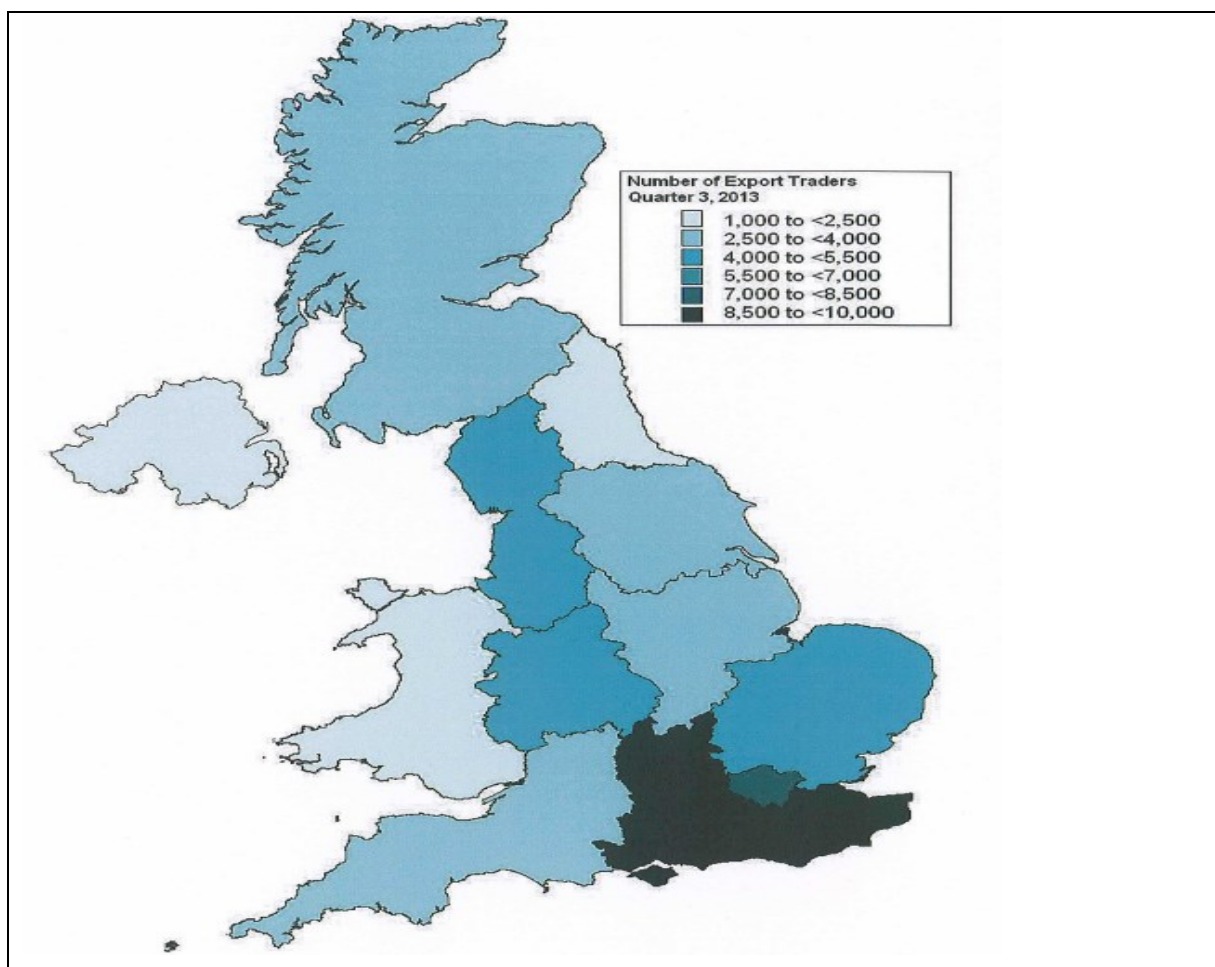
**Table 3.1: UK Regional exports of Goods as % of GVA**

	2001	2005	2012
North East	24.2	23.1	32.5
Wales	21.3	21.2	28.4
East	20.7	19.4	24.2
South East	20.3	20.2	22.4
UK	20.9	18.8	22.0
East Midlands	23.9	22.7	21.7
West Midlands	19.0	18.1	21.0
North West	18.2	18.0	21.3
Northern Ireland	18.7	18.3	19.2
Yorkshire & Humber	13.6	14.9	17.7
Scotland	23.2	14.2	16.1
London	13.4	11.7	12.5
South West	11.9	12.1	12.3

Source: HMRC 2014

3.5 However, the Welsh export figures are skewed by the presence of a small number of large exporters, in particular the aeronautical sector. Figure 3.3 illustrates that Wales, in common with Northern Ireland and the North East of England has a comparatively low number of exporting companies (fewer than 2,500 companies).

**Figure 3.3: Number of Active Export Companies by Region**



Source: HMRC 2012

- 3.6 Wales has the lowest percentage of exporting companies in the UK<sup>13</sup> at 11 per cent, with the North East of England in second place with 16 per cent and Northern Ireland in third place with 21 per cent.
- 3.7 All three regions have the following characteristics:
- An over dependence on a small number of large internationally owned companies who dominate export activity; and
  - Approximately 95 per cent of companies, predominantly micro and small enterprises, which undertake no export activity.
- 3.8 The situation in the eligible area in Wales is compounded by the predominance of micro and small enterprises in low value added sectors.

<sup>13</sup> House of Commons: Business Statistics, Briefing Paper 2015. Number of Welsh Businesses: 213,000, Number of NI Businesses: 119,000 and Number of business in North East of England: 151,000.



## **Market Failures**

3.9 The following barriers (market failures) have been identified by the Organisation for Economic Cooperation and Development (OECD)<sup>14</sup> for non-exporting SMEs or those wishing to enter new markets and relate directly to Wales. N.B. the barriers detailed below have been presented in rank order:

- Shortage of working capital to finance exports;
- Identifying foreign business opportunities;
- Limited information to locate/analyse markets;
- Inability to contact potential overseas customers;
- Obtaining reliable foreign representation;
- Lack of managerial time to deal with internationalisation;
- Inadequate quantity of and/or untrained personnel for internationalisation;
- Difficulty in matching competitors' prices;
- Lack of home government assistance/incentives; and
- Excessive transportation costs.

3.10 The key barrier highlighted is a resource constraint (i.e. a lack of working capital to finance exports). However, the second and third highest ranked barriers are both linked i.e. firms lack the information to analyse markets and are not aware of opportunities.

## **Motivation for Exporting**

3.11 Mainstream economic opinion identifies company specific and wider economic reasons as to why companies export. These are outlined in the table below:

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<sup>14</sup> OECD (2009) Top Barriers and Drivers to SME Internationalisation

**Table 3.2: Motivation for Exporting**

Motivation for Exporting	Description
<b>Growth Motive</b>	<p>The possibility of growth in other markets and increased profit opportunities from international expansion were highlighted as the key stimuli for exporting among the Australian, British, Spanish, Swedish and US firms investigated in recent studies. This is characteristic of an expansive agenda and of firms that have an existing dominant market position or are highly predatory.</p> <p>Firms' overseas venturing decisions also seem to be motivated by a need for a stronger market position and to reduce dependence on a single or smaller number of markets. This is characteristic of a second tier company which follows dominant firms into key markets in order to maintain market position and diversify risk.</p>
<b>Knowledge Motives</b>	<p>Recent research suggests that knowledge assets both push and pull SMEs into international markets. The push dimension relates to the importance of managers' previous international experience and related management capacity factors. There are also related findings from a number of OECD countries (Canada, Ireland and Sweden) on internationalisation triggering knowledge effects, including: R&amp;D investment; innovation capabilities; unique product or technology development, and enhanced language skills, (impact dependent on variables such as size, age and experience).</p> <p>Search for knowledge assets may also pull SMEs into international markets as firms internationalise to obtain the missing know how required to maintain their (or develop a) lead in technological development (knowledge spillovers<sup>15</sup>).</p>
<b>Network / Social Ties and Supply Chain Links</b>	<p>A number of recent studies have highlighted the importance of network/social ties and supply chains in triggering SMEs' first internationalisation step and extending internationalisation processes. This includes the stimulating effect on export activity of firms' soft assets, including social and network capital, some of which may have been accrued through managers' immigrant background and associated links.</p>
<b>Domestic / Regional Market Drivers</b>	<p>There is also support from recent relevant research on the push effects of firms' limited or stagnating domestic market on internationalisation behaviour.</p> <p>Recent Spanish research has also identified a regional or sub-national dimension that found that Spanish firms from various regions differed significantly in their export tendency, with export propensity increasing in regions with less favourable domestic conditions, local incentives to export and good export infrastructure.</p>

Source: OECD (2009) Top Barriers and Drivers to SME Internationalisation

<sup>15</sup> Harris and Li (2007) identify two links between productivity and exporting – 'self-selection' theory, whereby more productive firms participate in exporting while less productive firms remain orientated towards domestic markets, whereas 'learning by exporting' theory suggests that productivity growth occurs after entering export markets. Damaijan et al (2005) suggests learning through exporting depends on both the capacity of the firm to learn (absorptive capacity) and the technological sophistication of the target market (the latter two points are of most importance in the determination of the market entry strategy).

## Complementarity with other Welsh Government Support

3.12 ES&T currently delivers the following range of support including:

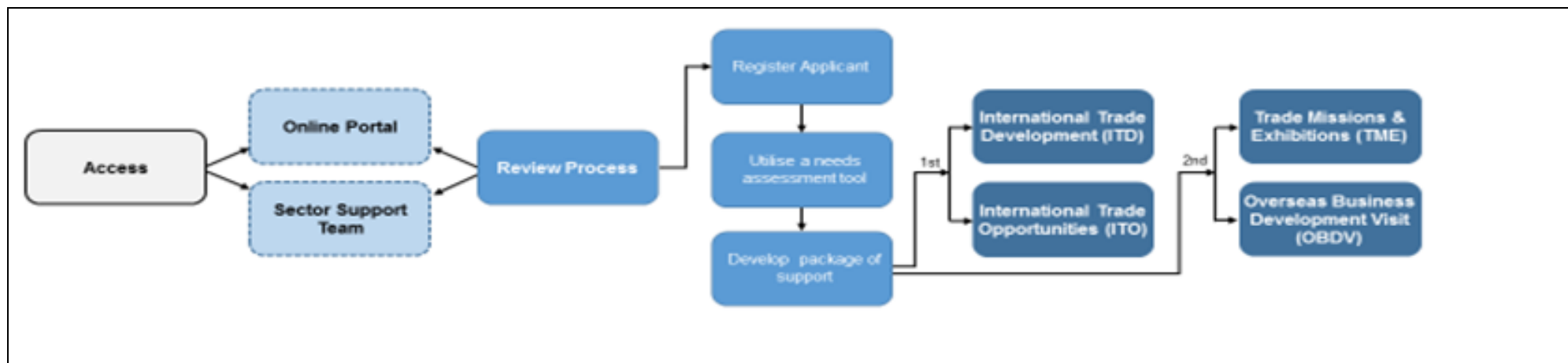
- **Innovation Support**, including, development of new products, design and manufacture of new products, intellectual property, marketing of new products and services, as well as supporting applications for funding from the Government and other UK public sector and European schemes;
- **Skills Development**, the Welsh Government Business Skills Hotline Team offers practical advice and information to businesses in Wales to help them improve skills throughout their workforce. This includes workforce planning, skills audits and training;
- **Property Advice**, the Welsh Government provides help and advice for companies looking for premises. This includes an online property portal and for inward investors and new starts, access to one to one business advice;
- **Business Wales**: This is a dedicated service that provides businesses with information, guidance and support. Business Wales uses specialist advisors across Wales to deliver the following services:
  - General Business Management Support;
  - E-business support;
  - Employment advice;
  - International Trade Support;
  - Tendering Support;
  - Workshops and Events;
  - Mentoring; and
  - Environmental Management Advice.
- **International Trade Support**: The Welsh Government provides bespoke packages of support to meet the needs of individual SMEs, designed and delivered by a team of experienced business development advisors, typically involving:
  - Provision of Export Market Information;
  - Trade Fairs;
  - Grant Support towards the costs of business development visits to overseas markets; and
  - Trade Missions.

3.13 International Trade Support and the Export Assist Programme are delivered by the same team (i.e. the Trade Support Team) within the DE&T and both programmes provide the same range of interventions. However, only firms located within the Convergence area of Wales are eligible for support under the Export Assist Programme.

#### **Nature of Programme Support**

3.14 Figure 3.4 below illustrates the process involved in delivering the Export Assist programme:

**Figure 3.4: Process Chart for the Export Assist Programme**



Source: PACEC 2015

3.15 After accessing the Programme from either an Online Portal or via the Sector Support Team, there is an internal review process from which the successful applicant is signposted to at least one of the following four interventions:

- **International Trade Development (ITD):** a comprehensive programme of one to one mentoring and training workshops which allows inexperienced exporters to develop and strengthen their exporting skills and enables more experienced exporters to refresh their knowledge and obtain an update on current best practice. The ITD programme is delivered through one to one mentoring and workshops which are open to all Small and Medium Sized Enterprises (SMEs).
- **International Trade Opportunities (ITO):** This provides companies with international trade advice and identifying potential opportunities in overseas markets. Once a target market has been identified, the intervention seeks to support businesses through mentoring support by:
  - Providing business information at a local level;
  - Advising on local trading conditions and regulations;
  - Identifying potential customers, agents or distributors;
  - Contacting potential customers, agents or distributors;
  - Arranging face-to-face meetings with interested parties; and
  - Supporting business during their time in market.

ITO is available to both new and experienced exporters. The Welsh Government supports 75 per cent of the total programme cost and companies are asked to contribute twenty five percent of the programme costs, subject to eligibility.

