

**Evaluation of SEEDA
Business Investments in
the South East:
Business Competitiveness**

A Report by
Regeneris Consulting
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South East of England
Development Agency

**Evaluation of SEEDA Business
Investments in the South East:
Business Competitiveness**

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Executive Summary

Purpose & Scope of Evaluation

- i. This study is part of a wider programme of evaluation undertaken by Regional Development Agencies (RDAs) to report on the impact of their interventions during the period 2002/3 to 2006/7. It focuses on Business Competitiveness interventions and is one of three undertaken by Regeneris Consulting. This report explores:
 - Sector Support
 - Inward Investment
 - International Trade.
- ii. This is a **programme-level** evaluation, exploring investment themes rather than specific projects. It endeavours to develop a rounded picture of each theme and has not been designed as a replacement for a more detailed project-level assessment. Although the evaluation explores the impact of SEEDA's investment up to the end of 2006/7, there are undoubtedly further impacts accruing to these investments which have yet to manifest themselves in the economy.
- iii. The evaluation has been designed and undertaken in order to comply with the principles set out in the Impact Evaluation Framework (IEF) to guide how RDAs demonstrate their impact on regional conditions. The exercise focused on four central elements of the IEF:
 - to review conditions and strategies in the South East
 - to gauge the relevance of interventions to the challenges facing the regional economy
 - to provide a quantitative assessment of net economic impact, as a measure of effectiveness of the interventions reviewed
 - to assess efficiency by considering value-for-money indicators on unit costs to the public purse of the interventions reviewed.
- iv. Where possible, the evaluation endeavours to:
 - generate lessons and advice to SEEDA on the utility and sustainability of the interventions to help shape future rounds of investment
 - and, to identify examples of strategic added value which have been secured through SEEDA's involvement in policy development.

Strategic Context & Investments

Strategic Context

- v. The **Regional Economic Strategy (RES) for the South East 2002-2012** identified establishing International relationships and encouraging international business activity as important actions to help the South East become one of the world's 15 most entrepreneurial, innovative and productive regions by 2012.

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- vi. SEEDA is required by BERR to provide an inward investment service for the South East Region. **Inward Investment** was, however, clearly recognised within SEEDA's 2002-2004 Corporate Plan as fundamental to the region's economic future. The relationship between Inward Investment and development of key high value-added target sectors is made clear, with the two seen as being mutually reinforcing. SEEDA's 2003-2006 Corporate Plan provides even more detail, further underlines the importance of Inward Investment and **International Trade** activities and describes key projects to cement these activities, alongside specific targets for the number of new investments to be secured for the region.
- vii. SEEDA's 2006-2016 RES reiterates the importance of inward investment and international trade to the South East economy and the challenges associated with attracting increasingly mobile and footloose forms of investment. The 2005-2008 Corporate Plan also recognises that the global market for inward investment is becoming more competitive, with the world's fastest growing economies offering tempting, low cost options for investors.
- viii. SEEDA's 2002-2004 Corporate Plan outlined the importance of **Sector Support**. In particular, Sector Groups were seen as vital to enable SEEDA to work with key industries to help remove barriers to their competitiveness and improve regional economic performance. Sector Groups were to consist of business leaders who influence strategy and work across a wide range of issues and initiatives to ensure they are coordinated to meet industry needs. In particular, they should contribute to the elements of SEEDA's agenda concerned with Skills, Productivity and Innovation.
- ix. SEEDA's Corporate Plan for 2003-2006 reiterates the importance of key sectors and confirms sectors and clusters as constituting a key route through which SEEDA will work with the region's existing business base. The 2005-2008 Corporate Plan explicitly notes sector groups' successes over the past five years, but points out that these have tended to be fragmented and limited in their sustainability.

Investments and Activities

- x. SEEDA has spent £99.4million in total on business competitiveness and enterprise interventions within the relevant period. Once already evaluated projects have been removed from these themes, the population of investment in scope of the three evaluations is £64.4million, of which this report focuses on £15.8million covering Sector Support, Inward Investment and International Trade (i.e. 25% of the £64.4million under review).
- xi. The **Sector Support** projects (£3.8million of funding, under review) generally state improved business performance amongst target sector firms as well as introduction of new products and services as the primary objectives. Secondary objectives include stimulating innovation and R&D activity within target firms, as well as promoting export sales growth.
- xii. For both the **International Trade** (£1.4million) and **Inward Investment** (£1.2million) projects under review, primary objectives address the need to extend the market reach of growth firms into overseas markets, as well as securing new, sustainable forms of Inward Investment in to the South East region. The projects reviewed for the evaluation only represent a very small part of SEEDA's total inward investment activity and are not fully representative of the overall nature of this activity.
- xiii. The key objectives articulated by these projects are in line with the main strategic priorities

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of SEEDA as a regional economic development agency. The projects take the development of new products and services, extending reach into new markets and developing a more knowledge-intensive and R&D-oriented business base as priorities. This is in keeping with the overall thrust of both the 2002-2012 RES and 2006-2016 RES and associated strategy statements, indicating that project activities on the ground have, in the main, consciously sought to align themselves with the region's identified strategic needs.

Market Failure

- xiv. The rationale for project intervention is reasonably clear in **market failure** terms (see Table 5-1). In terms of the forms of market failure that these projects seek to address, they tend to cover both causes of imperfect information and excessive market power. In the case of both Sector Support and International Trade/Inward Investment project interventions, they seek to provide advice, information or leadership/coordination functions that reduce the costs of business development and market expansion and provide target businesses with a more effective platform from which to extend their competitive position.

Table 1 : Summary of Potential Rationale for SEEDA's Interventions					
	Market Failure				Equity
	Public Good	External-ities	Imperfect Information	Market power	
Sector Support	√√		√√√	√√	√
	Main market failure rationale relates to overcoming information asymmetries, as well as providing leadership functions that would not be possible due to public good related issues.				
Inward Investment	√√		√√√		√√
	Clear rationale around addressing asymmetric information constraints, as well as equity rationale around provision of new employment and business opportunities in more challenged parts of the region				
International Trade			√√√	√√	√
	Market failure associated with imperfect information addressed here, as well as support for penetrating new markets and therefore overcoming significant barriers to entry into these markets.				
Note: For strength of market failure case, 1 tick = weak case, 2 ticks = partial case and 3 ticks = compelling case. No ticks = no case.					
Source: Project Reviews.					

Performance & Impact on Business Supported

- xv. Advice or guidance is the most common type of assistance provided. This tallies with their core objective of stimulating improved business performance through the provision of appropriate and targeted advice and networking opportunities. Access to other support or intermediary organisations is utilised by many beneficiary companies.
- xvi. Around one third of beneficiaries across these projects reported an improvement to their business's competitive standing since receiving support, but the majority of beneficiaries report no significant change. Businesses participating in Inward Investment projects are most likely to report an improvement in their standing; in fact almost half report a positive change since being assisted.
- xvii. The beneficiary survey for this evaluation utilised a basic set of questions and applied these to all beneficiaries of all projects. It is difficult in this form of evaluation to create bespoke

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forms of questioning for different projects as this would restrict the ability to make comparisons. With regard to Inward Investment projects, a more meaningful line of questioning may be associated simply with the difference project participation made to an investment decision i.e. whether to locate in the South East region or not.

- xviii. Overall, around half of project beneficiaries report new markets opening up since receiving support. Businesses taking part in these projects overall have generated an equivalent figure of over 6,660 jobs, representing over £542million of gross additional turnover and £219million of additional GVA. In general, therefore, the beneficiary firms have as a group experienced a very positive business performance.
- xix. Analysis of the distribution of impacts across project beneficiaries shows that a small number of beneficiaries receive highly significant benefit, while the majority receive relatively limited or no benefit. The majority of the impact of these projects overall therefore is concentrated amongst a small number of high-achieving businesses.
- xx. Given this, as might be expected, there are relatively high levels of deadweight associated with these project activities. Around 30% of employment growth across businesses is attributable directly to support provided by the projects.

Impact on the South East Economy¹

- xxi. These thematic interventions are providing a net impact in GVA terms of between £140million and £158million (current year only). This is positive, although in terms of the overall scale of the South East region's economy, not a significant sum; it represents at most approximately 0.09% of current South East regional GVA.
- xxii. Taking into account cumulative and future impacts of project activity, we might expect these project interventions to generate £1.5billion of net additional GVA. This is a more reasonable share of the region's GVA, suggesting that these projects can be expected to make a relatively small but noticeable difference to the regional economy.

Table 2: Cumulative Impacts for Inward Investment		
Relevant spend covered (£m)	£4.7million	
	Jobs	GVA (£millions)
Gross Impacts	1,662 – 2,018	£87 - 106
Overall Additionality Ratio	38%	43%
Net Impacts	632 - 767	£37 – £45
Return on Investment	£6,800 per addl. job	£9 per £1 invested

¹ Gross and Net impacts have mainly been generated using survey responses from businesses supported by SEEDA investments. The technical approach adopted and the survey questionnaire can be seen in the associated appendices to this report. Multipliers were calculated using a cautious 1.3 uplift factor taken from EP Guidance for "limited local supply linkages and induced or income effects".