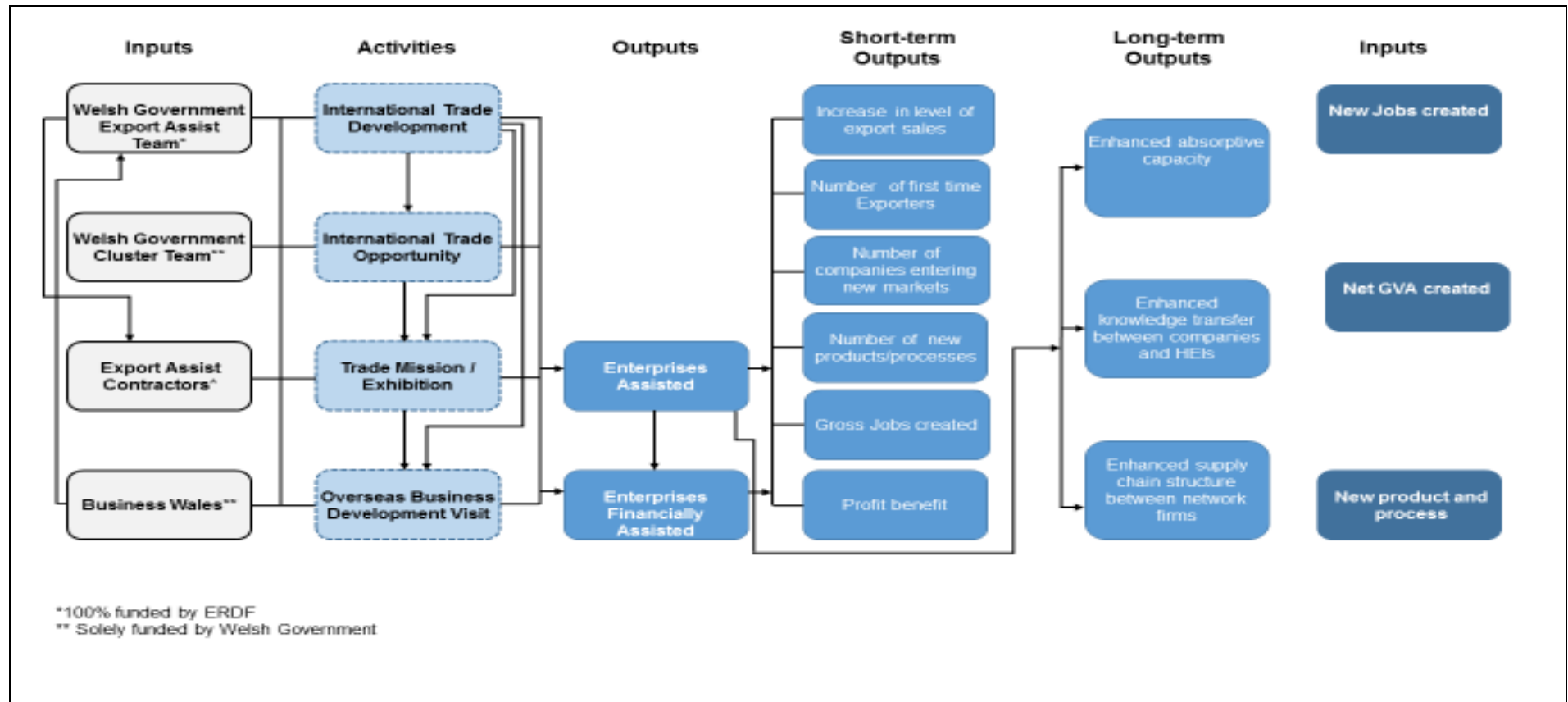
- **Trade Missions and Exhibitions**, which supports export through trade visits to Asia, the Middle East and North America, offering a 50 per cent contribution towards the cost of travel and accommodation. Under this scheme, participants are provided with financial support to attend major international trade fairs in key sectors. Businesses taking part receive a fifty percent subsidy towards the cost of travel and accommodation and pay an agreed contribution towards the cost of stand space.
- **Overseas Business Development Visits (OBDV):** This provides support towards the costs of business development visits to overseas markets. This can include costs of exhibiting at trade fairs and travelling to meetings with potential customers but not to service existing relationships or contracts. The grant is for fifty percent of eligible costs up to a maximum of £10,000.

- 3.16 It is expected that an inexperienced exporter would receive support from the ITD programme first (in order to provide a basic understanding of the export process) before moving on to the ITO programme to identify and prepare for a specific market. They would then have the option of progressing onto either an organised trade mission, or (for the more experienced/better prepared) moving directly onto the OBDV programme. However, the Programme does allow for a degree of flexibility, with experienced exporters (or those Born Global) being allowed to 'sidestep' the ITD and ITO programmes and go straight to trade missions or OBDV. Companies can however revisit (to address a specific export issue) the ITO, ITD and Trade Mission programmes as many times as they need, but at the discretion of the Programme Management Team.

### **Logic Model**

- 3.17 Figure 3.5 sets out the logic model for the Export Assist Programme. It shows how the activities described will result in outputs and outcomes for exporters which in turn have impacts, particularly on the Welsh economy. This evaluation will examine all aspects of this logic model, excepting the wider social benefits which will not be measured.

**Figure 3.5: Logic Model**



Source: PACEC 2015



## Summary

3.18 The Export Assist Programme has been developed to address the following market failures:

- **Asymmetric Information/Networking Coordination Issues.** The Programme addressed this by providing sectoral/market intelligence and also in market support by sectoral experts who identify potential clients for Welsh firms;
- **Financial Barriers:** The Programme addressed this through the provision of financial support to companies thereby enabling them to visit target markets and develop linkages; and
- **Demonstration Effect:** The Programme addressed this by illustrating the benefits of exporting through the use of mentoring and workshops, leading to the identification and delivery of trade missions to target markets.

3.19 The joint delivery of the Programme in conjunction with the Welsh Government's priority sector teams not only ensured a focus on the six key sectors for the Welsh economy, but also meant that export support was not delivered in isolation of other economic development initiatives (such as investment in process and product innovation) and therefore contributed to addressing the comparatively low Gross Value Added (GVA) per job in Wales across all sectors.

## 4. Effectiveness of the Delivery Model

### Introduction

4.1 This section assesses the effectiveness of the delivery model in contributing to the overall impact of the Programme. It draws on analysis of:

- Management Information;
- Stakeholder and programme management consultation; and
- Our on-line survey.

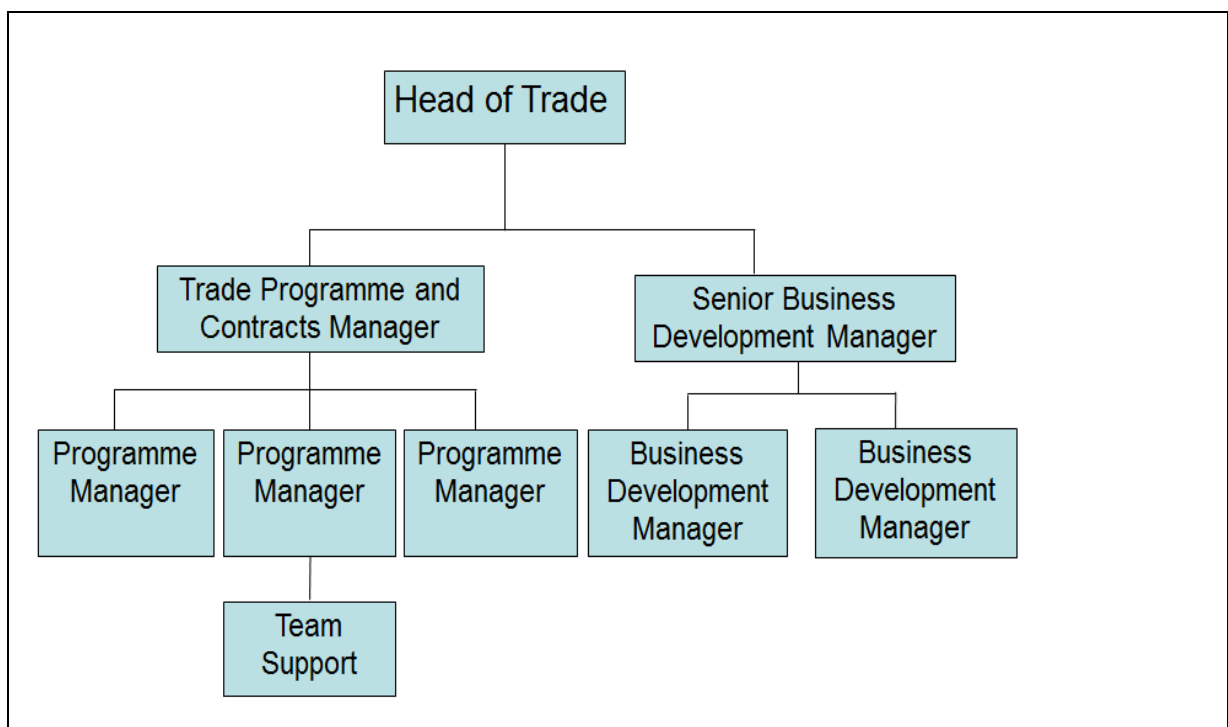
### Delivery Model

4.2 Figure 4.1 below illustrates the structure of the team responsible for the delivery of the Export Assist Programme:

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**Figure 4.1: Programme Delivery Team**

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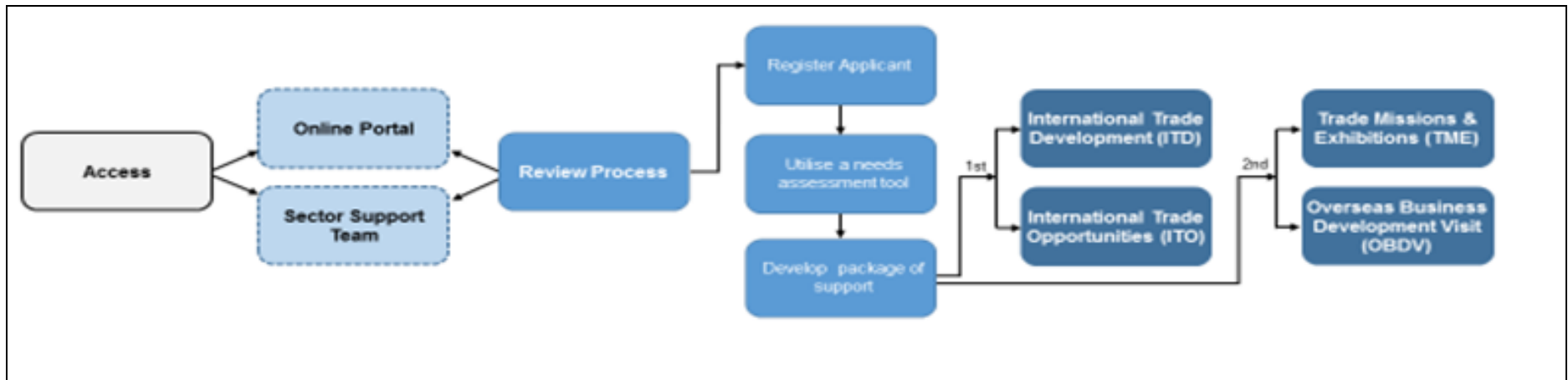
Source: Welsh Government 2015

4.3 The team had the following responsibilities:

- Management of the ERDF contract on behalf of Welsh European Funding Office (WEFO);
- Monitoring of outputs and spend and the production of quarterly reports to WEFO;
- Selection of participants for the Export Assist Programme;
- Management of subcontractors (for the ITD, ITO and Trade Missions); and
- Management of the OBDV.

- 4.4 The Trade Support Team is also supplemented by outsourced expertise for the ITD, ITO and Trade Missions. There are separate consultancy frameworks (with up to four suppliers on each) for the ITD, ITO and Trade Missions. Programme participants can select from the framework (as part of the application form) which consultant they would like to work with. At the end of each intervention, the Programme submits an evaluation report of the support, confirming key outputs and commenting on delivery of the Programme (including an assessment of the Consultant).
- 4.5 All strands of the Export Assist Programme share certain common delivery features, as described below and conform to the following process chart:

**Figure 4.2: Process Chart for the Export Assist Programme**



Source: PACEC (2015)

## **Access/Recruitment to the Export Assist Programme**

- 4.6 There are two ways in which companies can access the Export Assist Programme:
- Access via the online portal; and
  - Via a recommendation from the Sector Support Team.
- 4.7 The Welsh Assembly Government regularly promotes its International Trade Support/Export Assist Programme in the media and via its online portal. For those companies who are not client managed<sup>16</sup>, they can apply for support via the online portal. However, client managed companies can either apply themselves through the online portal or be recommended by their Business Development Manager for their respective sector.
- 4.8 Regardless of the point of origin, all applicants for export support undergo the following review process:
- Identify whether the applicant is in the Convergence area;
  - Use a needs assessment tool to understand the business issues;
  - Agree an action plan with Programme Staff; and
  - Develop a package of relevant tailored support that will unlock the potential of the business as part of an overall package of business support for companies.
- 4.9 PACEC's survey found that 55 per cent of respondents were actively recruited onto the Export Assist Programme by Welsh Government Business Advisors, with only 12 per cent either finding out about the Programme through mail shot or social media. This would imply that the Programme is focusing on supporting experienced exporters who wish to expand/diversify their export activities.

## **Motivation**

- 4.10 Respondents to the survey cited that the principal motivation behind using the Export Assist Programme was to obtain assistance in researching a particular market. The second highest ranked motivation related to the need for help to enter the new markets and realise opportunities (in-market support, including distributors, agents, help with procurement etc). Help to refine an existing export strategy was the third highest ranked motivation, followed by the motivation to gain financial assistance to support export activity. The lowest scoring motivation, ranked fifth, was to develop a standalone export strategy.

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<sup>16</sup> These are companies which have not previously engaged with Welsh Government and therefore do not have access to the Business Support Team for their relevant sector.

## Appropriateness of Interventions

4.11 Survey and interview responses stated that the Export Assist Programme interventions were largely viewed as being fit for purpose. All respondents appreciated the flexibility associated with the Programme, in that eligibility criteria and indicative activities could be widely interpreted and so permit most types of support.

4.12 The table below identifies the interventions used by respondents and which one was viewed as being the most important intervention:

**Table 4.1: Relative Importance of Interventions**

Intervention	% of users	Most important
ITD: Trade Advice (Preparation e.g. assistance with export strategy, market identification/research routes to market)	36%	12%
ITO: Trade Advice (from in market specialists identifying specific potential business opportunities)	33%	5%
Export Workshops (to help exporters develop and strengthen their skills or refresh their knowledge)	21%	2%
Financial Support for independent visits to markets - OBDV	47%	44%
Trade Missions (assists with access to high quality information, decision makers, new markets)	39%	11%
Trade Exhibitions (assists with access to high quality information, decision makers, new customers and officials at major fairs and exhibitions)	42%	17%
Advice and support from Business Development Manager	16%	9%

4.13 The above table highlights that Clients appear to place more importance on interventions which are closer to the point of selling (such as trade Missions and Trade Exhibitions and financial support for in-market activity). We believe that this is largely down to the profile of the Export Assist Client Group, who tend to have previous export assistance and may discount the importance of the earlier stage interventions which are perceived to be aimed at embedding expertise amongst inexperienced exporters. Given that the aim of UK and Welsh Government is to both expand the number of exporters and diversify into new markets, the results of the survey indicate that the Programme is primarily contributing to market diversification.

- 4.14 Seventy five per cent of respondents stated that the support they had received represented good value for money, 85 per cent of respondents noted that they would recommend the Programme to other users.
- 4.15 However, it is also noted that approximately 19 per cent of respondents were uncertain as to whether they had used each specific intervention, which supports the verbal feedback PACEC received about confusion over the branding of the Programme and its component parts.
- 4.16 Our research identified a number of other concerns, including:
- Four out of ten interviewees (case studies) stated that they would like more guidance/informed insight tailored to meet their needs regarding emerging sectoral trends/growth markets, delivered through webinars or sectoral briefings;
  - Five of the ten interviewees stated that Trade Missions kept going back to the same markets and that there was little opportunity to influence Welsh Government as to the benefits of new markets (in particular Latin America). Two respondents also felt that there was significant merit in working with sectoral trade bodies across the UK to get more inward bound trade missions (i.e. potential consumers coming to Wales to locally source goods and services). It was felt that this approach was particularly useful for sectors in which there was an unique Welsh proposition, such as food and drink;
  - Three of the ten interviewees noted that they had used the existing Export Assist Programme to gain access to markets in the Middle East and Far East. The interviewees noted that the distance to these markets and also key cultural differences meant that the traditional same day fly-in/fly out approach was not fit for purpose. Rather there was a need for a number of visits, often involving extended stays in order to build trust with key clients and/or identify in-country agents. Although this is presently permitted under Export Assist, respondents stated that there was a need to actively promote this service;
  - Six of the respondents stated that they were concerned about the level of outreach which the Programme had (PACEC Note: Compared to other devolved administrations, it did not have the local linkage with Councils and other economic development agencies, which are often the first port of call for a perspective client);
  - All (10 Case Studies) respondents stated that they liked that companies could 'jump in and out of the programme' as they wished. There was no need to follow a set path of development. However, two respondents stated that they were concerned that

some of the more inexperienced exporters had the potential to move onto more expensive support before they were truly grounded in export techniques. This had the potential to be both a financial risk (by wasting money on an unprepared business venture) but also a reputational risk to both the company and the Export Assist Programme (due again to the degree of unpreparedness);

- Two of the respondents stated that the Export Assist Programme Management Team was too small and although they were augmented by the wider sector teams, these were sector specialists rather than trade experts. There was a lot of pressure on the trade team to review the fitness of purpose of companies to benefit from certain interventions;
- Three of the ten respondents stated that although they were on the whole satisfied with the use of external contractors, they were sceptical of their use in certain high tech sectors (particularly digital media) in specific target markets;
- Five of the ten respondents commented on the selection process for market visits and stated that they were satisfied that it reflected the export demands of their existing suite of clients. However, two respondents stated that there was a potential issue with such an approach, in that it was potentially reactive and did not readily lend itself to changing market demands; and
- Four of the ten respondents stated that there was no firm guidance as to how often companies could make use of certain aspects of the Programme.

### **Exporting patterns and experience**

4.17 Two key priorities for the Programme were to:

- Encourage more first time exporters; and
- Diversify export markets.

4.18 The survey identified that within the last six years, 81 per cent of respondents had conducted business outside of the United Kingdom, with a further 17 per cent stating that they were planning to start trading.

4.19 The table below illustrates the markets which respondents are currently operating in and where they intend to operate in the future:



**Table 4.2: Analysis of Current and Future Markets**

	<b>Current Markets</b>	<b>Future Markets</b>
Republic of Ireland	52%	50%
European Union, outside UK & RoI	73%	64%
Europe outside the EU	38%	41%
Russia or Central Asia	25%	28%
North America	51%	56%
Middle East	35%	42%
Indian Sub-Continent	19%	32%
China	29%	41%
Japan and South East Asia	29%	41%
Australia and the Pacific	36%	43%
South America	23%	32%
Africa	18%	28%

Source: PACEC Survey of Export Assist Participants Base Number 107.

- 4.20 The table clearly illustrates an emerging trend to ‘diversify into new and emerging markets’. However, such a move is counter to emerging medium term trends which illustrate a ‘slowing down’ of growth in BRICs and CIVET economies<sup>17</sup>, whilst the core Western European and North American economies are returning to growth. This change in export intentions may reflect a reactive approach to market selection (following competitors and general news items) rather than robust market research.
- 4.21 In terms of export activity, 84 per cent of respondents stated that they had diversified into new markets as a result of the Programme, however this was principally through direct sales. Fifty eight per cent of respondents stated that they had to augment their product range to meet local tastes/trading standards. Thirty five per cent of respondents stated that they delivered their export activity through joint ventures/local partnerships with a further 19 per cent using local franchising/licencing to service the relevant export market.

<sup>17</sup> The Economist: Review of Market Growth (2015)

- 4.22 A high level of respondents (84 per cent) stated that they market through direct sales, which illustrates the continuing dominance of Western European export markets, where business people can simply do same day fly-in/fly out sales visits. The move to more distant markets may necessitate an increase in joint ventures/local franchising (this is further explored in the detailed case studies).

### **Need for a specific Welsh Export Assist Programme**

- 4.23 Apart from receiving support from the Welsh Government, 44 per cent of respondents of the survey stated that they had taken advice from UK Trade and Investment (particularly in relation to large scale contracts/sector specific issues), 26 per cent had utilised consultants and 17 per cent had used hired expert staff. Associated Trade Organisations and Chambers of Commerce were cited by 23 per cent and 15 per cent respectively of respondents as providing export advice.
- 4.24 All of the respondents (case studies) stated that the principal reason for a specific Welsh export support programme was a coordination issue. There was a need for an organisation trusted by Welsh business people and easily contacted by them to promote exporting to isolated businesses. The respondents felt that existing UK level organisations did not have the necessary 'local reach' to access hard to reach groups; and
- Although respondents noted that the Programme should increase the number of first time exporters, they saw equal merit in diversifying the export activities of existing exporters (as long as it increased overall export figures);
  - All respondents stated that the sectoral approach provided a useful focus and strengthened the 'joined up approach' to economic development, i.e. focusing on Wales's comparative strengths;
  - Two respondents stated that they had concerns that companies outside of the main priority sectors were not receiving sufficient support (i.e. they could only access it through Welsh Government websites); and
  - Two respondents stated that even within the Priority Sectors there was a degree of targeting of specific companies, many of whom were already very 'savvy' about exporting and business support from Welsh Government.

## **Role of Networking**

4.25 All interviewees noted that the Export Assist Programme provided numerous opportunities for networking, particularly during workshops and trade missions. However, three of the interviewees stated that as presently constituted the Export Assist Programme did not facilitate the development of integrated supply chains for export purposes. The interviewees stated that an integrated supply chain approach to export support should be incorporated into any subsequent programme, as it would encourage collaboration and exchange of best practice amongst Welsh companies of variable export experience and could be delivered through extended mentor support. Two interviewees, both of whom were micro enterprises, stated that exporting was resource intensive and that an option could be the development of 'virtual exporting companies', where complementary micro-enterprises could be encouraged to co-operate and pursue common export business opportunities. It was felt that Welsh Government could facilitate/signpost opportunities for such a networked approach, with respective micro enterprises taking turns to represent the other partners in target markets/events<sup>18</sup>.

## **Frequency of use for the Programme/ Level of Contribution**

4.26 On the whole it was agreed that the interventions offered good value for money for the participating companies because they were either free or subsidised. Although interviewees acknowledged that they had benefitted from using the Programme on a number of occasions, they felt that at a time of restricted budgets, there was a need to ration use to the most deserving of companies (those with most need).

## **Emerging challenges/opportunities for Welsh Exporters**

- 4.27 When asked to identify any emerging challenges/opportunities which had the potential to impact on their respective sectors, the interviewees all identified the emerging economies and North America and secondly the use of new technologies.
- 4.28 Interviewees were particularly concerned about perceived emerging gaps in the take up of technology and it was felt that although it was important to trade with emerging markets and North America, Welsh Government should also undertake Horizon Scanning of key sectors in these markets. Two of the Born Global companies, felt that the Trade Fair approach is becoming dated (for their sector) and that it is much

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<sup>18</sup> This could be funded through the existing Trade Missions/OBDV interventions.

more important to get access to innovation ecosystems (academic research/linkages) in target markets.

- Analysis of Spend

4.29 The table below identifies the anticipated spend and actual spend to date<sup>19</sup>:

**Table 4.3: Anticipated Spend versus Actual Spend**

Gross Expenditure Approved	Actual Expenditure	Variance
£6,911,353.	£6,250,582	-£660,771

4.30 We note that there is an underspend of £660,771 of which £656,990 was considered not eligible due to a failure by the Programme Management Team to keep time sheets for salary claims and travel and subsistence.

- Delivery against Targets

4.31 The table below confirms the targets set for both the overall ERDF Priority 2 and also for Export Assist. The table also summarises the performance by Export Assist against key metrics/targets as reported to WEFO over the Programme period:

<sup>19</sup> This information was sourced from the Final Claim Form (10.08.2015)

**Table 4.4: Delivery Against Targets**

	<b>ERDF Priority 2 Target</b>	<b>Export Assist Programme Proposed Target</b>	<b>Achieved</b>
<b>Outputs</b>			
Enterprises Assisted	9,000	652	459
Enterprises financially supported	900	102	111
<b>Results</b>			
Gross Jobs Created	11,000	170	3
Profit Benefit	£143.1million	£408,000	£825,550
Increase in level of export	£34.65million	£112,608,000	£144,005,750

Source: Quarterly Report: August 2015

- 4.32 Following consultation with the Programme Management Team we are aware of significant under-reporting to WEFO for two targets: Enterprises Assisted and Gross Jobs Created. WEFO requires that for each output reported against detailed supporting evidence must be sourced from the beneficiary company. This has proven especially problematic for companies who have not received financial assistance (Enterprises Assisted) and for those who have to specify a job that was created solely as a result of the Programme.
- 4.33 The Welsh Government's own database has more comprehensive performance information for each of the targets and that submitted to WEFO is only a subset (due to the in-eligibility of many outputs as a result of insufficient supporting information) of collated information.

The following information has been sourced from the Welsh Government's Database and reflects up-take of the Programme by scale (i.e. number of employees) and by sector:

**Table 4.5: Welsh Government Database**

Sector	Number of Employees				
	0-1	2-9	10-49	50-249	250+
Accelerated Mail and Marketing	3	57	52	21	0
Automotive*	0	0	1	0	0
Construction	5	26	21	8	0
Creative	18	49	20	4	0
Education	0	0	1	0	0
Energy and Environment*	4	21	23	7	0
Engineering*	0	2	1	0	0
Financial and Professional Services	2	11	6	1	0
Food*	2	24	12	10	0
ICT*	8	36	22	3	0
Life Sciences*	11	36	20	6	0
Regional Engagement	0	1	1	0	0
Retail	2	10	3	5	0
Tourism	1	4	4	1	0
Other	3	32	17	4	1
BLANK	6	16	17	1	0
<b>TOTAL</b>	<b>65</b>	<b>325</b>	<b>221</b>	<b>71</b>	<b>1</b>

\*denotes Welsh Government priority sector

Source: Welsh Government Database

4.34 The above analysis highlights that:

- Assistance has been provided to one company in excess of 250 employees and is therefore ineligible;
- 611 out of a total of 683<sup>20</sup> assisted companies have been micro and small companies (i.e. companies with fewer than 49 employees);
- 249 out of a total of 683 assisted companies have been in the Welsh Government's Priority Sectors. The automotive and engineering sectors appear to be under-represented in the Programme, which may relate to their role as intermediary industries i.e. servicing local, national and international supply chains, who may have availed of other Government led supply chain interventions;
- That Welsh Government's Customer Relationship Management tool is not robustly capturing all of the outputs<sup>21</sup> of the Programme, most notably:
  - that although there have been 683 companies assisted to date, only 459 have been reported in the last quarterly report; and
  - that the number of reported jobs is only 1.7 per cent of the target (3 out of 170).
- However, the Programme has met the following targets:
  - Profit benefit; and
  - Increase in level of exports.

4.35 We believe that this difference between Welsh Government's own internal performance reporting and that submitted to WEFO illustrates either a deficiency in record keeping or an inability to source participant details.

### **Delivery against Risk Register**

4.36 PACEC reviewed the Export Assist Risk Register managed by the Programme Delivery team. The following risks were noted:

- Delivery through third party: Potential reputational risk to the Welsh Assembly Government and to the Programme through the action of delivery partners;
- Operational: Customer Relationship management tool not fit for purpose;
- Budget: Budget reductions by Welsh Government could lead to a reduction in match funding;
- Perform Output: Beneficiaries do not supply Welsh Government with relevant evidence for reporting purposes; and

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<sup>20</sup> This is the number of interventions as per the Welsh Government database.

<sup>21</sup> Following consultation with the Programme Manager, under reporting is caused by Clients not providing the required information essential to address all of WEFO's requirements.

- Human resources: Support delivered by a team with specialist knowledge and experience.

4.37 Although there were no reported risks in the risk register, we note the following:

- Following negative client feedback on a small number of external contractors, the Programme Delivery Team retendered its external delivery contracts for ITO, ITD and Trade Missions and Exhibitions to include for each intervention a long list of sub-contractors from whom participants could select; and
- Welsh Government augmented its existing Customer Relationship management tool with additional databases to capture all programme outputs and results.

4.38 In both instances identified risks materialised, but these were not reported within the risk register.

## Summary

4.39 We note the following:

- There is general satisfaction regarding the range of support offered by the Export Assist Programme. All participants praised the flexibility of the Programme in that it could be widely interpreted and so permit most types of support; and
- All of the respondents stated that the principal reason for a specific Welsh export support programme was a coordination issue. There was a need for an organisation trusted by Welsh business people and easily contacted by them to promote exporting to isolated businesses. The respondents felt that existing UK level organisations did not have the necessary 'local reach' to access hard to reach groups.

4.40 We also note the following:

- The Programme is not robustly capturing all Outputs and Results;
- There has been a £660,000 underspend; and
- The Programme had in place a risk register, with a range of risks identified. Mitigating actions were successfully implemented by the Programme Delivery team, however these were not identified in the risk register.



## **5. Economic Impact and Value for Money**

- 5.1 This Section provides an overall assessment of the short term economic impacts associated with the Export Assist Programme focusing on the net impacts of the programme on export activity, jobs/created sustained and productivity amongst Welsh SMEs.

### **Key Impacts of the Export Assist Programme at the level of the Firm**

- 5.2 As discussed in Section 4, the market failure rationale for the programme is based on using export support to mitigate three constraints to company growth/increase in turnover through expanding export activities:
- Asymmetric information/networking coordination issues;
  - Financial barriers; and
  - Demonstration effect.
- 5.3 The Export Assist Programme addresses each of these market failures through the provision of either financial support and/or mentoring/workshops, with only a minimal contribution from the participating company.
- 5.4 The potential impacts of the Programme may include:
- enhanced export capability;
  - increased turnover as a result of increased export sales; and
  - other learning benefits (such as innovation) which can further enhance the productivity of participating companies.
- 5.5 However, the net impact of the Export Assist Programme should be informed by an assessment of deadweight<sup>22</sup> and displacement<sup>23</sup>.

### **Establishing evidence on outcomes**

- 5.6 A survey of successful applicants was used to establish the outcomes of individual firms. The survey was undertaken in a single wave (between 29 March and 15 May 2015). In order to achieve the desired sample accuracy, all beneficiaries in the sampling frame (all participating companies over the programme period 2009-2015) were invited to participate in the survey. One hundred and seven responses were

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<sup>22</sup> Deadweight: Activity which would have occurred without the need for public support.

<sup>23</sup> Displacement: This arises when a policy intervention which causes the expansion of one economic activity or activity in one location also has the effect of bringing about some degree of reduction in economic activity elsewhere.

achieved. This accords with a response rate of 26 per cent and provided an overall margin of error of +/- 7.91 per cent confidence level.

## **Impact Assessment Method**

- 5.7 In the absence of independent data relating to the performance of non-participating SMEs from the Convergence area of Wales<sup>24</sup> we have used standard questions in the survey to assess a pre and post intervention position for each respondent and have used this information as an assessment of overall programme impact. We have also benchmarked performance with a comparable programme of export support delivered by Invest NI in Northern Ireland. The Invest NI Suite of Trade Interventions<sup>25</sup> has the same range of business supports as Welsh Government's Export Assist Programme and is delivered in a comparable economic region<sup>26</sup>.
- 5.8 Using the survey responses, we first developed a reference (base) case and then an intervention case to reflect the impact of the Export Assist Programme. The calculation of the intervention case included the following key stages:
- Calculation of Gross Value Added using the Employment Method for the survey sample;
  - Reductions were made for the impact of Displacement, Substitution Effect and Deadweight; and
  - A Multiplier<sup>27</sup> was used to assess the wider economic impact of expenditure in the Welsh economy.
- 5.9 This initial calculation produced the Net Value Add for the sample (85 respondents of the survey). This has been extrapolated to the overall number of beneficiaries. In doing so, an assumption has been made that the sample is representative of the wider population.

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<sup>24</sup> This level of sub regional information is not available at present in Wales.