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Table 3: Cumulative Impacts for Sector Support		
Relevant spend covered (£m)	£8.6million	
	Jobs	GVA (£millions)
Gross Impacts	9,771 -10,728	£552 - £606
Overall Additionality Ratio	26%	34%
Net Impacts	2,577 – 2,830	£186 - £204
Return on Investment	£3,200 per addl. job	£23 per £1 invested

Table 4: Cumulative Impacts for Trade		
Relevant spend covered (£m)	£2.5million	
	Jobs	GVA (£millions)
Gross Impacts	1,626 – 1,919	£51 - 60
Overall Additionality Ratio	35%	39%
Net Impacts	575 – 678	£20 – £24
Return on Investment	£4,000 per addl. job	£9 per £1 invested

- xxiii. The projects reviewed and their grossed-up programme level impacts suggest they have had discernable, yet relatively small, impacts on key economic indicators for the region. The overall impact has therefore been positive and the projects have made a measureable contribution to economic performance. In scale terms these impacts are generally small.
- xxiv. In the case of Inward Investment and International Trade projects, the returns over the period under analysis seem low currently, although there may well be additional impacts available that might feed through over a longer period. It should be borne in mind, of course, that the projects reviewed in detail for this evaluation represent a limited volume of the activity that SEEDA undertakes with regard to international trade and inward investment.
- xxv. Returns on investment for these projects indicate that they offer good value for money. The overall scale of return is limited currently, suggesting that if there was more effective targeting of appropriate beneficiaries – i.e. firms that really do offer the best opportunities for high value-added growth – the overall impact to the region could be much greater.

Table 5: Setting Programme Impacts into Context of Regional GVA Performance				
Theme	GVA Uplift		Jobs Increases	
	Cumulative Increase in SE (£millions)	Proportion of GVA Increase Attributable to SEEDA	Total Increases in SE	Percentage of Jobs Increase Attributable to SEEDA
Inward Investment	£44,587	0.09%	54,000	1.3%
Sector Support		0.42%		5.0%
Trade		0.05%		1.2%

Source: Regeneris Consulting calculations of impact and Headline GVA at current basic prices (National Statistics) Regional GVA available to 2006/07. The average uplift in regional GVA 1997/8 to 2005/06 has been used for 2006/07 and 2007/08. Increase in jobs in the region has been calculated using Annual Business Inquiry (ONS) 1998 - 2006. For 2006/07 and 2007/08 the average annual increase has been used to allow an overall figure for regional growth in employment during the relevant period to be generated.

Strategic Added Value

- xxvi. One of the overarching objectives of the Sector Consortia is indeed to provide a leadership function for these key sectors, illustrating to businesses and stakeholders the value to the region of extending the market reach and innovation capacity of businesses in these sectors. The project deliverers believe they have in some way managed to influence broader policy agendas that impact on their sectors, providing an impetus for a more bespoke response to the development needs of the sectors. Sector Consortia are also generally discussed favourably by regional stakeholders.
- xxvii. Inward Investment projects have played a role in engendering a more detailed and informed understanding of the characteristics and advantages of the South East region as a place to invest. These projects have added to the capacity of SEEDA itself and other stakeholders in terms of ability to market the region effectively.
- xxviii. Strategic influence on the agendas and priorities of other regional stakeholders was again a key objective of the Sector Consortia and a role they have all actively sought to take forward. These consortia act as vehicles through which firms can collectively influence business support and development processes, in a manner in which they would be unable to if acting independently. Overall, this has resulted in better coordination and streamlining of support specifically for these target sectors.
- xxix. International Trade and Inward Investment projects are able to influence the overall approach to marketing the region both internally and externally, through interacting with influential networks of companies and strategic organisations overseas.
- xxx. Added value through improved synergy has been achieved to some extent via these project activities, especially through the establishment of new, often sector-based, networks and better mechanisms for ongoing industry dialogue. Many of these network mechanisms did not exist previously in the South East. Overall improvements to processes for dialogue with public stakeholders have been achieved.

Key Reflections & Recommendations

- xxxi. All these initiatives have, on the whole, correctly identified an accurate rationale and economic imperative guiding their development and delivery and have aligned themselves clearly to the region's economic priorities. There is a clear 'logic chain' linking their objectives, the activities they seek to implement and prevailing issues of market failure affecting the markets in which they operate.
- xxxii. The predominant form of support activity involves provision of information and intelligence to beneficiary businesses, in order to reduce the direct costs incurred in making effective investment decisions regarding product development, market expansion or location. This is particularly the situation for Sector Support projects. Inward Investment and International Trade projects offer advice, guidance and information in association with other forms of support. A large number of Inward Investment beneficiaries have received support with premises.
- xxxiii. Given that most beneficiaries do not claim to experience any noticeable business benefit

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due to involvement in the projects, SEEDA must ensure that these projects have correctly identified suitable beneficiary companies.

- xxxiv. Levels of value for money and return on investment show that it is possible to generate very high impacts for a certain number of businesses at reasonable cost. Therefore, if a more robust and more highly targeted approach is adopted to identifying possible beneficiaries, there is a potential return of some significance for the regional economy.
- xxxv. There is a need to review tracking and follow-up mechanisms and ensure that these are actually in place properly. A lack of interaction by project delivery bodies may explain the lack of recognition by beneficiaries that their involvement with projects has had any lasting impact on their performance. A tracking exercise was conducted earlier in 2008.
- xxxvi. In terms of Inward Investment and potential re-investment projects, there is need for the Agency to increase general awareness amongst stakeholder of the scale of its interaction with the region's most important employers in terms of supporting both employment and GVA growth. Regional stakeholders indicate a relatively limited awareness of the role that SEEDA may be playing in supporting the needs of the most important employers in different locations across the region.
- xxxvii. The beneficiary survey suggests that many of the firms supported by all projects (Sector Support, Inward Trade and Inward Investment) are relatively older and are not necessarily young, recent start-ups. There is a need, therefore, to review the efficacy of supporting these types of firms and ensure that the rationale is clear for supporting each of these beneficiaries. In particular, there should be greater targeting of medium-size, medium-turnover businesses; these businesses appear under-represented currently in the overall range of project participants. These businesses may be more likely to achieve significant impacts from project participation.

1. Introduction & Background

Scope & Purpose of the Evaluation

- 1.1 This evaluation study is part of a wider programme of evaluation undertaken by Regional Development Agencies (RDAs) to report on the impact of their interventions during the period 2002/3 to 2006/7. It focuses on *Business Competitiveness* and is one of three undertaken by Regeneris Consulting looking at different aspects of SEEDA's involvement in business development & competitiveness (the other two reports are *Individual Enterprise* and *Innovation Infrastructure*). The evaluation explores three themes which make-up SEEDA's commitment to Business Competitiveness²:
- Sector Support
 - Inward Investment
 - International Trade.
- 1.2 This is a **programme-level evaluation**, exploring investment themes rather than specific projects. This evaluation will feed to the *Evaluation of the Impact of RDA Spending* report, commissioned by BERR and subcontracted to Regeneris Consulting by PricewaterhouseCoopers LLP. It endeavours to develop a rounded picture of each theme and has not been designed as a replacement for a more detailed project-level assessment. Although the evaluation explores the impact of SEEDA's investment up to the end of 2006/7 there are, undoubtedly, further impacts accruing to these investments which have yet to manifest themselves in the economy.
- 1.3 The evaluation has been designed and undertaken in order to comply with the principles set out in the Impact Evaluation Framework (IEF)³ to guide how RDAs demonstrate their impact on regional conditions. The exercise focused on four central elements of the IEF:
- To review conditions and strategies in the South East
 - To gauge the relevance of interventions to the challenges facing the regional economy
 - To provide a quantitative assessment of net economic impact, as a measure of effectiveness of the interventions reviewed
 - To assess efficiency by considering value-for-money indicators on unit costs to the public purse of the interventions reviewed.

² These themes have been constructed for the purposes of this evaluation exercise to match the wider national programme of assessment being undertaken. SEEDA has its own grouping of investments and this evaluation draws on TH04 Advanced Manufacturing; TH04 Nano & Micro Tech; TH04 Pharma Bio; TH04 Sector Consortia; TH04 Support Services; TH01 Asia Pacific; TH01 Business Intelligence and Performance Mgmt; TH01 Europe; TH01 Investor Development; TH01 Locate in Kent; TH01 North America; TH01 Europe; and, TH01 International Trade Sector Advisors.