<sup>25</sup> Invest NI offers the following trade interventions (services offered under Passport to Export), including: a) Business Information Service; b) Consultancy Services, comprising: i) Developing Export Sales Strategy; and ii) Export Advisory and Research Services. c) Export Workshops; d) Trade Missions; e) Trade Exhibitions; f) In-Market Support; g) Trade Advisory Service; h) Northern Ireland Trade Development Centres; and i) Going Dutch.

<sup>26</sup> Invest NI offers its export support to all companies across Northern Ireland. In terms of geography and number of companies, this is comparable to the Convergence area of Wales.

<sup>27</sup> Standard Welsh Median II Multiplier used.

5.10 We also compared the Programme to Invest NI's Suite of Trade Interventions<sup>28</sup>. The cumulative impact of both programmes is summarised in the table below:

**Table 5.1: Comparison between Export Assist and Invest NI**

	Export Assist	Invest NI
Programme Period <sup>29</sup>	2009-2015	2006-2011
Net Additional GVA	£19,326,565	£71m
Net Additional Jobs <sup>30</sup>	780	922
Cost per net additional job	£7,179	£12,973
Cost Benefit Ratio (Cost: net GVA)	1:3.5 (Programme and staff costs)	1:4 (Programme and staff costs)

Source: PACEC Survey and ASM Horwath Evaluation of Suite of Trade Interventions for Invest NI

5.11 Our approach to calculating economic impact is detailed in Appendix C.

## Summary

5.12 We estimate that the Export Assist Programme has contributed an additional £19.3 million to the Welsh economy and has sustained/created 780 jobs, with an average GVA per job of £45,474 (20% higher than the average Welsh GVA per job of £38,258). It should be noted that the Programme has a high level of deadweight (40%) due to focusing support on existing exporters who wish to diversify into other markets. This is compared to a 20% deadweight figure for Invest NI's Portfolio of Export Support, which was primarily aimed at companies that had limited export experience.

5.13 When compared against the much larger Invest NI programme, Export Assist performs equally well in terms of cost per net additional job and the overall cost benefit ratio. Export Assist has demonstrated comparative value for money.

<sup>28</sup> Invest NI Trade Programme includes the following support: Business Information Service; Consultancy Services, comprising: Developing Export Sales Strategy; and Export Advisory and Research Services. Export Workshops; Trade Missions; Trade Exhibitions; In-Market Support; Trade Advisory Service; Northern Ireland Trade Development Centres; and Going Dutch.

<sup>29</sup> The delivery of the Programme was delayed by six months due to the restructuring of Welsh Government Departments.

<sup>30</sup> The survey (of 85) respondents confirmed that 156 jobs had been created. The sample accounted for approximately 20% of the total number of participants of the Programme. The level of job creation produced by the sample was applied to the total number of programme beneficiaries to produce an estimate of total job creation by the Programme.

## **Wider Economic Impacts**

- 5.14 Detailed case studies of ten participating companies and the online survey was used to assess wider economic impact.
- 5.15 In the ten case studies it was noted that the Export Assist Programme had a positive economic impact on their respective businesses. Although none of the interviewees recruited any additional staff, the following benefits were noted:
- All interviewees stated there had been sales in new overseas markets (North America, Far East and Middle East were the most frequently cited);
  - All interviewees stated that as a result of the new sales, overall company turnover had increased, leading to an overall increase in the value of the company;
  - None of the interviewees stated that they had a specific export strategy, however the application process for the Programme necessitated a review of their rationale to enter certain markets/question their export activities; and
  - Four of the interviewees stated that as a result of the Export Assist Programme they had developed new distribution networks (local agents in target markets).
- 5.16 The following wider economic benefits of the Programme have been identified by respondents to the survey:
- Twenty two respondents stated that it had increased income from intellectual property;
  - Sixty respondents stated that it had increased the overall value of the company; and
  - Thirty two respondents stated that it improved the ability of the company to attract skilled staff.
- 5.17 The survey also identified the following strategic and learning benefits:
- Forty-one respondents stated that as a result of the Programme they had undertaken change within their organisation. Of these:
  - Eighteen respondents had developed an international strategy/action plan; and
  - Twelve respondents had participated in networks.
  - Sixty two respondents had made changes to products/production. Of these:
    - Sixteen had adapted products for new markets;
    - Twelve had developed new products; and
    - Nine had identified new overseas suppliers.

- Sixty five respondents stated that they had made collaboration, partnership or acquisition changes over the last six years as a result of the Programme. Of these:
- Twenty two respondents had made agreements with overseas partners; and
- Eleven respondents had developed a joint international R&D programme.

5.18 In summary, there is strong evidence to suggest that Export Assist has led to the development and embedding of new and innovative ways of working amongst beneficiary companies which in the longer term should enhance productivity.

5.19 Our survey and detailed interviews also highlighted that sixty five respondents reported the development of new overseas partnering arrangements, which could reflect the move towards working in more distant/culturally different markets.

## **6. WEFO Cross-cutting Themes and the Link to Export Assist**

### **Introduction**

- 6.1 In Wales, to qualify for ERDF funding, projects must incorporate actions to address the WEFO Cross Cutting Themes (CCTs). These themes are considered essential for the achievement of a well balanced, sustainable and innovative economy.
- 6.2 There are two CCTs in the 2007-2013 Structural Fund Programmes for Wales. The first of these, environmental sustainability, focuses on delivering Welsh Government's low carbon strategy across all sectors. The second, equal opportunities and gender mainstreaming, requires that gender equality, equal opportunities and the protection of all persons against discrimination are promoted in the preparation, implementation, monitoring and evaluation of the Structural Funds Programme in Wales. The commitment to integrate the equal opportunities CCT also includes provision to support the Welsh Language.
- 6.3 At present, WEFO does not have specific 'CCT targets', only indicator targets which may relate to the CCTs. Following consultation with the Programme Management Team it was noted that WEFO had not set any indicator targets for CCT for the Export Assist Programme, but had identified a number of indicative activities which, if delivered, would ensure compliance.

### **Method of Assessment**

- 6.4 The following activities were carried out to ensure compliance with good practice in relation to Equal Opportunities:
- All literature, publicity and information provided was in accordance with Welsh Government's Communications Guidance and Brand Guidelines;
  - Programme Information was available in both English and Welsh;
  - Open and fair recruitment systems were operated for people working on the Programme (i.e. staff recruitment and recruitment of participants);
  - Flexible working patterns are accessible to people working on the Programme;
  - People working on the Programme received Equality and Diversity Training;
  - Suppliers of outsourced services had to demonstrate in the application process how they will conform to Welsh Government Equality and Diversity policies;
  - Outsourced service providers had to deliver support to SMEs in a manner which met Welsh Government's standards in the areas of Equality and Diversity; and

- Outsourced providers received awareness training in the areas of Equality and Diversity.

6.5 The following activities were carried out to ensure compliance with good practice in relation to Sustainable Development:

- Outsourced service providers referred SMEs to the Regional Support Centres for Environmental Sustainability support and promoted best practice in sustainable procurement to all SMEs;
- Outsourced service providers emphasised to SMEs the need to properly address their environmental legislative responsibilities by signposting the SMEs to appropriate support; and
- The Programme Delivery Team worked closely with the Green Jobs Strategy to identify and assist SMEs in the Environmental Goods and Services sector to enter the international environmental market.

## **Summary**

6.6 PACEC has reviewed the mitigating actions carried out by the Programme Delivery team and its subcontractors in ensuring compliance with the two cross cutting themes and found them to have been comprehensively applied and they have ensured a minimal negative impact.

6.7 However, the absence of specific CCT targets means that it is currently not possible to demonstrate the Added Value of the Programme for the two Cross Cutting Themes. There is consequently a need for CCT targets to be agreed with WEFO for any subsequent Programme.

## 7. Conclusions and Recommendations

7.1 The following section contains the key conclusions against each of the issues identified in the terms of reference.

### Delivery against Targets

7.2 The Export Assist Programme has been developed to deliver:

- An increase in the capability and capacity of new and existing SMEs to trade internationally;
- An increase in the number of new and existing SMEs trading internationally (creating new exporters); and
- An increase in the international trade value/volume of assisted SMEs.

7.3 The table below summarises the performance against key metrics/targets as reported to WEFO over the Programme period.

**Table 7.1: Programme Performance**

	<b>ERDF Priority 2 Target</b>	<b>Export Assist Programme Proposed Target</b>	<b>Achieved</b>
<b>Outputs</b>			
Enterprises Assisted	9,000	652	459
Enterprises financially supported	900	102	111
<b>Results</b>			
Gross Jobs Created	11,000	170	3
Profit Benefit	£143.1million	£408,000	£825,550
Increase in level of export	£34.65million	£112,608,000	£144,005,750

Source: Quarterly Report: August 2015

7.4 Following consultation with the Programme Management Team we are aware of significant under-reporting to WEFO for two targets: Enterprises Assisted and Gross



Jobs Created. WEFO requires that for each output reported against, detailed supporting evidence must be sourced from the beneficiary company. This has proven especially problematic for companies who have not received financial assistance (Enterprises Assisted) and for those who have to specify a job that was created solely as a result of the Programme.

- 7.5 The Welsh Government's own database has more comprehensive performance information for each of the targets and that submitted to WEFO is only a subset (due to the in-eligibility of many outputs as a result of insufficient supporting information) of collated information i.e. although there have been 683 companies assisted to date<sup>31</sup>, only 459 have been reported to WEFO.
- 7.6 We believe that this difference between Welsh Government's own internal performance reporting and that submitted to WEFO illustrates either a deficiency in record keeping or an inability to source participant details.
- 7.7 PACEC's survey found that 55 per cent of respondents were actively recruited onto the Export Assist Programme by Welsh Government Business Advisors<sup>32</sup>, with only 12 per cent either finding out about the Programme through mail shot or social media. This would imply that the Programme is focusing on supporting experienced exporters who wish to expand/diversify their export activities.
- 7.8 This focus on 'experienced exporters' has brought with it a higher proportion of enterprises receiving financial assistance (47 per cent), than was originally envisaged. Experienced exporters do not avail of introductory supports like ITO and ITD and actively seek those interventions which provide financial assistance (such as Trade Missions and OBDV).
- 7.9 We recognise however the limited resources available to Welsh Government and that the promotion of the Programme through Welsh Government Business Advisors and their established clients (who are generally existing exporters) rather than focusing on non client managed companies (who apply through the online portal and who are predominantly non exporters) brings with it a proportionately higher financial impact, but at the cost of higher deadweight.

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<sup>31</sup> Sourced from the Welsh Government's internal database.

<sup>32</sup> Welsh Government Business Advisors work with those companies which have significant growth potential. As such a number of such companies have already significant export experience.

## **Assessment of Fitness of Purpose of Interventions**

- 7.10 Respondents expressed the opinion that Export Assist was largely fit for purpose in terms of interventions as it addressed the following market failures:
- Asymmetric information<sup>33</sup>/Networking Coordination Issues: The Programme addressed this by providing sectoral/market intelligence and also in-market support by sectoral experts who identify potential clients for Welsh firms;
  - Financial Barriers: The Programme addressed this through the provision of financial support to companies thereby enabling them to visit target markets and develop linkages; and
  - Demonstration Effect: The Programme addressed this by illustrating the benefits of exporting through the use of mentoring and workshops, leading to the identification and delivery of trade missions to target markets.
- 7.11 All respondents appreciated the flexibility associated with the Programme, in that eligibility criteria and indicative activities could be widely interpreted and so permit most types of support.

## **Assessment of Value Added**

- 7.12 We estimate that the Export Assist Programme has contributed an additional £19.3million to the Welsh economy and has created/sustained 780 jobs with an average GVA per job of £45,474 (20 per cent higher than the Welsh average). the Programme has a high level of deadweight (40 per cent) due to focusing support on existing exporters who wish to diversify into other markets.
- 7.13 When compared against the much larger Invest NI Suite of Trade Interventions programme Export Assist performs comparatively well in terms of cost per net additional jobs (£7,179 to Invest NI's £12,973) and cost benefit ratio (1:3.5 to Invest NI's 1:4).
- 7.14 There is also strong evidence to suggest that Export Assist has led to the development and embedding of new and innovative ways of working amongst beneficiary companies which, in the longer term, should enhance productivity, including:
- Eighteen respondents had developed an international strategy/action plan;
  - Sixteen respondents had adapted products for new markets;
  - Twelve respondents had developed new products; and

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<sup>33</sup> Asymmetric Information: Market failure related to a lack of information necessary to make a robust decision.

- Eleven respondents had developed a joint international research and development programme.

- 7.15 Our survey of beneficiaries and in-depth interviews with beneficiary representatives also highlight the development of new overseas partnering arrangements (by 76 per cent of survey respondents), which could reflect the move towards working in more distant/culturally divergent markets.
- 7.16 We believe that Export Assist offers good value for money and has achieved higher financial returns than Invest NI's Suite of Trade Interventions. However, it has achieved this by focusing on experienced exporters, and this has resulted in a significant level of deadweight<sup>34</sup>. Deadweight would have been considerably lower if the Programme had assisted a greater number of first time exporters.

### **Impact on Cross Cutting Themes**

- 7.17 At present, WEFO does not have specific 'CCT targets', only indicator targets which may relate to the CCTs. Following consultation with the Programme Management Team it was noted that WEFO had not set any indicator targets for CCT for the Export Assist Programme, but had identified a number of indicative activities which, if delivered, would ensure compliance.
- 7.18 PACEC reviewed the delivery of the Programme against the two Cross Cutting themes and notes that the mitigating actions carried out by the Programme Delivery team and its subcontractors was comprehensively applied and ensured minimal negative impact.
- 7.19 However, the absence of specific CCT targets means that it is currently not possible to demonstrate the Added Value of the Programme for the two Cross Cutting Themes. There is consequently a need for CCT targets to be agreed with WEFO for any subsequent Programme.

### **Review of Programme Delivery/Identification of Good Practice**

- 7.20 The Programme does not have a formal communications strategy in place. The negative impacts of this became obvious during the consultation exercise when there was a lack of awareness of the role of Welsh Government in the delivery of Export Assist and a low take up of the Programme by non-client managed companies. However, this may also be due to a strategic decision by Welsh Government to focus on existing Client managed companies.

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<sup>34</sup> Deadweight: Activity which would have occurred without the need for public support.

7.21 PACEC reviewed the Export Assist Risk Register and noted that no risks were reported during programme implementation. Although not reported in the risk register, the following actions were undertaken:

- Following negative client feedback on a small number of external contractors, the Delivery Team retendered its external delivery contracts for ITO, ITD and Trade Missions/Exhibitions to provide a long list of sub-contractors for each intervention from whom participants could select services; and
- The Welsh Government augmented its existing Customer Relationship Management tool with additional databases to capture all Programme outputs and results.

7.22 We note that the effective programme management was impeded by:

- Output and result data being incomplete (i.e. no activity was recorded due to a lack of supporting information);
- The absence of key risks from the programme's risk register;
- The absence of CCT targets to report against; and
- The absence of a communications strategy.

7.23 The Programme Team has largely been successful in delivery of the Programme. We believe that the issues highlighted above have largely occurred as a result of resource limitations. For example, the Welsh Export Assist Programme is comparable to Invest NI's Portfolio of Trade Support. However the Invest NI Trade support budget is approximately four times that of Welsh Government and has significantly greater administrative support.

### **Lessons Learnt on Programme Implementation**

7.24 There are a number of issues that constrain the effectiveness of programme delivery, namely:

- a lack of administrative support – the Programme's underspend of £660,771, of which £656,990 was not considered eligible due to a failure by the Programme Management Team to submit time sheets for salary claims and travel and subsistence, is largely attributable to an absence of administrative support;
- Many trade fairs are no longer considered to be fit for purpose, as they don't provide access to local agents/distribution networks. There is a need to identify other effective market entry solutions;
- The Export Assist Programme does not assist companies in entering supply chains, which are a key entry point for many intermediary products;

- The existing Programme has provided support to significantly more experienced exporters than non-exporting companies. A move to supporting more non-exporting companies would significantly enhance the additionality of the Programme;
- Trade Missions are mainly focused on established markets (which do provide guaranteed market opportunities), they do not take into consideration opportunities for new markets and enabling technologies; and
- There is a need to address specific resourcing issues related to accessing emerging markets, which because of their culture and distance from Wales, need additional time and financial support to develop market opportunities. There are opportunities to encourage micro and small companies to develop new ways of working/collaboration to enter target markets.

## Recommendations

7.25 The Programme should be supported in the next funding period subject to the adoption of the following recommendations:

7.26 **Recommendation 1:** There should be an increase in administrative support for the Programme with the sole function of ensuring the completion of the following tasks on a monthly basis:

- Development and subsequent population of a comprehensive customer relation management system, which captures the following information (in line with WEFO reporting requirements):
  - Name, Location, Sector, Scale and turnover of all participants;
  - Details of all support interventions (including timing);
  - Details of all financial support; and
  - Details of beneficiary specific monitoring information (including key performance indicators).

7.27 **Recommendation 2:** A Risk Register should be developed and agreed with WEFO. This should be reviewed by the Programme Management Team on a monthly basis with any variances/mitigating actions reported to WEFO in the Quarterly Report;

7.28 **Recommendation 3:** A Marketing and Communication Strategy should be developed and agreed with WEFO, which should then be reviewed by the Programme Management Team on a monthly basis with any variances/mitigating actions reported to WEFO in the Quarterly Report;

7.29 **Recommendation 4:** The Programme Management Team should liaise with WEFO and the CCT Team to develop a number of additional targets which will demonstrate the added value of the Programme i.e.

- Number of first time exporters;
- Number of markets entered for the first time;
- Total Export Sales;
- Total Export Sales in new markets;
- Gross Jobs created;
- Number of participants from under-represented sections of the Community; and
- Number of new products/processes specifically developed to enter new export markets.

7.30 **Recommendation 5:** The Programme Management Team should liaise with WEFO and CCT to develop and implement a robust process of Programme Monitoring and Evaluation. This should include:

- Gathering of baseline participant information;
- Quarterly reporting against all targets;
- A Terms of Reference for a Mid Term Evaluation (at Year 3); and
- A Terms of Reference for a Final Evaluation (at Year 6).

Compliance with the agreed Monitoring and Evaluation Framework should be assessed on a regular basis during programme implementation;

7.31 **Recommendation 6:** The Programme should focus on supporting first time exporters and a target should be set in relation to the number of first time exporters that are to be supported;

7.32 **Recommendation 7:** The Programme Management Team should liaise with Local Authorities and other agencies involved in economic development to signpost the Programme to first time exporters;

7.33 **Recommendation 8:** A group of practitioners should be convened by Welsh Government to identify emerging trends/new markets to inform the calendar of trade missions;

7.34 **Recommendation 9:** In-market support to emerging markets should be reviewed with enhanced financial assistance provided for the identification of networks of delivery agents in target markets;

- 7.35 **Recommendation 10:** In order to permit greater access to emerging markets by micro and small companies, support should be provided to develop collaboration/partnership arrangements with other Wales based SMEs targeting the same markets; and
- 7.36 **Recommendation 11:** It is recommended that supply chain support is considered in any new Programme in order that Welsh producers' of intermediary goods can access key procurement opportunities.

## **APPENDIX A: Draft Survey**

### **Evaluation & Satisfaction Survey: Evaluation of Export Assist**

Dear {m://FirstName},

#### **Re: Evaluation & Satisfaction Survey: Evaluation of European Funded Programme, Export Assist**

The Welsh Government has commissioned PACEC to undertake an evaluation of its European Funded Programme, Export Assist. This programme has enabled funding from the European Regional Development Fund to be used for export support interventions including:

- International Trade Development (ITD);
- International Trade Opportunities (ITO);
- Trade Missions and Exhibitions (TME); and
- Overseas Business Development Visits (OBDV).

As part of this evaluation we would like to invite you to participate in an Evaluation & Satisfaction Survey on the export advice/support your business has received from Welsh Government through Export Assist, since 2009.

We will value your comments and they will be used to inform and improve the services that we offer to our clients. I should be grateful if you would please take the time to complete the survey and respond by 9<sup>th</sup> March 2015. A link to the survey is listed below and the survey should take no longer than 10 minutes to complete. Please note that you will be able to return to the survey at any time during this period should you need to check information with colleagues.

If your business is a branch of a larger organisation, or has several branches in Wales, please provide answers for the main business establishment in Wales.

Please be assured that the survey is confidential and the information collated will be used solely for the purposes of this evaluation. All surveys undertaken by PACEC comply with the Market Research Society guidelines, and with the Data Protection Act.

Your assistance will be very much appreciated.



Yours sincerely

**Eleanor Harris**  
**Head of Trade**  
**Welsh Government**

The questionnaire will take approximately 10 minutes to complete. For some respondents, the time required may be slightly more, for others it may be slightly less. We appreciate the investment of your time in this important research to support the sector.

If you require any assistance or have any queries please do not hesitate to contact **Keith Wilson** at PACEC on 028 90 24 92 22 or email [keith.wilson@pacec.co.uk](mailto:keith.wilson@pacec.co.uk).

## Section 1: RESPONDENT PROFILE (Please amend as required)

<b>Q1.</b>	<b>Individual / Organisation Details</b>
	Business Name
	Individual Name
	Job Title / Role
	Postcode

<b>Q2.</b>	<b>How many employees are there in your organisation at present? (Please tick one)</b>
	<input type="checkbox"/> <10 <input type="checkbox"/> 50-249 <input type="checkbox"/>
	<input type="checkbox"/> 10 – 49 <input type="checkbox"/> 250+ <input type="checkbox"/>

<b>Q3.</b>	<b>What sector is your organisation in? (Please tick one)</b>
	<input type="checkbox"/> Advanced Materials and Manufacturing <input type="checkbox"/> Food and Drink <input type="checkbox"/>
	<input type="checkbox"/> Construction <input type="checkbox"/> ICT <input type="checkbox"/>
	<input type="checkbox"/> Creative Industries <input type="checkbox"/> Life Science <input type="checkbox"/>
	<input type="checkbox"/> Energy and Environment <input type="checkbox"/> Tourism <input type="checkbox"/>
	<input type="checkbox"/> Financial and Professional Services <input type="checkbox"/> Other - <b>Please specify:</b> <input type="checkbox"/>

<b>Q4.</b>	<b>When was your organisation established?</b>
	Please state year: _____

## Section 2: Previous Awareness and Experience of Exporting

<b>Q5.</b>	<b>Has your organisation had any sales outside the UK within the last 6 years? (Please tick one)</b>
	Yes (Direction to Question 7) <input type="checkbox"/>
	No, but planning to start (Direction to Question 7) <input type="checkbox"/>
	No, and no plans to start (Direction to Question 6) <input type="checkbox"/>
	Don't know (Direction to Question 7) <input type="checkbox"/>

<b>Q6.</b>	<b>If your organisation has not had any sales outside the UK within the last 6 years and are not planning to, why not? (Please rank all relevant reasons, with 1 being the highest scoring) (Direction to question 14)</b>
	Have no need- UK market is sufficient for our company <input type="checkbox"/>
	Product/service is not appropriate for sales outside the UK <input type="checkbox"/>
	Would require substantial resources and we have other priorities <input type="checkbox"/>
	Perceptions are that the barriers to overcome would be too difficult <input type="checkbox"/>
	Have just never thought about it <input type="checkbox"/>
	Don't know <input type="checkbox"/>
	Other (please specify) <input type="checkbox"/>
	Click here to enter text.

<b>Q7.</b>	<b>What motivated your organisation to consider exporting? (Please rank all that apply, with 1 being the highest scoring)</b>	
	A recommendation from Welsh Government	<input type="checkbox"/>
	To achieve our growth aims	<input type="checkbox"/>
	To achieve higher profit margins outside UK	<input type="checkbox"/>
	Utilise existing capacity	<input type="checkbox"/>
	Reduces dependency on small number of markets	<input type="checkbox"/>
	Opportunity to keep abreast of developments	<input type="checkbox"/>
	International markets have always been relevant	<input type="checkbox"/>
	Part of an international group set up to trade outside the UK	<input type="checkbox"/>
	Drive innovation	<input type="checkbox"/>
	Extend product lifecycle	<input type="checkbox"/>
	Don't know	<input type="checkbox"/>
	Other (please specify)) Click here to enter text.	<input type="checkbox"/>

<b>Q8.</b>	<b>Roughly, in what year did you start exporting? If don't know, leave empty.</b>	
	Approximate Year (YYYY e.g. 2001)	Click here to enter text.

<b>Q9.</b>	<b>Which markets are currently operating in? (Please tick all that apply)</b>			
	Republic of Ireland	<input type="checkbox"/>	China	<input type="checkbox"/>
	European Union, outside UK & Republic of Ireland	<input type="checkbox"/>	Japan and South East Asia (including Taiwan & Hong Kong)	<input type="checkbox"/>
	Europe outside the European Union	<input type="checkbox"/>	Australia and the Pacific	<input type="checkbox"/>
	Russia or Central Asia (including Turkey)	<input type="checkbox"/>	South America	<input type="checkbox"/>
	North America	<input type="checkbox"/>	Africa	<input type="checkbox"/>
	Middle East	<input type="checkbox"/>	Other (please specify) Click here to enter text.	<input type="checkbox"/>
	Indian subcontinent (including India, Pakistan & Sri Lanka)	<input type="checkbox"/>		<input type="checkbox"/>

<b>Q10.</b>	<b>What is your most important export market?</b>
	Please list name here: _____

Q11. Which markets do you anticipate operating within in the future? (Please tick all that apply)				
	Republic of Ireland	<input type="checkbox"/>	China	<input type="checkbox"/>
	European Union, outside UK & Republic of Ireland	<input type="checkbox"/>	Japan and South East Asia (including Taiwan & Hong Kong)	<input type="checkbox"/>
	Europe outside the European Union	<input type="checkbox"/>	Australia and the Pacific	<input type="checkbox"/>
	Russia or Central Asia (including Turkey)	<input type="checkbox"/>	South America	<input type="checkbox"/>
	North America	<input type="checkbox"/>	Africa	<input type="checkbox"/>
	Middle East	<input type="checkbox"/>	Other (please specify) Click here to enter text.	<input type="checkbox"/>
	Indian subcontinent (including India, Pakistan & Sri Lanka)	<input type="checkbox"/>		<input type="checkbox"/>

Q12. Does your international trade activity involve any of the following types of activity? (Please tick all that apply)	
New markets for existing products and services	<input type="checkbox"/>
New products for international markets	<input type="checkbox"/>
Acquisition of foreign business	<input type="checkbox"/>
Joint venture/partnership	<input type="checkbox"/>
Franchising/Licensing	<input type="checkbox"/>
Other (please specify) Click here to enter text.	<input type="checkbox"/>
Don't know	<input type="checkbox"/>

Q13.	To help in overcoming barriers to international exports, did you take advice from any of the following sources? (Please tick all that apply)			
	Expert staff that you hired	<input type="checkbox"/>	Peer group	<input type="checkbox"/>
	Lawyers	<input type="checkbox"/>	Welsh Government	<input type="checkbox"/>
	Accountants	<input type="checkbox"/>	Banks	<input type="checkbox"/>
	Consultants	<input type="checkbox"/>	3rd Party Organisations (e.g. Chambers of Commerce)	<input type="checkbox"/>
	Associated Trade Organisations	<input type="checkbox"/>	Other specialists Click here to enter text.	<input type="checkbox"/>
	UK Government (UKTI)	<input type="checkbox"/>		

### Section 3: Experience of Export Assist

<b>Q14.</b>	<b>How did you first learn about the Export Assist Programme? (Please tick one)</b>			
	Mail shot	<input type="checkbox"/>	Welsh Government	<input type="checkbox"/>
	Word of mouth	<input type="checkbox"/>	Supplier/Customer	<input type="checkbox"/>
	Web site	<input type="checkbox"/>	Other (please specify) Click here to enter text.	<input type="checkbox"/>
	Social Media	<input type="checkbox"/>	Don't know	<input type="checkbox"/>
	Newspaper Advertisement	<input type="checkbox"/>		

<b>Q15.</b>	<b>To what extent do you agree with the following statements? "When my organisation first started working with the Export Assist Programme, it..." (Please rank all that apply, 1 being the highest scoring)</b>	
	Had no export strategy	<input type="checkbox"/>
	Had a strategy but wanted to refine it	<input type="checkbox"/>
	Saw opportunities but needed help to research the market	<input type="checkbox"/>
	Saw opportunities but needed help to enter the market (distributors, agents, help with different legal system etc)	<input type="checkbox"/>
	Only wanted financial assistance to support export activity	<input type="checkbox"/>
	Other (please specify) Click here to enter text.	<input type="checkbox"/>

<b>Q16.</b>	<b>Which of the following export support or advice from the Export Assist Programme have you received in the last 6 years? (Please tick all that apply)</b>			
		<b>Yes (1)</b>	<b>No (2)</b>	<b>Don't know (3)</b>
	Trade Advice (Preparation e.g. assistance with export strategy, market identification/research, routes to market etc) – ITD			
	Trade Advice (from in market specialists identifying specific potential business opportunities) - ITO			
	Export Workshops (to help exporters develop and strengthen their skills or refresh their knowledge)			
	Financial Support for independent visits to markets - OBDV			
	Trade Missions (assists with access to high quality information, decision makers, new customers, and officials)			
	Trade Exhibitions (assists with access to high quality information, decision makers, new customers, and officials at major fairs and exhibitions)			
	Advice and support from Business Development Manager			

Q17.	How important were each of the following elements of the Export Assist programme in achieving performance improvement?						
		Very Important	Fairly Important	Slightly Important	Neither	Not at all important	Not applicable
	Trade Advice (Preparation e.g. assistance with export strategy, market identification/research, routes to market etc) – ITD	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Advice (from in market specialists identifying specific potential business opportunities) - ITO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Export Workshops (to help exporters develop and strengthen their skills or refresh their knowledge)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Financial Support for independent visits to markets - OBDV						
	Trade Missions (assists with access to high quality information, decision makers, new customers, and officials)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Exhibitions (assists with access to high quality information, decision makers, new customers, and officials at major fairs and exhibitions)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Advice and support from Business Development Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q18.	And which was the single most important? (Please tick one)	
	Trade Advice (Preparation e.g. assistance with export strategy, market identification/research, routes to market etc) – ITD	<input type="checkbox"/>
	Trade Advice (from in market specialists identifying specific potential business opportunities) - ITO	<input type="checkbox"/>
	Export Workshops (to help exporters develop and strengthen their skills or refresh their knowledge)	<input type="checkbox"/>
	Financial Support for independent visits to markets - OBDV	
	Trade Missions (assists with access to high quality information, decision makers, new customers, and officials)	<input type="checkbox"/>
	Trade Exhibitions (assists with access to high quality information, decision makers, new customers, and officials at major fairs and exhibitions)	<input type="checkbox"/>
	Advice and support from Business Development Manager	<input type="checkbox"/>

<b>Q19.</b>	<b>Thinking about the package of support you received, how satisfied were you with the following aspects?</b>						
		Very Satisfied	Satisfied	Neither Satisfied nor dissatisfied	Dis - satisfied	Very Dis - satisfied	Don't know
	Initial approach from the Programme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Suitability of the package of support for your organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Quality of advice and support provided	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Assistance with practicalities e.g. financial claims	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Aftercare/signposting to other Welsh Government support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Q20.</b>	<b>Would you recommend the Export Assist Programme to others? (Please tick one)</b>			
	Definitely will not	<input type="checkbox"/>	Probably will	<input type="checkbox"/>
	Probably will not	<input type="checkbox"/>	Definitely will	<input type="checkbox"/>
	Don't know	<input type="checkbox"/>		

<b>Q21.</b>	<b>In your view, how satisfied that the support you received represented good value for money?</b>						
		Very Satisfied	Satisfied	Neither Satisfied nor dissatisfied	Dissatisfied	Very Dissatisfied	Don't know
	Please tick one	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Where possible, please provide reasons for your response.						