³ Evaluating the Impact of England's Regional Development Agencies: developing a Methodology and Evaluation Framework – February 2006 - <http://www.berr.gov.uk/files/file21900.pdf>

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- 1.4 Where possible, the evaluation endeavours to:
- Generate lessons and advice to SEEDA on the utility and sustainability of the interventions to help shape future rounds of investment; and
 - To identify examples of strategic added value which have been secured through SEEDA's involvement in policy development.
- 1.5 It should of course be borne in mind that IEF criteria were not in place when the projects under review were designed and initially began operating.

Approach & Work Undertaken

- 1.6 The evaluations have been built up from a series of fieldwork tasks:
- An initial round of 3 **scoping interviews** with SEEDA staff to understand regional strategic priorities, the South East context and the approach adopted by SEEDA to intervening in each of the theme areas. These sessions also helped identify the short-list sample of projects for detailed review.
 - **Desk-based analysis** exploring the region's stated strategic priorities (in the RES, various Corporate Plans and other documents) combined with an assessment of the overall scale of spend and performance of investments.
 - A series of **project reviews** with the short-listed sample of projects to understand how interventions had been managed and delivered on the ground, and to assess how they have contributed to regional economic priorities.
 - An extensive telephone **survey of businesses** (550) assisted by the short-listed projects to gauge the perceptions of business people and the impact services have had on the performance of individual companies.
 - A brief round of **stakeholder interviews** (10) with SEEDA partners to develop an understanding of the appropriateness of strategic priorities, assess how closely interventions fit with needs and opportunities, and better understand how the region has progressed over the relevant period.
- 1.7 This report sets out an analysis of the fieldwork findings. Technical details on the scale of the fieldwork, the research tools deployed and supplementary findings (including some of the raw data) can be found in the Appendices.

Strategic Context in the South East

- 1.8 Clearly, the South East region has continued to perform strongly over the period of the evaluation, i.e. 2002-2006/7, maintaining its position as one of the leading economic regions in Europe.
- 1.9 In terms of international trade and inward investment, the 2002-2012 Regional Economic Strategy had already identified the South East as the world's principal gateway, not only into the UK, but also into Europe. At that time, the South East was seen as a significant

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contributor to European prosperity and a preferred location for multinational headquarters in Europe. The South East's share of foreign direct investment (FDI) was the highest of any UK region outside of London.

- 1.10 In 2002, the European Union was seen as being of increasing importance to the South East, offering opportunities for trade, partnership and sharing of best practice. The South East therefore faced a number of challenges at that time, including the revision of the Structural Funds and the Common Agricultural Policy (the principal funds from the European Union). With enlargement about to bring in 13 new countries, the number of EU consumers was set to grow from 320 million to 500 million. The South East was considered well positioned to benefit from this increased market through trade in goods and services.
- 1.11 With regard to the sectoral base, the 2002-2012 RES identified that the performance gap between average levels of business performance and the best was still substantial. Success as a knowledge economy was seen to depend on far more than success within a narrow range of high technology activities.
- 1.12 Investment by international businesses in the region was considered a vital part of the South East's continued prosperity. As investment was becoming increasingly mobile, success in attracting and retaining businesses was considered to require proactive marketing of the region with a comprehensive high quality service. Large international businesses already established in the region were seen as being of fundamental and continuing importance to its economic health.
- 1.13 Overall employment levels increased between 2002 and 2006, as did the number of businesses operating in the region. Business survival increased over this period, as did the rate of investment by businesses in R&D. There have, however, been slight declines in the overall employment rate and the business start-up rate per head subsequently.
- 1.14 Overall, it must be borne in mind that SEEDA is required by BERR to support inward investment and investor development activity. This SEEDA activity is therefore integral to a wider national programme of inward investment.

Strategic Priorities for Business Competiveness

Inward Investment & International Trade

- 1.15 The **Regional Economic Strategy (RES) for the South East 2002-2012** identified establishing international relationships and encouraging international business activity as important actions to help the South East become one of the world's 15 most entrepreneurial, innovative and productive regions by 2012. Key actions to enable this included:
- Attracting foreign direct investment both to reinforce the global competitiveness of the region's priority sectors and to bring additional economic activity where it is needed
 - Implementing a strategic programme of investor development
 - Developing and implementing a network of Global Regions

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- Supporting the delivery of the International Trade Strategy.
- 1.16 The RES outlined the importance of 13 key sectors in meeting at least one of the following criteria:
- Sectors driven by new and emerging technologies with transformational potential: pharmaceuticals, biotechnology and healthcare, information and communication technologies, media/creative industries, and environmental technologies.
 - Major employers and economic drivers throughout the region: tourism and leisure, freight transport and logistics, construction and property services, financial and professional services, and land-based industries.
 - Manufacturing sectors with high value-added growth potential, underpinning the region's international trade performance: advanced engineering (including automotive), aerospace and defence, and marine technologies.
- 1.17 SEEDA's approach has evolved over time. The latest RES takes these overall objectives forward into a new round of activity, having learned from the experience of previous initiatives.
- 1.18 One of the latest RES (2006-2016) key objectives involves boosting the South East's global competitiveness through assisting more businesses to operate internationally and maximising the South East's share of foreign direct investment. Assisting and maximising the South East's share of foreign direct investment is one of the RES key priorities and is supported by actions shown in Table 1-1.

Table 1-1: Key Actions To Assist More Businesses To Operate Internationally	
Action	Rationale
Creation of a single regional team encompassing trade and investment, underpinned by a joint trade and investment regional international strategy.	The UKTI/SEEDA International Team was established in January 2006 to ensure the region can anticipate and adapt to the challenges and opportunities of globalisation.
Strengthen the international network of global partners from similar high-performing regions overseas.	This will break down barriers to competition and help identify commercial opportunities for our companies and universities.
Further develop a programme of aftercare support for investors as part of a broader Investor Development Programme.	This will ensure that strategically important investors are embedded into the economic fabric of the region, ensuring the benefits are maximised for all.
Develop and utilise the offer of the Greater South East's collective strengths by working with regional partners in London and the East of England.	A partnership approach is required to showcase the collective strengths of the Greater South East as a global centre for business, science and creativity, working with regional assemblies and the Greater London Authority.

- 1.19 Inward Investors are recognised as a vital group within the South East. The International Trade Sector Advisers initiative was initiated by SEEDA and has the objective of getting more companies into export markets (Business Exporting companies are known to be more productive than others).
- 1.20 SEEDA also recognises the importance of sustaining the commitment of the existing investor

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base. As mentioned previously, attracting and retaining globally mobile R&D by the major multinational companies in research-intensive businesses is a key priority. SEEDA has invested in a substantial Investor Development Manager team, (IDMs) based around the region who are in contact with more than 500 significant businesses, to solve problems, involve them in networks or programmes that could help them, with excellent results in terms of safeguarding or creating jobs. UKTI is to increase the resource available to SEEDA to do this work.

- 1.21 Inward Investment was clearly recognised within SEEDA's **2002-2004 Corporate Plan** as fundamental to the region's economic future. The relationship between Inward Investment and development of key high value-added target sectors is made clear, with the two seen as being mutually reinforcing. Investor Development, in particular, is seen as a key facet in SEEDA's attempts to promote and embed new inward investment into the region and the role of Investor Development Managers is set out quite clearly, as is the economic rationale for this role.
- 1.22 SEEDA's **2003-2006 Corporate Plan** provides even more detail, further underlines the importance of Inward Investment and International Trade activities and describes key projects to cement these activities, alongside specific targets for the number of new investments to be secured for the region. Inward Investment is seen as a process that can reinforce the global competitiveness of the region's priority sectors and also bring additional economic activity to parts of the region where it is needed.
- 1.23 At this time, the three main sectors of interest were life sciences, ICT/business services and high-tech engineering. The Corporate Plan sets out an overall Inward Investment Marketing Strategy, detailing target sectors and locations for Inward Investment and International Trade activity. The Corporate Plan commits the Agency to implementing a strategic programme of investor development, developing and implementing a network of Global Regions and supporting the delivery of the International Trade Strategy.
- 1.24 The **2005-2008 Corporate Plan** recognises that the global market for inward investment is becoming more competitive, with the world's fastest growing economies offering tempting, low cost options for investors. Investments into the UK as a whole and the South East tend to be smaller now than a few years ago and generally create fewer jobs. This trend reflects the tendency for small companies to internationalise at an earlier stage in their growth cycle, but it also reflects increased competition from other global regions.
- 1.25 As such, SEEDA will continue to work with UKTI to increase the numbers of new inward investment successes (of which 75% knowledge driven) into the region as well as the numbers of successful new exporters and firms assisted into new markets. For inward investment promotion activities, the SEEDA will continue to comply with the requirements of the longstanding Committee on Overseas Promotion.
- 1.26 It should be borne in mind that SEEDA is obligated by central government to provide a regional inward-investment function.

Sector Support

- 1.27 As part of the current **RES (2006-2016)** priority to increase the percentage of total South East business turnover attributable to new and improved products and services, there is an

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action to support further development of the following key Sector Consortia:

- South East Media Network (digital content)
- Marine South East (marine technologies)
- South East Health Technologies Alliance (health technologies)
- Envirobusiness South East (environmental technologies and services)
- South East Centre for the Built Environment (built environment)
- Farnborough Aerospace Consortium (aerospace and defence).