**Section 4: The next questions ask about your organisation's turnover and how much the Export Assist Programme has helped you achieve your current turnover level through export support or advice. By turnover we mean the total value of sales of all goods and services, possibly included in your accounts as income, sales or receipts.**

<b>Q22.</b>	<b>What was the annual turnover of this organisation in the last complete financial year ending...? (if don't know leave empty)</b>	
	Year Prior to Using Export Assist (£ Turnover/ sales)	Click here to enter text.
	What percentage of the above was derived through export	%
	2013/14 (£ Turnover/ sales)	Click here to enter text.
	What percentage of your 13/14 turnover was derived from exports	%

<b>Q23.</b>	<b>Thinking about turnover of your organisation for the year prior to using the Programme, how much different do you think your turnover would have been without the Export Assist Programme? (Please tick one)</b>	
	Much Less (Direction to question 25)	<input type="checkbox"/>
	About the Same (Direction to question 24)	<input type="checkbox"/>
	More (Direction to question 26)	<input type="checkbox"/>

<b>Q24.</b>	<b>When you say 'about the same', do you think annual turnover would have been? (Please tick one) (Direction to question 28)</b>			
	A bit lower	<input type="checkbox"/>	A bit higher	<input type="checkbox"/>
	Exactly the same	<input type="checkbox"/>	Don't know	<input type="checkbox"/>

<b>Q25.</b>	<b>Providing your best estimate, how much LOWER do you think your percentage turnover for the last complete financial year would have been without receiving export support or advice? (Please tick one) (Direction to question 28)</b>	
	1-20% lower	<input type="checkbox"/>
	21-40% lower	<input type="checkbox"/>
	41-60% lower	<input type="checkbox"/>
	61-80% lower	<input type="checkbox"/>
	81-100% lower	<input type="checkbox"/>
	Don't know	<input type="checkbox"/>

<b>Q26.</b>	<b>Providing your best estimate, how much HIGHER do you think your percentage turnover for the last complete financial year would have been without receiving export support or advice? (Please tick one) (Direction to question 27)</b>	
	1-20% higher	<input type="checkbox"/>
	21-40% higher	<input type="checkbox"/>
	41-60% higher	<input type="checkbox"/>
	61-80% higher	<input type="checkbox"/>
	81-100% higher	<input type="checkbox"/>



<b>Q26.</b>	<b>Providing your best estimate, how much HIGHER do you think your percentage turnover for the last complete financial year would have been without receiving export support or advice? (Please tick one) (Direction to question 27)</b>	
	Over 100% higher (please specify) <a href="#">Click here to enter text.</a>	<input type="checkbox"/>
	Don't know	<input type="checkbox"/>

<b>Q27.</b>	<b>Thinking about any benefits to your turnover performance that come from the Export Assist Programme, how long do you expect these benefits to continue?</b>	
	How long benefits will last <a href="#">Click here to enter text.</a>	

<b>Q28.</b>	<b>Thinking about competition in your main area of business which of the following statements best describes your business? (Please tick one)</b>	
	All the businesses I compete with are based in Wales	<input type="checkbox"/>
	The majority of the businesses I compete with are based in Wales	<input type="checkbox"/>
	Around half of the businesses I compete with are based in Wales	<input type="checkbox"/>
	A minority of businesses I compete with are based in Wales	<input type="checkbox"/>
	None of the business I compete with are based in Wales, or, I have no direct competitors	<input type="checkbox"/>
	Don't know	<input type="checkbox"/>

<b>Q29.</b>	<b>Thinking about the main suppliers for your organisation, which of the following statements best describes your business? (Please tick one)</b>	
	All our supplies come from Wales-based suppliers	<input type="checkbox"/>
	The majority of our supplies, in terms of value, come from Wales-based suppliers	<input type="checkbox"/>
	Around half of our supplies, in terms of value, come from Wales-based suppliers	<input type="checkbox"/>
	A minority of our supplies, in terms of value, come from Wales-based suppliers	<input type="checkbox"/>
	None of our supplies come from Wales-based suppliers	<input type="checkbox"/>
	Don't Know	<input type="checkbox"/>

<b>Q30.</b>	<b>Thinking about the main suppliers for your organisation, approximately what percent of the total value of these supplies comes from Wales-based suppliers? (if don't know, leave empty)</b>	
	Percent (%) <a href="#">Click here to enter text.</a>	<input type="checkbox"/>

<b>Q31.</b>	<b>As a result of the increased turnover caused by the Export Assist Programme: (Please specify)</b>	
	How many full time jobs were created? <a href="#">Click here to enter text.</a>	<input type="checkbox"/>
	How many part time jobs were created?	<input type="checkbox"/>
	How many jobs were safeguarded?	<input type="checkbox"/>

**Section 5 The next few questions ask for your views on the business benefits you have received as a result of the trade support programmes from the Export Assist Programme.**

<b>Q32.</b>	<b>As a result of working with the Export Assist Programme, which of the following have you achieved?</b>			
		No	Yes	Don't know
	Sales in new overseas market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Increased sales in existing overseas markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Increased domestic sales	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Improved output per employee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Cost savings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Increased income from intellectual property	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Raised new investment funds	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Increase in the overall value of the company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Improved ability to attract skilled staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Achievement of new quality standards (ISO, industry standards)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Other (please specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Q33.</b>	<b>Overall, would the majority of the export-related benefits you identified above have been achieved in other ways without working with the Export Assist Programme? (Please tick one)</b>			
	Definitely not	<input type="checkbox"/>	Probably yes	<input type="checkbox"/>
	Probably not	<input type="checkbox"/>	Definitely yes	<input type="checkbox"/>
	Maybe	<input type="checkbox"/>	Don't know	<input type="checkbox"/>

<b>Q34.</b>	<b>As a result of the Export Assist Programme, which of the following changes have you made in your organisation in the last 6 years (Please tick all that apply) (Direct for each option chosen and then to Question 40)</b>			
	Organisational (Direct to Q.35)	<input type="checkbox"/>	Other (please specify) (Direct to Q.40)	<input type="checkbox"/>
	Products or production (Direct to Q.36)	<input type="checkbox"/>	No changes (Direct to Q 39)	<input type="checkbox"/>
	Marketing (Direct to Q.37)	<input type="checkbox"/>	Don't know (Direct to Q.40)	<input type="checkbox"/>
	Collaborations, partnerships or acquisition (Direct to Q.38)	<input type="checkbox"/>		

<b>Q35.</b>	<b>What types of <u>organisational changes</u> have been made as a result of the Export Assist Programme? (Please tick all that apply)</b>			
	International strategy/action plan	<input type="checkbox"/>	Improved gathering of information	<input type="checkbox"/>

<b>Q35.</b>	<b>What types of <u>organisational changes</u> have been made as a result of the Export Assist Programme? (Please tick all that apply)</b>			
	Recruited specialist staff	<input type="checkbox"/>	Participation in networks	<input type="checkbox"/>
	Hired external expertise	<input type="checkbox"/>	Other (please specify) Click here to enter text.	<input type="checkbox"/>
	Management changes	<input type="checkbox"/>	Don't know	<input type="checkbox"/>
	Specialist training	<input type="checkbox"/>		

<b>Q36.</b>	<b>What types of <u>products or production changes</u> have been made as a result of the Export Assist Programme? (Please tick all that apply)</b>			
	Adapted products for new markets	<input type="checkbox"/>	New overseas suppliers	<input type="checkbox"/>
	New products	<input type="checkbox"/>	Other (please specify) Click here to enter text.	<input type="checkbox"/>
	New production methods	<input type="checkbox"/>	Don't know	<input type="checkbox"/>
	New packaging	<input type="checkbox"/>		

<b>Q37.</b>	<b>What types of <u>marketing changes</u> have been made as a result of the Export Assist Programme? (Please tick all that apply)</b>			
	New marketing approaches	<input type="checkbox"/>	New agents/distributors	<input type="checkbox"/>
	New marketing overseas	<input type="checkbox"/>	Other (please specify) Click here to enter text.	<input type="checkbox"/>
	New market research	<input type="checkbox"/>	Don't know	<input type="checkbox"/>

<b>Q38.</b>	<b>What types of <u>partnership changes</u> have been made as a result of the Export Assist Programme? (Please tick all that apply)</b>			
	Foreign acquisition	<input type="checkbox"/>	Joint international R&D programme	<input type="checkbox"/>
	New international suppliers	<input type="checkbox"/>	Other (please specify) Click here to enter text.	<input type="checkbox"/>
	Agreements with overseas partners	<input type="checkbox"/>	Don't know	<input type="checkbox"/>
	Franchising/Licensing	<input type="checkbox"/>		

<b>Q39.</b>	<b>If you have not taken any of these actions and don't plan to, why not? (Please tick all that apply)</b>			
	Don't plan to trade internationally in future	<input type="checkbox"/>	Other (please specify) Click here to enter text.	<input type="checkbox"/>
	We do not need to take any action	<input type="checkbox"/>	Don't know	<input type="checkbox"/>

<b>Q40.</b>	<b>Do you have any other comments you would like to make regarding the export support and advice offered by the Export Assist Programme?</b>			
Click here to enter text.				

<b>Q40.</b>	<b>Do you have any other comments you would like to make regarding the export support and advice offered by the Export Assist Programme?</b>

<b>Q41.</b>	<b>A number of companies are being asked whether they would be willing to participate further in the research by acting as a case study. In practice this would mean a further interview to allow a written case study to be prepared as part of our report to the Export Assist Programme. Would you be willing to be considered as a possible case study?</b>	
	Yes	<input type="checkbox"/>
	No thanks	<input type="checkbox"/>

**Thank you for taking the time to complete this survey –  
the information you have provided will assist us in our evaluation.**

## **APPENDIX B: Survey Response**

(Confidential information withheld)

## APPENDIX C: Calculation of Economic Impact

The following assumptions and limitations to our approach should be noted:

- **Research design:** as is the norm in estimating additionality in regional development interventions, our approach is based on questioning of beneficiaries about their past and current attributes, behaviour, attitudes, and beliefs. As such the findings are subject to the recall and accuracy of the beneficiary;
- **Area of benefit:** the analysis adopts Wales as the area of benefit. Net Additional Impacts at local or UK level may vary;
- **Costs:** Programme budgets and staff costs have been taken into account in the calculation of costs/benefits;
- **Deadweight:** in the examination of turnover benefits, deadweight has been assessed in relation to total beneficiary turnover, which will tend to produce relatively high deadweight levels;
- **Displacement & Substitution:** Utilise survey questions to assess displacement and substitution;
- **Economic multipliers:** relatively broad, sector-level output multipliers are used in relation to the estimation of Net Additional turnover. We have used recent sector-level, Welsh multipliers; and
- **Gross Value Added:** The method of estimation is based on, sector specific GVA per employee.

### Method Used

Using the employment approach of calculating GVA, we sourced from Welsh Government, GVA per hour worked for all sectors in Wales. A calculation was then made to identify the Sectoral GVA per year. Utilising the responses from the online survey a weighted average (by sector) was used to develop an average figure of GVA per year.

The online survey identified that 85 respondents had reported the creation of 156 jobs as a result of the Export Assist Programme, leading to a total (Gross) GVA for the Sample (of 85 respondents) of £5,9224,833.

The following questions were used to assess the level of displacement:

<b>Q 28</b>	<b>Thinking about competition in your main area of business which of the following statements best describes your business? (Please tick one)</b>	
	All the businesses I compete with are based in Wales	<input type="checkbox"/>
	The majority of the businesses I compete with are based in Wales	<input type="checkbox"/>
	Around half of the businesses I compete with are based in Wales	<input type="checkbox"/>
	A minority of businesses I compete with are based in Wales	<input type="checkbox"/>
	None of the business I compete with are based in Wales, or, I have no direct competitors	<input type="checkbox"/>
	Don't know	<input type="checkbox"/>

<b>Q 29</b>	<b>Thinking about the main suppliers for your organisation, which of the following statements best describes your business? (Please tick one)</b>	
	All our supplies come from Wales-based suppliers	<input type="checkbox"/>
	The majority of our supplies, in terms of value, come from Wales-based suppliers	<input type="checkbox"/>
	Around half of our supplies, in terms of value, come from Wales-based suppliers	<input type="checkbox"/>
	A minority of our supplies, in terms of value, come from Wales-based suppliers	<input type="checkbox"/>
	None of our supplies come from Wales-based suppliers	<input type="checkbox"/>
	Don't Know	<input type="checkbox"/>

<b>Q 30</b>	<b>Thinking about the main suppliers for your organisation, approximately what percent of the total value of these supplies comes from Wales-based suppliers? (if don't know, leave empty)</b>	
	Percent (%) Click here to enter text.	<input type="checkbox"/>

Displacement was assessed by examining the level of competition within the main business market of the respondents. Some 82.22% of respondents indicated that 'a minority or no competitors' were based in Wales, suggesting relatively limited scope for displacement. Nonetheless, for the remaining respondents, relatively high levels of local competition indicate that displacement issues may be a consideration.

Our displacement estimate is 17.78%.

The following question was used to assess the level of substitution:

<b>Q23</b>	<b>Thinking about turnover of your organisation for the year prior to using the Programme, how much different do you think your turnover would have been without the Export Assist Programme? (Please tick one)</b>	
	Much Less (Direction to question 25)	<input type="checkbox"/>
	About the Same (Direction to question 24)	<input type="checkbox"/>
	More (Direction to question 26)	<input type="checkbox"/>

For the substitution estimate, we look at companies who report that their income would have been higher if they had not taken part in the programme. These companies indicate that

they have changed their approach to generating turnover and as a result are worse off. In the sample we have been provided with, 14 of the 92 businesses report losing out on turnover as a result of the programme.

This means our estimate for substitution is 15.22%.