- 1.28 These Sector Consortia aimed to provide a business-led focus for collaboration to spark new ideas, identify opportunities and bring more innovation to market through business-to-business engagement. Sector Consortia work with the region's knowledge base through SEEDA's Knowledge Networks.
- 1.29 In terms of the RES priority to increase the business stock, an action is proposed to support new and growing businesses in the creative, cultural, leisure, sporting and visitor economy sectors. Since the creative industries are the fastest growing sector in the region, it is important that services are designed with their needs in mind and delivered in ways that reach creative businesses effectively.
- 1.30 SEEDA's **2002-2004 Corporate Plan** outlined the importance of support for key sectors. In particular, 'Sector Groups' were seen as vital to enable SEEDA to work with key industries to help remove barriers to their competitiveness and improve regional economic performance. Sector Groups were to consist of business leaders who influence strategy and work across a wide range of issues and initiatives to ensure they are coordinated to meet industry needs. In particular, they should contribute to the elements of SEEDA's agenda concerned with Skills, Productivity and Innovation.
- 1.31 SEEDA's **Corporate Plan for 2003-2006** reiterates the importance of key sectors and confirms sectors and clusters as constituting a key route through which SEEDA will work with the region's existing business base. The Corporate Plan recognises that The South East is highly dependent on small and medium enterprises, and is one of the UK's more 'clustered' economies. The overall approach includes supporting knowledge transfer into the business community, driving the adoption of best practice through networks, and ensuring high quality business support.
- 1.32 The **2005-2008 Corporate Plan** explicitly notes the sector groups' successes over the past five years, but points out that these have tended to be fragmented and limited in their sustainability. While SEEDA will provide core funding, these sector consortia will be owned and resourced for many of their activities by their business participants, on the model of the already successful Farnborough Aerospace Consortium.
- 1.33 SEEDA's *Policy for the Sector Consortia*, 2008-2011 reports on the impact of the Sector Consortia to date and sets out a refreshed policy for the Consortia in coming years. Building on the findings of the Performance Review, the report sets out some of the key impacts of

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the Consortia to date:

- The depth and quality of the knowledge that the Consortia have amassed is seen as a competitive advantage for the region, amongst other things helping investment to be targeted more effectively
- They play an important conduit role in the region – facilitating supply chain collaborations, linking businesses and joining up the work of business support organisations
- They play an ambassadorial role, representing the South East at national and international policy forums
- Using SEEDA funding they lever in additional funding from public and private sector resources.

- 1.34 Despite these successes, the report states the need for changes, citing their unfulfilled potential to help deliver the RES; the fact that SEEDA requires more return for its investment; a need for the Consortia to fit in with current policy focus on place-based investment; and the need to comply with Business Support Simplification. The report also reiterates the need for a new framework to measure impact.
- 1.35 Many of these findings and recommendations have already been taken on board and the Sector Consortia are now adapting their overall structures and services in the light of lessons learned.

Overview of Approach

Sector Support

- 1.36 Projects contained within this theme area have actively sought to support the needs of identified target growth sectors. The overall aspiration is to effectively invest in those businesses offering the best opportunities for high value-added employment and turnover growth.
- 1.37 The Sector Consortia, by their nature, aim to support the growth ambitions of businesses in technology and R&D-based sectors, many of which are Manufacturing related. The rationale for this approach is clearly tied to SEEDA's overarching economic priorities for the region, around enhancing overall competitiveness.
- 1.38 The Sector Consortia vary in the precise manner of their operation across the different sectors, but retain many common elements. These elements include acting as a leadership and coordination focus both for businesses and for agencies that support business development; acting as mechanisms for linkage between their business communities of interest and the regional knowledge and R&D base; providing effective networking opportunities and seeking to protect property rights associated with new product developments. The first sector consortium covered Aerospace and Defence. Given the perceived success of this project, the same basic model was utilised for consortia covering the other target sectors.

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Inward Investment

- 1.39 SEEDA uses a wide variety of mechanisms for the attraction of new inward investment from both foreign sources (and domestic sources via funding of Locate in Kent). The Agency has a number of Investor Development Managers working across the region, who seek to identify and support the needs of recent investors and those major companies looking to reinvest. In addition, there is a series of SEEDA representatives posted overseas in key market locations, who are tasked with identifying leads and encouraging trade and exploratory missions from these locations to the South East of England region.
- 1.40 SEEDA also invests in specific investment vehicles tasked with supporting inward investment in key locations across the South East (e.g. SEEDA's funding of Locate in Kent)

International Trade

- 1.41 SEEDA's interventions in international trade are geared towards specific development of overseas markets within target sectors. The Agency's funding is used to complement and add value to the existing activities of important agencies, especially UKTI South East. The emphasis of SEEDA funding is to enable a more intensive sector-specific focus in terms of the advice offered to businesses looking to trade internationally.
- 1.42 In the analysis that follows, project activities originally categorised as 'Internationalisation' have been disaggregated separately into Inward Investment and International Trade. The sample of representative projects selected for the evaluation contains only one International Trade project. Therefore, a number of conclusions are drawn based upon the performance of this one project.

2. Analysis of SEEDA's Investments

Total Programme Commitments by Theme

- 2.1 Table 2.1 shows a summary of total SEEDA investment during the Relevant Period by theme, based on AGRESSO data.

Table 2-1: SEEDA Spend By Year (£000s)						
	2002/3	2003/4	2004/5	2005/6	2006/7	Total
Inward Investment	0	418	1,127	1,234	1,993	4,773
Sector Support	134	1,382	1,225	3,060	2,789	8,589
International Trade	81	561	688	656	500	2,486
Total	215	2,360	3,041	4,950	5,281	15,848

Source: Aggresso (SEEDA).

- 2.2 SEEDA has spent £99.4million in total on business interventions within the relevant period across all of the themes. Once already evaluated projects have been removed from these themes, the population of investment within the scope of the three evaluations is £64.4million, of which this report focuses on £15.8million (i.e. 25% of the £64.4million).
- 2.3 Sector Support has received significant funding, totalling approximately £8.6million.
- 2.4 Inward Investment and International Trade projects have received relatively modest amounts of funding, certainly in comparison to the overall scale of the South East economy.

Programme Outputs & Impacts

- 2.5 SEEDA's investments have generated substantial outputs during the relevant period and these have been reported to BERR and partners. Given the manner in which this information is stored, it has not been possible to include a comprehensive illustration of those achievements for these themes. This, however, does not affect any of the subsequent analysis of impact in the rest of the evaluation report.
- 2.6 The South East region has experienced ongoing economic improvement since 2002 and investments in targeted activities by SEEDA have undoubtedly contributed to this performance. With regard to International Trade, for example, the total number of exporting companies (excluding services) in the region increased from 8,872 in 2003 to 9,111 in 2006 (an increase of 2.7%). The rate of growth was greater than the rate of growth in the total business stock and represents 35% of the total UK growth in exporting companies in 2006⁴.
- 2.7 In the context of Inward Investment, the number of foreign direct investments (FDI) into the South East has risen sharply over the last few years, from 137 in 2003/04 to 235 in 2006/07 (58%). In 2005/06, the South East accounted for 18% of the total UK FDI. The most recent figures for 2006/07, however, show a slight decline, with the South East's share falling to some 16% of the total FDI.

⁴ The Regional Economic Strategy 2006-2016 Annual Monitoring Report, Issue 1, October 2007

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- 2.8 It has become clear during the course of the evaluation that there are significant issues with missing data within SEEDA's internal monitoring systems for these project activities. Therefore, output data presented below should be treated with some caution. Over time, the Agency has begun implementing a series of important steps to improve spend, monitoring and measurement data within its internal systems and the quality of this information has improved considerably.
- 2.9 Table 2-2 below shows reporting outputs from SEEDA's PMS system. The analysis here has made use of the evaluation review themes, aggregated upwards to create output figures based on the tasking framework.

Table 2-2: SEEDA Programme Theme Achievements By Year				
	2004/5	2005/6	2006/7	Total
New Jobs Created/Safeguarded				
Inward Investment	2,190	2,028	2,353	6,571
Sector Support	5	3	668	676
International Trade	1,660	0	1,679	3,339
Employment Support				
Inward Investment		11	0	11
Sector Support		58	84	142
International Trade		11	0	11
New Businesses Created				
Inward Investment	0	78	16	94
Sector Support	38	9	1	48
International Trade	43	56	0	99
Number Of Businesses Assisted To Improve Their Performance				
Inward Investment	336	400	958	1,694
Sector Support	416	718	1,499	2,633
International Trade	48	371	41	460
Skills Development				
Inward Investment	104	0	54	158
Sector Support	1,411	294	1,475	3,180
International Trade	0	183	39	222
Source: SEEDA PMS system				
NB Employment Support was only instituted as an output in April 2005.				

- 2.10 Despite some missing information, this data source suggests positive progress overall with these theme activities across a number of key indicators. For example, these thematic activities have generated a total of around 790 new jobs, the vast majority of these emanating from Sector Support activities. Additionally, a total of 102 new businesses have been created, with Sector Support again accounting for the greatest share.
- 2.11 Table 2-3 below shows data from SEEDA specifically on the successful attraction of FDI, as well as successes regarding ongoing re-investment of existing investors.

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Table 2-2: Foreign Investment and Domestic Investor Development Successes				
Foreign Inward Investment				
	Inward Investment Successes	Number of Jobs Safeguarded	Number of Jobs Created*	Total Jobs
2004-05	58	1,056	2,067	3,123
2005-06	61	1,198	2,776	3,974
2006-07	84	1,589	2,319	3,908
Total	203	3,843	7,162	11,005
Domestic Investor Development				
	Inward Investment Successes	Number of Jobs Safeguarded	Number of Jobs Created*	Total Jobs
2004-05	5	1,023	200	1,223
2005-06	5	777	83	860
2006-07	3	0	416	416
Total	13	1,800	699	2,499

Source: SEEDA PMS System.
*This is based on a forecast given by a company at the time of investment. This follows guidance in the UKTI/R/DAS.

- 2.12 As the table shows, SEEDA has had substantial inward investment successes, with over 13,000 jobs attributable to overall inward investment and ongoing investor development activity. The projects reviewed in depth for this evaluation, therefore, represent only a very small part of SEEDA's total inward investment activity and are not fully representative of the overall nature of this activity.

The Sample of Projects Reviewed

Project Descriptions

- 2.13 Short descriptions of the specific projects subject to detailed review for the purposes of this evaluation are provided in Table 2-4 below.

Table 2-3: Project Descriptions		
Theme	Project Title	Description
Sector Support	Automotive Supply Chain Groups Programme	A supply chain development programme developed by the (then) DTI at a national level and subsequently sponsored by SEEDA. Objective was to increase value added per person in the automotive/aerospace sector through supply chain development. Companies in a common supply chain for a particular component were brought together into a group to work on issues around efficiency and eliminate waste.
Sector Support	Construction Sector Consortia	The Consortium is a strategic leadership body for the construction and wider built environment sector. It was formed in response to an invitation by SEEDA, which had decided to contract out all of its sector support activities for priority sectors to independent companies governed by businesses and run by a full time CEO. Its role is to provide leadership, to influence, inform and advise, to coordinate and to facilitate.

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Sector Support	South East Bio Manufacturing	The aim of the project was to provide support for start-up/early stage health technologies companies in the region that need to assess their biomanufacturing needs and strategy. The project also assisted those who need access to biomanufacturers by providing a unique catalogue.
Sector Support	Marine Sector Consortia	Marine South East (MSE) Ltd helps the South East England's marine businesses to improve profitability and market access and, therefore, increase their share of the global market. It achieves this by providing strategic leadership for the region's Marine sector. This involves analysing global market and technology trends and their implications for the region's businesses, leading the region's response to those trends and implications, identifying new business opportunities for South East companies and facilitating the collaborative responses.
Sector Support	Defence & Aerospace Sector Consortia	The Farnborough Aerospace Consortium (FAC) provides strategic leadership for the aerospace and defence sector in the South East. SEEDA funding enables the provision of the core infrastructure and strategic leadership capability of FAC which will subsequently enable the UK's aerospace and defence sector to increase its share of the global market. This, in detail, means: building strong partnerships with other industry stakeholders, working with them to develop a shared vision and strategy for the sector in the region, persuading them to align their plans and resources with this strategy to overcome the current problems of fragmentation; coordinating its implementation and evaluating its impact.
Sector Support	Environmental Sector Consortia	Envirobusiness South East Ltd enables South East environmental businesses to identify new international market opportunities and, therefore, increase their share of the global market. It provides strategic leadership for the region's environmental technology and service (ETS) sector. The consortia are a vehicle for creating networks of companies to better respond to market needs. This is in line with what the Lambert ⁵ Report calls 'structured serendipity' - creating a platform on which companies will be able to collaborate.
Sector Support	Digital Content Sector Consortia	A new company (South East Media Network) was set up in response to invitation by SEEDA to provide a holistic response to the problems faced by the digital media sector in the region, ie. the changing nature of how technologies are used/affect businesses and communications. Established following withdrawal of funds to sub-regional Wired partnerships and was a follow-on of the MTT (Media, technology and telecommunications). Service provides industry links, encourages dialogue between actors and passes on information which will improve the way businesses run.
Sector Support	Innovation and Technology Transfer Project 2003-20	The aim of this Project was to achieve Innovation and Technology Transfer brokerage activities in support of wealth and job creation in the South-East. Objectives include raising the awareness of South-East businesses to the Defence Diversification Agency's services and collect business opportunities and match them to technology, knowledge and know-how from within the Ministry of Defence Scientific and Technical base.
Sector Support	Healthcare Technologies Consortia	Health care consortia run by South East Healthcare Technologies Alliance (SEHTA), which was set up to deliver the project. Provide sector support to individual businesses including those in the supply chain and also work to have a strategic influence to improve the performance of the sector as a whole.

⁵ Lambert Review of Business-University Collaboration, 2003

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Inward Investment	SEEDA Support to Locate In Kent	Locate in Kent (LIK) is the inward investment agency for the County of Kent. Prior to receiving funding from SEEDA, LIK sought to attract investment into Kent from both domestic and international markets via a series of offices/presence overseas. Post-SEEDA funding, LIK reconfigured its services to concentrate solely on attracting domestic sources of investment, targeting in particular the Sustainable Communities growth areas of Ashford and North Kent Thames Gateway.
Inward Investment	North American Representation	Funding of representatives in key North American locations. These representatives are tasked with identifying organisations interested potentially in locating operations in the South East region. A key objective is to facilitate visits and trade missions to the South East that will ultimately lead to sustainable investment.
International Trade	International Trade Sector Advisors	SEEDA funds a series of specialists to provide advice and guidance on international trade for South East based companies. The objective is to support companies to identify and enter into new overseas markets, thus increasing their overall market penetration and subsequent revenues. The advisers are sector specific, reflecting SEEDA's desire for more sector-targeted support for overseas market development. Target sectors: ICT, Biotech & Healthcare, Aerospace, Marine, New Media, Automotive.

- 2.14 Table 2-4 below presents a summary of the scale of the projects shortlisted for in-depth review as part of the evaluation. Data is drawn from the Aggresso systems. These projects were selected in order to provide a representative sample of overall programme activity.

Table 2-4: Sample Shortlist		
Theme	Number of Projects	Total Spend in Relevant Period - Aggresso (£000s)
International Trade	1	1,453.0
Inward Investment	2	1,210.4
Sector Support	9	3,811.5
Total for sample shortlist	12	6,475.0
Source: Aggresso data		

- 2.15 In total, there are 23 projects that cover these three themes, accounting for £15.8million. Of this, a sample of 12 projects is reviewed in detail, accounting for approximately £6.5million (i.e. 41% of the total).
- 2.16 It is clear that the average cost of both International Trade and Inward Investment projects is significantly higher than for Sector Support. Anecdotally, this is likely to reflect the relatively high cost of supporting the development of overseas markets and attempting to draw in new investment to the region.
- 2.17 The Sector Support projects selected for review provide a good, representative sample of SEEDA's activity in this area. For the Inward Investment area of activity, two projects have been selected and these represent some very specific forms of support. These projects should not be taken as reflective necessarily of the overall thrust of SEEDA's approach to inward investment. As demonstrated by the data presented earlier, there is significant additional activity undertaken by the Agency in support of inward investment that lies outside of the specific projects reviewed.

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- 2.18 As Table 2-6 below shows, actual project spend has, in the main, equated to that actually incurred, apart from in the Inward Investment theme, where the North American Representation project under-spent during the relevant period. The other projects appear to have progressed much as anticipated. These projects have incurred revenue rather than capital spend and therefore forecasting budgets is likely to have been relatively straightforward.

Table 2-6 Project Costs 2002/03 to 2006/07				
£000	Sector Support	Inward Investment	International Trade	Grand Total
SEEDA Costs – Contracted (£000s)	3,642	2,109	3,780	9,532
SEEDA Costs – Actual (£000s)	3,723	1,750	3,780	9,253
Balance (£000s)	81	-359	0	-278
Actual as % of Contracted	100.4%	79.1%	100%	96.8%
Source: Regeneris Project Review Database				
Actual as % of Contracted presented as an average of individual projects within each theme				

- 2.19 Tables 2-7 and 2-8 below show project outputs in terms of jobs created and businesses supported, where this information is available.