The following question was used to assess the level of deadweight:

<b>Q26</b>	<b>Providing your best estimate, how much HIGHER do you think your percentage turnover for the last complete financial year would have been without receiving export support or advice? (Please tick one) (Direction to question 27)</b>	
	1-20% higher	<input type="checkbox"/>
	21-40% higher	<input type="checkbox"/>
	41-60% higher	<input type="checkbox"/>
	61-80% higher	<input type="checkbox"/>
	81-100% higher	<input type="checkbox"/>
	Over 100% higher (please specify) <a href="#">Click here to enter text.</a>	<input type="checkbox"/>
	Don't know	<input type="checkbox"/>

The majority of respondents received partial benefits from participating in the programme, 46% indicated that their turnover would have been less if they had not have participated. The programme increased the beneficiary sales levels to varying degrees, over and above what respondents believed would have occurred anyway. Estimated levels of deadweight were available for some 57 respondents. We have assumed a deadweight figure of 40%. In order to assess the impact on the Welsh economy the standard Multiplier (Median II Welsh IO) was applied to the result. This provided the Net GVA of the sample. In order to assess the impact of the wider Programme, it was assumed that the sample of respondents was twenty percent <sup>35</sup> of all beneficiary companies. Consequently the Net Value Add figure for the sample was multiplied by five to provide the Programme Net Value Added.

<sup>35</sup> Given the ambiguity of the number of participants in the programme a range of 459 to 683, we believe that the 20% sample size, provides a conservative estimate.



	<b>GVA Per Hour Worked(1)</b>	<b>Total Hours per year (2)</b>	<b>Sectoral GVA per year (3)</b>	<b>% responses (4)</b>	<b>Weighted Average (5)</b>
Advanced materials & manufacturing	33.6	1650	55440	24	1330560
Construction	20.2	1650	33330	4	133320
Creative industries	12.6	1650	20790	21	436590
Energy & environment	22.4	1650	36960	5	184800
Food and Farming	14.1	1650	23265	8	186120
Finance and Professional Services	51.1	1650	84315	4	337260
ICT	43.8	1650	72270	4	289080
Life Sciences	24.2	1650	39930	8	319440
Tourism	14.2	1650	23430	0	0
In A Priority Sector	27.9	1650	46035	0	0
Not In A Priority Sector	16.0	1650	26400	22	580800
<b>All Industries</b>	<b>21.5</b>	<b>1650</b>	<b>35475</b>	<b>100</b>	<b>3797970</b>

Average GVA (6)	37,979.7	
Number of Jobs (7)	156	
Gross Employment (8)	5924833	5924833
(9)Less Displacement (17.78)	82.22	4858363.06
(10)Less Substitution (15.22)	84.78	4129608.601
(11) Less Deadweight (40)	60	2477765.161
(12) Multiplier (Regional: 1.56)	1.56	3865313.651
<b>Net GVA</b>		<b>£3,865,313</b>

## Assumptions

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- 1: Sourced from Welsh Government Priority Sector Statistics
  - 2: 220 days a year, 37.5 hours a week, 44 weeks a year. Alternatively it can be expressed as 44.5 hours a week, 37 weeks a year
  - 3: GVA per hour x total hours per year
  - 4: Response rate from survey
  - 5: Weighted average
  - 6: Average GVA
  - 7: Sourced from 85 respondents of survey
  - 8: Average GVA x number of jobs produces Gross Employment
  - 9: Displacement calculated from Survey Questions 28,29 &30)
  - 10: Substitution calculated from Survey question 23
  - 11: Deadweight calculated from Survey question 26
  - 12: Multiplier: Median II Welsh IO
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## APPENDIX D: Detailed Case Studies

### Case Study: 1

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#### Description of Company

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A micro company in terms of staff (fewer than 5) but has international sales across five continents using a network of agents to promote its high quality food offering. The Managing Director/Sales Director had extensive experience of exporting and although the company had been operating for approximately 7 years it had grown largely on the back of export activity. It could be considered a Born Global company.

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Types of Market Failure	Company Response
Shortage of working capital to finance exports	Yes
Identifying foreign business opportunities	Yes
Limited information to locate/analyse markets	Yes
Inability to contact potential overseas customers	Yes
Obtaining a reliable foreign representation	Yes
Lack of managerial time to deal with internationalisation	Yes
Inadequate quantity of and/or untrained personnel for internationalisation	Not applicable
Difficulty in matching competitors prices	Not applicable
Lack of home government assistance/incentive	Yes
Excessive transportation costs	Yes

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#### Rationale for Using Export Assist

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Principal motivation was to diversify into new markets and identification of distribution networks particularly into emerging markets.

The company has been undertaking a largely incremental approach to market expansion (Upsalla Approach) first focusing on continental Europe before moving onto North America. It has recently moved into more complex markets (due to issues of distance and cultural difference) such as the Far East, Middle East and North Africa.

The rationale for this expansion is that the product has an international appeal, is not affected by any specific local tastes/cultural differences and merely needs access to a robust food distribution network to get to its target market: educated, middle class, health conscious consumers.

It sought assistance from Export Assist as the principal constraint to the business has been upfront costs involved in identifying network of distributors. This was addressed by using the OBDV for target markets.

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**Profile of Exporting Experience**


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Type	Fit	Indicative Activities	Fitness of Purpose of Export Assist
Exporter Maximising Opportunities	Born Global	<ul style="list-style-type: none"> <li>Identify additional market opportunities;</li> <li>Review and exploit differentiation;</li> <li>Refine company structural support;</li> <li>Account Management and contract review;</li> <li>Partnership Development;</li> <li>Customer relationship management;</li> <li>Diversification;</li> <li>Review and exploit potential synergies with partners;</li> <li>Acquisition/merger activities; and</li> <li>Access to relevant markets/supply chains.</li> </ul>	Principally used Export Assist to: <ul style="list-style-type: none"> <li>diversify into new markets; and</li> <li>access relevant supply chains (through the use of distributors).</li> </ul>

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**Assessment of Economic Impact/Wider Benefits**


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Impact on sales	Increase in sales by approximately 20%
Impact on Jobs	No impact on jobs
Impact on export activity	Expansion into the following markets: China; Taiwan Philippines Turkey/Middle East Aspiration to move into Latin America
Wider Knowledge Benefits	Identification of new network of distributors.

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## **Recommendations for Future Delivery**

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The respondent stated that he only uses the Export Assist for financial purposes, but believes that there is an opportunity for it to be used as a source of best practice in relation to emerging market opportunities. However he believes that this can't be delivered solely by Welsh Government, it requires the development of an informal horizon scanning group made up of industry experts and coordinated by Welsh Government.

The respondent also stated that entry into more complex markets, such as the Far East necessitates the development of personal then business relationships and cannot be developed in just one visit. Although OBDV can provide help for a number of visits, rather than applying each time for funds, one business case should be made for up to four visits (which he believed was about the average to develop a robust working relationship).

Finally, the respondent stated that particularly dealing with Far Eastern economies (post communist) there was a difficulty in repatriating profits and he had not been able to gain any advice from Welsh Government advisors on this and had to recruit an in-country accountant to advise.

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## Case Study: 2

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### Description of Company

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This is a medium sized enterprise (in terms of number of staff employed) which produces high grade camouflage equipment for the hunting and fishing sector. The company is an experienced exporter mainly to continental Europe and latterly North America. Its exports account for up to one third of turnover.

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### Types of Market Failure

### Company Response

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Shortage of working capital to finance exports	Not applicable
Identifying foreign business opportunities	Yes
Limited information to locate/analyse markets	Yes
Inability to contact potential overseas customers	Yes
Obtaining a reliable foreign representation	Yes
Lack of managerial time to deal with internationalisation	Yes
Inadequate quantity of and/or untrained personnel for internationalisation	No
Difficulty in matching competitors prices	No
Lack of home government assistance/incentive	No
Excessive transportation costs	Yes

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### Rationale for Using Export Assist

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Due to the niche nature of the product, the company has a detailed understanding of its target markets (particularly Germany and Italy in Europe and also North America). The company used Export Assist as it needed to diversify its range of distributors in target markets and this was best achieved through attendance at a number of trade shows. The company used financial assistance from Export Assist to attend the trade shows. It would not have been able to attend otherwise.

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**Profile of Exporting Experience**

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Type	Fit	Indicative Activities	Fitness of Purpose of Export Assist
Experienced Exporter	Yes	<ul style="list-style-type: none"><li>• Marketing Strategy</li><li>• Ongoing Structural Development</li><li>• Develop market and customer target criteria</li><li>• Identify and develop new/existing customer/distributor relationships</li><li>• Management of multiple export markets</li><li>• Tender development and management</li><li>• Access to relevant markets</li><li>• Relevant market research</li></ul>	<p>The company did not have a specific export strategy, but was aware of the target markets and associated distribution networks need.</p> <p>The company needed financial assistance to develop new customer/distributor relationships.</p>

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**Assessment of Economic Impact/Wider Benefits**

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Impact on sales	Approximately a 50% increase in export sales
Impact on Jobs	No impact on jobs
Impact on export activity	Increase in sales largely as a consequence of expanding existing markets
Wider Knowledge Benefits	Development of new network of distributors in Germany and Italy.

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**Recommendations for Future Delivery**

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The respondent stated that he was generally happy with the way the Programme was delivered, particularly as it was flexible in interpretation and that he could in essence do most activities which he wanted.

He was also satisfied by the level of financial assistance provided by the Programme.

The respondent did not have any use for either the ITO/ITD and had been recruited onto the Programme by a Welsh Government Business Advisor.

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### Case Study: 3

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#### Description of Company

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This is a medium sized company which provides components for hot tubs. The company is one of only three in the UK and mainly exports to continental Europe. The company's principal competitor in Europe is an American company and it mainly competes in terms of price. The company is an experienced exporter with over 10 years of experience, with most growth generated through exports.

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Types of Market Failure	Company Response
Shortage of working capital to finance exports	Yes
Identifying foreign business opportunities	Yes
Limited information to locate/analyse markets	Yes
Inability to contact potential overseas customers	Yes
Obtaining a reliable foreign representation	Yes
Lack of managerial time to deal with internationalisation	Yes
Inadequate quantity of and/or untrained personnel for internationalisation	Yes
Difficulty in matching competitors prices	No
Lack of home government assistance/incentive	Yes
Excessive transportation costs	No

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#### Rationale for Using Export Assist

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This company has established distribution networks across almost every country in Western Europe. Its principal method of engagement/distribution is through trade fairs where it identifies agents. The company has utilised Export Assist for Trade Missions and also for follow up in-country support (initial problems with languages/due diligence and received support from Welsh Government to address these).



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**Profile of Exporting Experience**


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Type	Fit	Indicative Activities	Fitness of Purpose of Export Assist
Inexperienced Exporter	Yes	<ul style="list-style-type: none"> <li>• Quantify market</li> <li>• Ongoing development of company</li> <li>• Develop company structural support</li> <li>• Develop company export support functions/expertise (e.g. pricing/distribution/CRM)</li> <li>• Identify target companies</li> <li>• Build distributor and existing customer relationships</li> <li>• Sales and contract management</li> </ul>	Although the exporter has undertaken extensive export activity, this has been mostly reactive (i.e. responding to tendering opportunities). The exporter does not have an export strategy, but has stated that this is something he would like to address, however the company has rapidly expanded and therefore is facing personnel and facility constraints. The company sought assistance to augment its distribution network and also received sales and contact management advice.

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**Assessment of Economic Impact/Wider Benefits**


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Impact on sales	40% increase in export sales
Impact on Jobs	No impact on jobs
Impact on export activity	Has expanded into the following markets: Italy; and Spain.
Wider Knowledge Benefits	Development of a new network of distributors

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**Assessment of Economic Impact/Wider Benefits**

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in Italy and Spain.

The company has particular difficulties in entering the French market due to language/due diligence issues.

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**Recommendations for Future Delivery**

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As noted earlier, the company is at a cross-roads, it is presently having to turn away work as it does not have the capacity to deliver. It is constrained in terms of physical space and there is a shortage of appropriate premises in this rural location. The respondent does not want to move too far from his present site as it would mean making his staff redundant in what is a high unemployment area.

The respondent is also constrained in not being able to access skilled export/sales staff. All existing staff are from a technical background, but do not have the necessary skill set/languages to promote the firm in target markets. He does not have sufficient sales in any one market to warrant a specific member of staff, he believes the best option would be the development of a number of agents, but this takes time and resources to put in place.

The respondent is supportive of the Export Assist Programme, but there is a wider need for accommodation and staff which is constraining the growth of his business.

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## Case Study: 4

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### Description of Company

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This is a micro enterprise operating in the creative industries sector. The founding entrepreneur/sole operator has managed the business for approximately 10 years in such time he has been able to export across continental Europe and latterly China. He could be classified as a Born Global Enterprise who has been assisted in his rapid expansion into other export markets through existing supply chain linkages with larger (international) clients.

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Types of Market Failure	Company Response
Shortage of working capital to finance exports	No
Identifying foreign business opportunities	Yes
Limited information to locate/analyse markets	Yes
Inability to contact potential overseas customers	Yes
Obtaining a reliable foreign representation	Yes
Lack of managerial time to deal with internationalisation	Yes
Inadequate quantity of and/or untrained personnel for internationalisation	Yes
Difficulty in matching competitors prices	No
Lack of home government assistance/incentive	No
Excessive transportation costs	Yes

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### Rationale for Using Export Assist

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The respondent had been exporting to a number of European markets prior to utilising the Export Assist Programme. However, in response to a number of unsolicited tender opportunities in China he approached Export Assist to support a business trip to the country. He was recommended to use in the first instance a pre-arranged trade mission and then to 'go his own way' at the end of the formal proceedings in order to meet up with the potential Client. The respondent was satisfied with this approach, particularly the preliminary training regarding business etiquette. The respondent followed this visit up with two other visits funded under OBDV in which he secured business from a number of sources.

However the respondent had difficulty in securing payment from one of his clients and was not able to receive useful advice from Welsh Government.

The respondent has also stated that he receives numerous requests for work, but simply does not have the time to visit China each time 'to develop the necessary personal and business arrangements'.

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**Profile of Exporting Experience**

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Type	Fit	Indicative Activities	Fitness of Purpose of Export Assist
Experienced Exporter	Yes	<ul style="list-style-type: none"><li>• Marketing Strategy</li><li>• Ongoing Structural Development</li><li>• Develop market and customer target criteria</li><li>• Identify and develop new/existing customer/distributor relationships</li><li>• Management of multiple export markets</li><li>• Tender development and management</li><li>• Access to relevant markets</li><li>• Relevant market research</li></ul>	<p>This experienced exporter used the programme to identify and develop new customer/distributor relationships.</p> <p>However he was not able to receive the necessary advice on due diligence which would have prevented him from being underpaid.</p>

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**Assessment of Economic Impact/Wider Benefits**

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Impact on sales	Increase in export turnover of approximately £40k (two contracts)
Impact on Jobs	No increase in jobs.
Impact on export activity	Increase in turnover entirely as a result of export orders.
Wider Knowledge Benefits	Has identified new network of Clients.

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**Recommendations for Future Delivery**

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The respondent is generally content with the service he received from Export Assist, however he has two suggestions as to how the programme could be improved:

Development of a 'virtual supply chain' for micro companies (in the same sector but at different stages in the productive process) to undertake export activity. In essence companies/sole proprietors would take turns to attend relevant trade fairs/promote the company on sales trips funded by Welsh Government. The respondent stated that Welsh Government's role would be to sign-post the opportunity for existing participating companies to collaborate with one another. This would address individual resourcing issues within the participating companies and reduce duplication of support on the part of Welsh Government.

Greater assistance with financial due diligence in Far Eastern markets. At present the support provided by Welsh Government was not sufficiently specialist.

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## Case Study: 5

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### Description of Company

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This is a life-science start-up which has spun out of the University of Swansea. The company has received significant support in investment in R&D and has sold the distribution rights to its product to a large American company. The company has been active for approximately 3 years.