Table 2-7 Project Outputs - Job Creation 2002/03 to 2006/07				
	Sector Support	Inward Investment	International Trade	Grand Total
Contracted	35	1,300	n/a	1,335
Actual	0	1,317	n/a	1,317
Balance	-35	17	n/a	-18
Average Actual as % of Contracted	0%	101%	n/a	51%
Average unit costs	n/a	£380	n/a	£380
Source: Regeneris Project Review Database.				
The reviewed International Trade and Inwards Investment Projects were not set contractual targets for Job Creations				
The averages are calculated as averages across the individual projects within each theme				

Table 2-8 Project Outputs – Businesses Assisted 2002/03 to 2006/07				
	Sector Support	Inward Investment	International Trade	Grand Total
Contracted	817	n/a	n/a	817
Actual	2,755	n/a	n/a	2,755
Balance	1,938	n/a	n/a	1,938
Average Actual as % of Contracted	192%	n/a	n/a	337%
Average unit costs	£5,605	n/a	n/a	£5,605
Range of unit costs	£346 - £22,100	n/a	n/a	£346 - £22,100
Source: Regeneris Project Review Database.				
The reviewed International Trade and Inwards Investment Projects were not set contractual targets for Businesses Assisted				
The averages are calculated as averages across the individual projects within each theme				

- 2.20 This data should again be treated with a degree of caution. In some instances, project contracting arrangements were finalised without any specific target outputs for these main indicators being firmly established. For several projects, key indicators were agreed only

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some time after the inception and commencement of the projects.

- 2.21 The output data that does exist (notwithstanding issues around its accuracy) suggests that projects have been successful in their ability overall to engage with business beneficiaries and provide support. They have generated fewer outputs in terms of both creating new jobs and new businesses. This is due partly to the fact that many of these projects did not stipulate the creation of either jobs or new businesses as a key objective and have sought instead to offer services that generate a higher degree of innovation, use of new technology, greater networking opportunities or more effective business processes.
- 2.22 Arguably, however, these actions should in time lead to additional job or business creation and, as such, these outputs could have been included in the initial contracts with project delivery bodies.

Project objectives

- 2.23 The Sector Support projects generally state improved business performance amongst target sector firms as well as introduction of new products and services as the primary objectives. Secondary objectives included stimulating innovation and R&D activity within target firms, as well as promoting export sales growth.
- 2.24 For both the International Trade and Inward Investment projects under review, primary objectives address the need to extend the market reach of growth firms into overseas markets, as well as securing new, sustainable forms of Inward Investment in to the South East region.
- 2.25 Overall, the key objectives articulated by these projects are in line with the main strategic priorities of SEEDA as a regional economic development agency. The projects take the development of new products and services, extending reach into new markets and developing a more knowledge-intensive and R&D-oriented business base as priorities. This is in keeping with the overall thrust of the 2002-2012 RES and associated strategy statements, indicating that project activities on the ground have, in the main, consciously sought to align themselves with the region's identified strategic needs.

Project Investment

- 2.26 Sector Support, International Trade and Inward Investment projects are revenue funded by SEEDA. The Agency's contribution has gone into establishing new services from scratch or extending or reconfiguring an existing set of services.
- 2.27 A proportion of SEEDA's funding for the sampled International Trade and Inward Investment projects has tended to sit alongside existing streams of core funding rather than be used to leverage in additional funding, as such. This is the case for both SEEDA's funding of Locate in Kent and the International Trade Advisors project.
- 2.28 SEEDA's intervention has also led to the extension of certain existing activities (e.g. the initiation of sector-specific trade advisors within UKTI South East) or the redesign of an existing service (e.g. redirecting Locate in Kent's activities towards domestic investment markets). As such, several streams of funding were already in place and SEEDA funds were effectively brought in to match an existing portfolio of funding. Without SEEDA's additional

funding it is unlikely that these project activities would have been extended or redirected in this manner.

The Beneficiaries

- 2.29 All projects reviewed focus on certain types of firm. There are therefore a number of common characteristics identifiable across target beneficiary groups. It should be borne in mind again that the inward investment projects reviewed are not representative necessarily of the entirety of SEEDA's inward investment activity.
- 2.30 Overall, Sector Support, International Trade and Inward Investment projects are seeking to attract potential high-growth firms and this will include start-up and even pre-start firms. In addition, there is an emphasis on supporting higher value-added businesses or those enterprises deemed most capable of generating higher-value products and services with appropriate support. There is a spread of interest across the projects in terms of sectors, with activity targeted at a fairly broad range of sector specialisms.
- 2.31 In total, 551 businesses that had received assistance from the sample projects took part in the telephone survey for this evaluation. In constructing the sample of beneficiaries to take part in the survey, every effort was made to ensure a representative and statistically significant coverage of the project beneficiaries. A thorough breakdown of the sampling techniques adopted and the levels of statistical significance can be found in the technical appendix to this document.
- 2.32 From our primary analysis of project beneficiaries, a number of specific findings emerge regarding the characteristics of beneficiaries supported. In terms of age of beneficiary firm, the majority (52%) are under 10 years old. The largest single grouping of businesses in the sample (32%), however, is actually aged over 20 years. These businesses are more commonly beneficiaries of International Trade or Inward Investment project support. There is, therefore, a significant number of beneficiary companies that are very mature and may not necessarily be young, high-growth potential businesses.
- 2.33 The majority of actual business beneficiaries are small and often micro-business, with less than 10 employees. Within both Sector-Support and International-Trade related projects the businesses tend to be small.
- 2.34 The beneficiaries of Inward Investment support are generally larger than those receiving other forms of project support. This might be expected, as the projects will be actively targeting companies capable of generating a significant number of new jobs in the South East region. It should be borne in mind that one of the projects from which beneficiaries are drawn focuses specifically on the Kent area and is therefore more likely to attract larger businesses especially in the manufacturing sector, given Kent's economic profile. This is not necessarily representative of SEEDA's inward investors overall.
- 2.35 The Inward Investment projects reviewed in-depth for the evaluation have resulted in a particular set of characteristics associated with beneficiaries. For example, few of the project beneficiaries are to be found in ICT-related sectors. Generally, SEEDA's activities across the board regarding inward investment would generate a larger number of business beneficiaries across these sectors. It should also be borne in mind that the sample of beneficiaries also picks up significant numbers of beneficiary investors associated with North

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American markets. Generally, SEEDA would expect GVA per investment to be lower for businesses from these markets than, say, from Asian or Far Eastern markets.

- 2.36 International Trade projects appear to be picking up significant numbers of smaller yet older businesses. This may indicate that these are SME businesses that have been attempting to expand into overseas markets for some time. There may be a question mark, therefore, over how many relatively new, genuinely high-growth potential businesses are actually being picked up by projects.
- 2.37 In terms of sector representation, the largest share of businesses (20%) supported by these projects overall operate in the Manufacturing sector. The next highest share operates in Business Services (17%). Given SEEDA's overall strategic objectives to raise value added across key sectors, significant penetration would have to be achieved across higher-end and advanced manufacturing businesses in order for these objectives to be realised. Again, the fact that one of the Inward Investment projects focuses specifically on Kent may explain the large number of manufacturing businesses, as this sector remains an important part of the Kent economy.
- 2.38 A significant number of business supported by these projects have achieved considerable levels of annual turnover already; 30% of businesses surveyed have turnover greater than £2.5million. Just under 40% of the sample, however, have turnover of less than £400,000. Higher turnover businesses are more likely to have received support associated with Inward Investment and are therefore likely to be significant providers of new employment opportunities in the South East. A significant number of those businesses receiving sector support are also within the highest turnover categories.
- 2.39 Overall, there is a reasonable representation of businesses supported at both the smaller size, low turnover end of the spectrum, as well as the opposite larger size, high turnover end. The area in the middle, with more medium sized (11-250 employees) and medium turnover (£400,000 - £1.6million) business is less well represented. There is clearly an opportunity to extend the reach of projects further into this 'middle ground' of potential beneficiaries.

The Support Provided

- 2.40 Tables 2-9 and 2-10 below present details on the types of assistance project beneficiaries have indicated that they received from the projects.

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Table 2-9: Type of assistance received by participants in telephone survey								
Assistance received	Inward Investment		Sector Support		International Trade		All Business Competitiveness Themes	
Financial assistance	7	16%	95	24%	58	50%	160	14%
Assistance with business premises	22	51%	8	2%	2	2%	32	3%
Specific advice or guidance	8	19%	120	31%	55	48%	183	16%
General information	7	16%	120	31%	22	19%	149	13%
Access to other businesses, universities or research institutions	4	9%	115	29%	4	3%	123	11%
Total	43	-	393	-	115	-	551	100%
Source: Regeneris Consulting Survey of beneficiaries Q16. Note: At a 95% confidence level, the data in this table has the following margins of error: Inward Investment +/- 8.8%, Sector Support +/- 4.6%, International Trade +/- 8.1%, All Business Competitiveness themes +/- 3.9%.								

Table 2-10: Number of types of assistance received								
Number of types of assistance received	Inward Investment		Sector Support		International Trade		All Business Competitiveness Themes	
One	349	76%	92	65%	38	79%	479	74%
Two	60	13%	42	30%	10	21%	112	17%
Three	24	5%	3	2%	-	0%	27	4%
Four	20	4%	4	3%	-	0%	24	4%
Five	5	1%	-	0%	-	0%	5	1%
Total	458	100%	141	100%	48	100%	647	100%
Source: Regeneris Consulting Survey of beneficiaries Q16. Note: At a 95% confidence level, the data in this table has the following margins of error: Inward Investment +/- 8.8%, Sector Support +/- 4.6%, International Trade +/- 8.1%, All Business Competitiveness themes +/- 3.9%.								

- 2.41 For all projects, the most common type of assistance was in the form of advice or guidance. This is not surprising as, in the main, it is the objective of many of these projects to stimulate improved business performance through the provision of appropriate and targeted advice and networking opportunities. Access to other support or intermediary organisations is also stated as a form of support received by beneficiary companies. Overall, the majority of projects claim to provide specialised advice as a major component of their offer and this reflects the views of beneficiaries in terms of actual support received.
- 2.42 Over half of the beneficiaries of Inward Investment projects claim to have received assistance with premises. This type of assistance is often common in inward investment support activities.
- 2.43 Half of the International Trade beneficiaries have received financial assistance, which might possibly be related to international trips or trade shows/exhibitions, or may have gone

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towards marketing activities. Few have received support with premises, probably because the beneficiaries are already functioning business entities.

- 2.44 Sector Support project beneficiaries are fairly evenly spread across the various forms of support, with the exception of help with premises, which is not after all a key function of these projects.
- 2.45 The majority of project beneficiaries report having received only a single form of support from these projects rather than multiple forms. For every inward investment success, SEEDA monitors the services the company received (following guidelines agreed by UKTI and RDAs). To count as a successful inward investment, the company needs to receive more than one service. In SEEDA's experience successful investors actually receive several services.
- 2.46 Inward Investment project beneficiaries, in common with all beneficiaries, cite help with premises as a main form of assistance. These beneficiaries do not suggest that they are taking advantage of a fuller set of support activities, as might be expected from these types of intervention. It should be borne in mind again here that the Inward Investment projects reviewed for the evaluation do not represent the full range of SEEDA's extensive inward investment programme.

Summary Assessment of Projects

Rationale & Approach

- 2.47 Sector support projects, such as the Sector Consortia, have sought to develop a more competitive, higher value and innovation-oriented business base across the target sectors of interest, i.e. Automotive, Construction and Built Environment, Bio-manufacturing, Aerospace and Defence, Marine, Environmental Technologies, Digital Media and Healthcare Technologies. In particular, the Sector Consortia aimed to provide advice, guidance and in some cases financial subsidy to further the ongoing development and evolution of product and service. Additional aims included greater coordination and influence over business support processes, mentoring of new and emerging firms and profile-raising. A further objective of these initiatives was the development of sector leadership functions, establishing a lead voice and influencing body for these sectors across the region.
- 2.48 In some cases, overcoming difficulties associated with configuring effective supply chains across the region and streamlining procurement processes to the benefit of target companies were highlighted by projects as core rationale for intervention. In addition, management and protection of intellectual property on the part of small and growing firms was identified as a rationale, as was the need for more active and effective catalysts for linking R&D-oriented growth firms to HEIs and the wider regional knowledge base.
- 2.49 International Trade and Inward Investment projects are relatively clear on both their objectives and rationale, namely the attraction of quality new investment into the region which creates significant new employment as well as supporting the penetration of South East based businesses into new overseas markets, again with the aim of generating new employment.
- 2.50 Additionally, the presence in the region, specifically in Kent, of two Sustainable Communities growth areas provides specific objectives around new investment in these areas in order to

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increase the sustainability of emerging new communities. As these growth areas do not have bespoke Inward Investment functions, SEEDA's funding has enabled existing structures to extend further into these locations. With regard to enhancing trade between regional businesses and overseas markets, the often prohibitive information costs faced by smaller South East based firms are being addressed through the intermediary actions funded by SEEDA.

- 2.51 It would be fair to say that for all of these projects, there is an apparent 'logic chain', in that a specific regional economic issue or constraint has been identified, alongside the appropriate market failure rationale (see below) and a solution designed to address the problem. All of the projects are able to demonstrate a logical progression from identification of initial problem with appropriate supporting evidence, suitable project design in response and active implementation to address the initial issue.

Market Failure

- 2.52 The rationale for project intervention is reasonably clear in market failure terms. In terms of the forms of market failure that these projects seek to address, they tend to cover both causes of imperfect information and excessive market power. In the case of both Sector Support and International Trade/Inward Investment project interventions, they seek to provide advice, information or leadership/coordination functions that reduce the costs of business development and market expansion and provide target businesses with a more effective platform from which to extend their competitive position.
- 2.53 Project activities generally seek to reduce the direct costs to firms of acquiring information in order to aid their investment decisions and clarify the nature of the returns available to certain forms of investment. In some instances, projects seek to provide mechanisms for collective action within target markets, again enabling firms to reduce the overall costs associated with penetrating or developing new markets or products.
- 2.54 Sector Support projects also sought specifically to address the costs to businesses of protecting their intellectual property, in order that they are better able to exploit new innovations in the marketplace.
- 2.55 In most instances, these projects have successfully increased the quantum of information and intelligence available directly to targeted businesses, thereby reducing the costs of acquiring this information and enhancing the decision-making actions of businesses.
- 2.56 With regard to International Trade, Inward Investment and Sector Support, there are numerous cases where businesses have gone ahead with investment decisions (e.g. expanding into new markets or developing new products) that would not have been possible otherwise. Added value is provided through the International Trade Advisers project through the supply and provision of a range of contacts to beneficiaries that they would not have been able to source or pursue independently.
- 2.57 Bearing in mind, however, that there are significant numbers of both relatively older and larger businesses within the sample of beneficiaries, it is possible that a share of the businesses supported might have been able to support their own investment activities independently without SEEDA intervention.

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- 2.58 In **equity** terms, the projects reviewed all help to support greater access to market opportunities for businesses that would be otherwise constrained due to location, market position or skill-related issues. One of the rationales for inward investment support is to ensure that new opportunities for employment and business creation are available in those parts of the region where the economy is weaker in relative terms (e.g. Thames Gateway areas of Kent). See Table 2-11.

Table 2-11 Summary of Potential Rationale for SEEDA’s Interventions					
	Market Failure				Equity
	Public Good	External-ities	Imperfect Information	Market power	
Sector Support	√√		√√√	√√	√
	Main market failure rationale relates to overcoming information asymmetries, as well as providing leadership functions that would not be possible due to public good related issues.				
Inward Investment	√√		√√√		√√
	Clear rationale around addressing asymmetric information constraints, as well as equity rationale around provision of new employment and business opportunities in more challenged parts of the region				
International Trade			√√√	√√	√
	Market failure associated with imperfect information addressed here, as well as support for penetrating new markets and therefore overcoming significant barriers to entry into these markets.				
Note: For strength of market failure case, 1 tick = weak case, 2 ticks = partial case and 3 ticks = compelling case. No ticks = no case.					
Source: Project Reviews.					

Project Design & Delivery

- 2.59 All projects have engaged widely with regional stakeholders in terms of both their design and delivery. There is a significant involvement from private sector partners across projects, especially, as would be expected, within the Sector Consortia. SEEDA has itself also been actively involved in the design of project activities.
- 2.60 In the main, in terms of their strategic objectives, projects have been designed effectively to address the key market failure or other issues that they identify as significant barriers to business development.
- 2.61 The development of the various Sector Consortia broadly followed a model established for the Aerospace and Defence consortium. This model has proved to be reasonably applicable to other target sectors, although each consortium has of course evolved to some extent independently to meet the specific requirements of its sector.
- 2.62 There are good examples from within the Inward Investment projects and the International Trade projects of interventions designed with clear, well-evidenced rationales, a set of appropriate core functions and well-defined target beneficiaries.

3. Impact on Businesses Supported

Business Trends and Ambitions

- 3.1 Table 3-1 below illustrates how performance has changed for beneficiary companies since receiving support.

Table 3-1: Change in company performance after receiving support								
	Inward Investment		Sector Support		International Trade		All Business Competitiveness Themes	
	No	%	No	%	No	%	No	%
Improved	19	44%	106	27%	40	35%	165	30%
Worsened	11	26%	53	13%	12	10%	76	14%
Stayed the same	13	30%	234	60%	63	55%	310	56%
Grand Total	43	100%	393	100%	115	100%	551	100%
Source: Regeneris Consulting Survey of beneficiaries Q14 and 71a. Note: At a 95% confidence level, the data in this table has the following margins of error: Inward Investment +/- 11.3%, Sector Support +/- 5.0%, International Trade +/- 8.5%, All Business Competitiveness themes +/- 4.1%.								