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Types of Market Failure	Company Response
Shortage of working capital to finance exports	No
Identifying foreign business opportunities	Yes
Limited information to locate/analyse markets	No
Inability to contact potential overseas customers	Yes
Obtaining a reliable foreign representation	No
Lack of managerial time to deal with internationalisation	No
Inadequate quantity of and/or untrained personnel for internationalisation	No
Difficulty in matching competitors prices	No
Lack of home government assistance/incentive	No
Excessive transportation costs	No

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### Rationale for Using Export Assist

As noted above this is a life science start-up which has received significant R&D support from Welsh Government. The respondent had previously identified a number of potential clients/delivery agents for its highly specialist product, through access to the international innovation ecosystem for Life Sciences. It used export assist to undertake a number of visits: first to a sectoral trade show and latterly a visit to a specific company. The second visit resulted in the signing of a contract for the worldwide distribution rights for the product.

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**Profile of Exporting Experience**

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Type	Fit	Indicative Activities	Fitness of Purpose of Export Assist
Experienced Exporter	Born Global	<ul style="list-style-type: none"><li>• Marketing Strategy</li><li>• Ongoing Structural Development</li><li>• Develop market and customer target criteria</li><li>• Identify and develop new/existing customer/distributor criteria</li><li>• Management of multiple export markets</li><li>• Tender development and management</li><li>• Access to relevant markets</li><li>• Relevant market research</li></ul>	This company utilised Export Assist to identify and develop a new distributor. The company itself has little export activity, but through its partnership arrangements with the large American company can utilise their existing world wide networks.

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**Assessment of Economic Impact/Wider Benefits**

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Impact on sales	N/A
Impact on Jobs	N/A
Impact on export activity	Development of a worldwide distribution network
Wider Knowledge Benefits	Development of a worldwide distribution network

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**Recommendations for Future Delivery**

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The respondent recognised that he was in a relatively unique position in terms of export activity and stated that the company would probably have been able to eventually fund its visit itself, however he noted that:

The preliminary ITO/ITD training had provided him with some useful insights into negotiating/undertaking sales activity; and

The attendance at the trade fair had provided a useful insight into the company he preferred to personally do business with.

He recommended that any technical start up would greatly benefit from the ITO/ITD before moving onto the financial assistance, as sales and export support are very different skillsets to that found in his sector.

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## Case Study: 6

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### Description of Company

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This medium sized enterprise is an experienced exporter of light filters. This experienced exporter does not have a formal export strategy and largely reacts to market developments. The company has mainly focused on the European and North American markets, but of late has decided to expand into the Indian and Chinese markets, in response to competitor activity. The company has a strategic partnership with a larger American firm and has sought assistance for a formal merger.

---

Types of Market Failure	Company Response
Shortage of working capital to finance exports	No
Identifying foreign business opportunities	Yes
Limited information to locate/analyse markets	Yes
Inability to contact potential overseas customers	Yes
Obtaining a reliable foreign representation	Yes
Lack of managerial time to deal with internationalisation	Yes
Inadequate quantity of and/or untrained personnel for internationalisation	No
Difficulty in matching competitors prices	No
Lack of home government assistance/incentive	No
Excessive transportation costs	No

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### Rationale for Using Export Assist

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As noted above the company was primarily interested in entering the emerging Chinese and Indian markets. It was initially perturbed by the sheer scale and complexity of entering such markets and felt that the best way to approach them was through a pre-arranged multi sectoral trade mission. The respondent stated that he was initially sceptical of the multi sectoral approach, however upon reflection he noted that it offered an opportunity to exchange good practice as 'everyone was a novice in the Chinese market'. The respondent stated that the trade mission provided him with an opportunity to meet a number of potential clients, which he was then able to follow up with in a number of other visits (funded through OBDV). However the principal issue was with respect to protection of intellectual property, as all potential distributors sought to create their own Chinese patent for that product. He was uncertain as to whether this was usual practice and had to seek additional guidance from a Hong Kong based lawyer as Welsh Government was not in a position to provide such advice.

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**Profile of Exporting Experience**

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Type	Fit	Indicative Activities	Fitness of Purpose of Export Assist
Experienced Exporter	Yes	<ul style="list-style-type: none"><li>• Marketing Strategy</li><li>• Ongoing Structural Development</li><li>• Develop market and customer target criteria</li><li>• Identify and develop new/existing customer/distributor criteria</li><li>• Management of multiple export markets</li><li>• Tender development and management</li><li>• Access to relevant markets</li><li>• Relevant market research</li></ul>	<p>This experienced exporter needed assistance in the identification and development of new distribution networks.</p> <p>However they were not able to access specialist advice regarding protection of intellectual property.</p>

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**Assessment of Economic Impact/Wider Benefits**

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Impact on sales	Sales turnover was increased by approximately £100k
Impact on Jobs	No impact
Impact on export activity	Development of new distribution network
Wider Knowledge Benefits	Development of new distribution network

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**Recommendations for Future Delivery**

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The respondent was positive about the Export Assist Programme as being a useful enabler for entering new markets however he identified two major deficiencies:

The reactive nature of the trade missions. These seem to go to established markets and there does not seem to be much independent research undertaken by Welsh Government to identify emerging market opportunities/sectoral trends; and

Nature of in-market assistance. The respondent noted that the in-country expert for China was not sufficiently well versed in intellectual property and access to credit. Without access to such information, the respondent would be reticent to return to China or any other emerging market.

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## Case Study: 7

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### Description of Company

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This micro enterprise in the craft sector has been established for over twenty years. Although it was initially commercially driven, with the growing maturity of the owner it has changed into a lifestyle company. However the enterprise does undertake significant export activity as it delivers a highly prized niche product. The company has established export markets in Ireland, North America, Germany and Holland.

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### Types of Market Failure

### Company Response

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Shortage of working capital to finance exports	No
Identifying foreign business opportunities	Yes
Limited information to locate/analyse markets	Yes
Inability to contact potential overseas customers	Yes
Obtaining a reliable foreign representation	Yes
Lack of managerial time to deal with internationalisation	Yes
Inadequate quantity of and/or untrained personnel for internationalisation	Yes
Difficulty in matching competitors prices	No
Lack of home government assistance/incentive	No
Excessive transportation costs	No

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### Rationale for Using Export Assist

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As the company is offering a niche craft product, it mainly sells through established networks of distributors in a small number of target markets. Although it has established working relationships with these networks, the quantum of sales in specific geographies has declined, the respondent therefore wanted to gain access into new networks/markets. The respondent has received significant support from Welsh Government's various trade support programmes over the years and this has mainly related to attendance at trade shows.

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**Profile of Exporting Experience**

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Type	Fit	Indicative Activities	Fitness of Purpose of Export Assist
Experienced Exporter	Yes	<ul style="list-style-type: none"><li>• Marketing Strategy</li><li>• Ongoing Structural Development</li><li>• Develop market and customer target criteria</li><li>• Identify and develop new/existing customer/distributor criteria</li><li>• Management of multiple export markets</li><li>• Tender development and management</li><li>• Access to relevant markets</li><li>• Relevant market research</li></ul>	<p>Experienced exporter using export assist to identify and develop new distribution networks.</p> <p>However the trade fairs selected were considered no longer to be fit for purpose.</p>

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**Assessment of Economic Impact/Wider Benefits**

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Impact on sales	Increase in sales of £20k
Impact on Jobs	No impact
Impact on export activity	Increase in sales of £20k
Wider Knowledge Benefits	Developed distribution network.

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**Recommendations for Future Delivery**

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The respondent is supportive of the Programme and recognises that over the years it has permitted her to enter both the North American and Dutch markets. The respondent did receive trade show support under the ITO programme, but most of the support has been in attending trade fairs. The respondent did however note that there is a move away by American distributors from attending such trade fairs and was unsure as to how to maintain/develop new distribution networks.

The respondent stated that she believed that this should be a role for Welsh Government: reviewing the fitness of purpose of trade fairs and identifying new mechanisms for engaging with distributors. She did feel that some sort of in market visit to Wales by key distributors in target markets could work for her sector and also the food and drink sector, both of which have a discernible Welsh proposition.

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## Case Study: 8

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### Description of Company

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This is an established medical technology company, which has been exporting largely to Continental Europe and also Australia (as it has the same regulations as the European Union). The company has over 10 years' experience of exporting and given the nature of its product, the major export constraint is addressing regulatory hurdles for target markets.

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### Types of Market Failure

### Company Response

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Shortage of working capital to finance exports	No
Identifying foreign business opportunities	No
Limited information to locate/analyse markets	Yes
Inability to contact potential overseas customers	Yes
Obtaining a reliable foreign representation	No
Lack of managerial time to deal with internationalisation	Yes
Inadequate quantity of and/or untrained personnel for internationalisation	No
Difficulty in matching competitors prices	No
Lack of home government assistance/incentive	No
Excessive transportation costs	No

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### Rationale for Using Export Assist

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This company sought to enter the US market. It needed support to identify key distributors in specific geographic markets. It also needed assistance in undertaking the necessary due diligence to pass healthcare regulations. Export Assist provided funding for the company to make a number of additional visits to the US to inform the development of its application to the Food and Drug Administration.

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**Profile of Exporting Experience**


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Type	Fit	Indicative Activities	Fitness of Purpose of Export Assist
Experienced Exporter	Yes	<ul style="list-style-type: none"> <li>• Marketing Strategy</li> <li>• Ongoing Structural Development</li> <li>• Develop market and customer target criteria</li> <li>• Identify and develop new/existing customer/distributor criteria</li> <li>• Management of multiple export markets</li> <li>• Tender development and management</li> <li>• Access to relevant markets</li> <li>• Relevant market research</li> </ul>	<p>Export Assist permitted the identification and sourcing of a network of distributors.</p> <p>The Programme also permitted the development of an application to the Food and Drug Administration.</p>

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**Assessment of Economic Impact/Wider Benefits**


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Impact on sales	Increase in sales of approximately £40k
Impact on Jobs	None
Impact on export activity	Entry into US market
Wider Knowledge Benefits	<p>Development of new network of distributors</p> <p>Development of an approved product for use in the US market.</p>

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**Recommendations for Future Delivery**


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The respondent stated that they were generally happy with the way the Programme was delivered, particularly as it was flexible in interpretation and that he could in essence do most of the activities that he set out to do.

He was also satisfied by the level of financial assistance provided by the Programme.

The respondent did not have any use for either the ITO/ITD and had been recruited onto the Programme by a Welsh Government Business Advisor.

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## Case Study: 9

### Description of Company

The respondent is a pre-start life science company, which is on the verge of commercialisation. The company will produce a new programme which will enable the better interpretation of MRI scans. There are only 5 producers of MRI scanners in the world and the company aims to sell to its service to all of them.

### Types of Market Failure

### Company Response

Shortage of working capital to finance exports	Yes
Identifying foreign business opportunities	No
Limited information to locate/analyse markets	No
Inability to contact potential overseas customers	No
Obtaining a reliable foreign representation	No
Lack of managerial time to deal with internationalisation	No
Inadequate quantity of and/or untrained personnel for internationalisation	No
Difficulty in matching competitors prices	No
Lack of home government assistance/incentive	No
Excessive transportation costs	Yes

### Rationale for Using Export Assist

The respondent stated that because they were a pre-start, funding was an issue. Although they had received significant RD&I support, there was little other money to support the promotion of their product. They were recommended to apply for Export Assist in order to undertake two 'learning journeys' to Italy to liaise with an Italian academic whose support was essential to validating their product to the five major MRI producers. On his recommendation, the respondent subsequently attended a trade fair in the US (again funded by Export Assist) at which they were able to successfully promote the product to the five MRI producers.

### Profile of Exporting Experience

Type	Fit	Indicative Activities	Fitness of Purpose of Export Assist
Experienced Exporter	Born Global	<ul style="list-style-type: none"> <li>Marketing Strategy</li> <li>Ongoing Structural Development</li> <li>Develop market and customer target criteria</li> </ul>	The respondent stated that the Export Assist was used to develop a new distribution network.

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**Profile of Exporting Experience**

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Type	Fit	Indicative Activities	Fitness of Purpose of Export Assist
		<ul style="list-style-type: none"><li>• Identify and develop new/existing customer/distributor criteria</li><li>• Management of multiple export markets</li><li>• Tender development and management</li><li>• Access to relevant markets</li><li>• Relevant market research</li></ul>	It was also used to undertake preliminary market research/verification of the product.

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**Assessment of Economic Impact/Wider Benefits**

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Impact on sales	None recorded to date
Impact on Jobs	None
Impact on export activity	None
Wider Knowledge Benefits	Potential tie in to 5 major producers of MRI scanners.

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**Recommendations for Future Delivery**

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The respondent noted the flexibility of the Export Assist Programme. They recognised that the Programme complemented Welsh Government's wider selection of innovation support. The respondent identified that the ability of the Welsh Government Business Advisor to gain access to a wide selection of business support greatly assisted the company's subsequent commercialisation.

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## Case Study: 10

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### Description of Company

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A small company in terms of staff (around 40) established in 1970 and has 40 years of experience in exporting their dart products and accessories. The Marketing Director had extensive experience of exporting and as their products are fairly niche the company has few competitors based in Wales.

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Types of Market Failure	Company Response
Shortage of working capital to finance exports	No
Identifying foreign business opportunities	Yes
Limited information to locate/analyse markets	Yes
Inability to contact potential overseas customers	Yes
Obtaining a reliable foreign representation	Yes
Lack of managerial time to deal with internationalisation	No
Inadequate quantity of and/or untrained personnel for internationalisation	Not applicable
Difficulty in matching competitors prices	No
Lack of home government assistance/incentive	No
Excessive transportation costs	No

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### Rationale for Using Export Assist

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Principal motivation was to diversify into new markets and identification of distribution networks particularly into emerging markets.

The company has been exporting for many years, however, it has faced difficulties in identifying target markets and securing reliable foreign distributors.

The rationale for expanding into new markets was that their products are becoming more popular, with more countries televising live events. Therefore the company needed to enter those markets to take advantage of the increasing demand.

It sought assistance from Export Assist as the principal constraint to the business has been research into new markets and sourcing new foreign contacts. The overseas trade missions and exhibitions helped to solve these issues.

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**Profile of Exporting Experience**

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Type	Fit	Indicative Activities	Fitness of Purpose of Export Assist
Exporter Maximising Opportunities	Experienced Exporter	<ul style="list-style-type: none"><li>• Marketing Strategy</li><li>• Ongoing Structural Development</li><li>• Develop market and customer target criteria</li><li>• Identify and develop new/existing customer/distributor relationships</li><li>• Management of multiple export markets</li><li>• Tender development and management</li><li>• Access to relevant markets</li><li>• Relevant market research</li></ul>	Principally used Export Assist to:  diversify into new markets; and  access relevant supply chains (through the use of distributors.

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**Assessment of Economic Impact/Wider Benefits**

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Impact on sales	Increase in export sales
Impact on Jobs	Estimated 5-10 new jobs created
Impact on export activity	Entry into new markets
Wider Knowledge Benefits	Identification of new network of distributors and a better idea of which countries to target.

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**Recommendations for Future Delivery**

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The respondent stated that he used Export Assist to try and gain insight to the export markets his company should be targeting. He reports that they have been helped in this area but notes that an improvement could be made to the Programme. The respondent indicated that the Programme should seek to establish contacts within specific business sectors in foreign markets. Whilst his company has benefited from the Programme, he felt if there had been an advisor with specific industry knowledge, his company could have increased their exports by a significantly larger amount.

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