- 3.2 Just under one third (30%) of beneficiaries across these projects overall report an improvement to business performance since receiving support from projects. The majority of beneficiaries (56%) report no change in performance and a share (14%) report a decline in performance.
- 3.3 Businesses participating in Inward Investment projects are most likely to report an improvement in performance. In fact, almost half report a positive change in business performance. Bear in mind, of course, that SEEDA is not measured in terms of how a company performs after it has entered the UK market.
- 3.4 Those beneficiaries engaging with the Sector Consortia are less likely to report experiencing performance improvement compared to International Trade and Inward Investment beneficiaries.
- 3.5 A number of points should be borne in mind in the context of these responses:
- The survey has utilised a basic set of questions and applied these to all beneficiaries of all projects. It is difficult in this form of evaluation to create bespoke forms of questioning for different projects, as this would restrict the ability to make comparisons. Therefore in some instances the precise questions asked may not be a direct reflection of the overall objectives of some projects. For example, with regard to Inward Investment projects, a more meaningful line of questioning may be associated simply with the difference project participation made to an investment decision, i.e. whether to locate in the South East region or not. Questions regarding changing company performance may be less meaningful in this case. In the case of many inward investors, the presence of operations in the UK constitutes little other than a cost centre initially and therefore significant improvement in business

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performance may not necessarily be expected in the short term.

- It may be difficult for beneficiaries to recall accurately the precise impact of project participation, especially if this participation took place some time ago.
- It may also be difficult for beneficiaries to directly attribute any improvement in business performance directly to project participation, or to distinguish between the impacts of numerous activities they may have been involved in.
- In some instances, no change in performance may well have been a positive outcome, as the alternative in the absence of project participation may in fact have been a decline in business performance.

3.6 Therefore, the figure of 30% of respondents claiming that their business has improved since receiving support may possibly be an underestimate of the actual outcome.

3.7 Table 3-2 below shows the prevailing growth ambitions of beneficiaries at the point when they participated in the project.

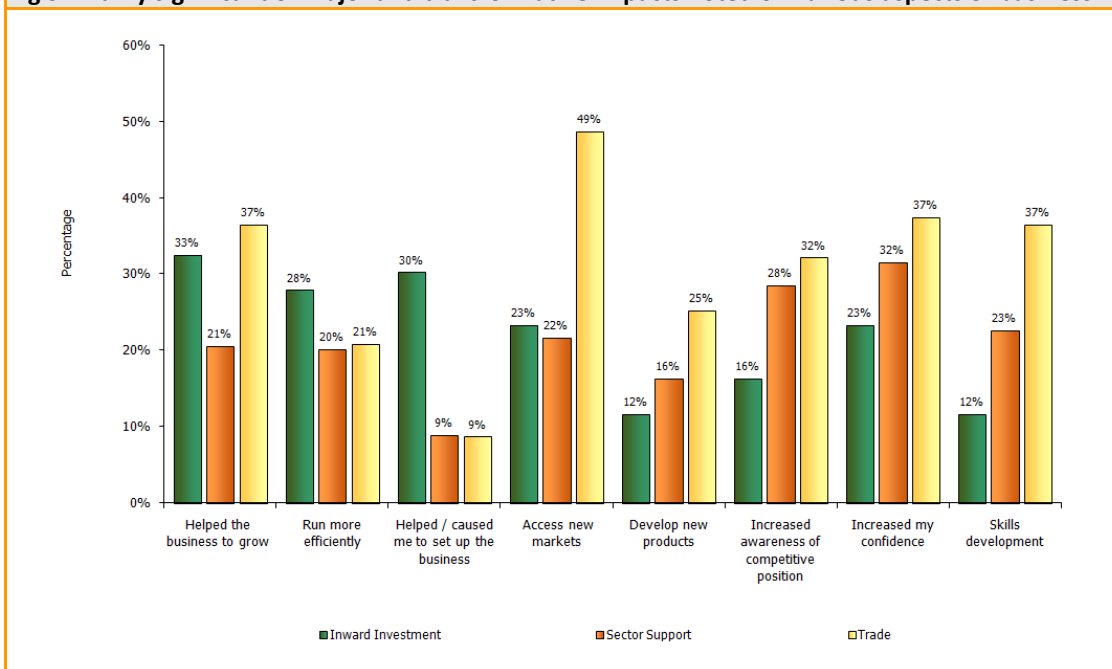
Table 3-2: Growth ambitions of company								
	Inward Investment		Sector Support		International Trade		All Business Competitiveness Themes	
	No	%	No	%	No	%	No	%
We are focused on ensuring the survival of the business	7	16%	19	5%	5	4%	31	6%
We do not wish to grow the business beyond its current size	3	7%	34	9%	6	5%	43	8%
We wish to grow the size of the business a little	9	21%	110	28%	22	19%	141	26%
We wish to grow the size of the business significantly	24	56%	230	59%	82	71%	336	61%
Grand Total	43	100%	393	100%	115	100%	551	100%
Source: Regeneris Consulting Survey of beneficiaries Q15. Note: At a 95% confidence level, the data in this table has the following margins of error: Inward Investment +/- 8.8%, Sector Support +/- 4.6%, International Trade +/- 8.1%, All Business Competitiveness themes +/- 3.9%.								

3.8 This table shows that over 60% of participating businesses had active high-growth ambitions that may or may not have been realised through their participation in the SEEDA- funded projects. This does suggest, however, that the projects have effectively targeted businesses that claim to have growth as a key objective.

Changes to the business

3.9 Figure 3-1 below shows the size of different impacts reported by project beneficiaries.

Fig 3-1 Fairly significant or major and transformative impacts noted on various aspects of business



Source: Regeneris Consulting Survey of beneficiaries Q72

Note: At a 95% confidence level, the data in this figure has the following margins of error: Inward Investment +/- 8.8%, Sector Support +/- 4.6%, Trade +/- 8.1%, All Business Competitiveness themes +/- 3.9%.

- 3.10 Generally speaking, Inward Investment project beneficiaries are more likely to report successful business set-up (presumably becoming established in the South East), as well as growing and accessing new markets. International Trade and Sector Support project beneficiaries tend to have positive experiences more associated with skills development, confidence and appreciation of market position, as well as accessing new markets.
- 3.11 Half of the beneficiaries of International Trade project activity have accessed new markets successfully: a good result. More than a third of beneficiaries of this activity have experienced business growth, improved confidence and skills development.

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Table 3-3: New markets opened up as a result of assistance								
	Inward Investment		Sector Support		International Trade		All Business Competitiveness Themes	
	No	%	No	%	No	%	No	%
In the South East	13	30%	112	28%	17	15%	142	26%
In the rest of the UK	5	12%	78	20%	15	13%	98	18%
Overseas	6	14%	75	19%	70	61%	151	27%
No new markets have opened up	24	56%	213	54%	43	37%	280	51%
Total	43	-	393	-	115	-	551	-
Source: Regeneris Consulting Survey of beneficiaries Q71. Note: At a 95% confidence level, the data in this table has the following margins of error: Inward Investment +/- 8.8%, Sector Support +/- 4.7%, International Trade +/- 8.1%, All Business Competitiveness themes +/- 3.9%.								

- 3.12 Table 3.3 shows the extent to which project beneficiaries report new markets opening up for them since receiving support. Overall, almost half (49%) of project beneficiaries report new markets opening up since receiving support. This is another positive result for the participants of these projects.
- 3.13 Well over half of the International Trade beneficiaries report new overseas markets opening up: another very positive result. Only 37% of the participants of these projects report no new markets opening up.
- 3.14 Almost half of the beneficiaries of Inward Investment projects report new markets opening up, mainly in the South East region itself this time.
- 3.15 For Sector Support project beneficiaries, 46% report new markets, particularly again in the South East region.
- 3.16 Interestingly, most project participants would not be prepared to pay more for the services they received (see Table 3-4). This may reflect the possibility that participant businesses do not always draw a direct correlation between participation in the project and outcome business performance. Alternatively, of course, they may feel that participation was fair in terms of the costs, direct and indirect, incurred by them. Additionally, as many of the project participants are possible micro-businesses, they may be unable to pay additional fees for services.
- 3.17 It should be borne in mind here that SEEDA and its partners (including LIK) do not charge for inward investment services. Therefore responses to questions regarding paying more for services received should be discounted for these projects.

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Table 3-4: Prepared to pay a little more for services received								
	Inward Investment		Sector Support		International Trade		All Business Competitiveness Themes	
	No	%	No	%	No	%	No	%
I would not be prepared to pay any more	22	51%	218	55%	69	60%	309	56%
I would pay between 0-10% more	10	23%	65	17%	23	20%	98	18%
I would pay between 11-25% more	1	2%	15	4%	4	3%	20	4%
I would pay between 25-50% more		0%	3	1%	1	1%	4	1%
I would pay more than 50% more	1	2%	4	1%	1	1%	6	1%
Don't know	9	21%	88	22%	17	15%	114	21%
Grand Total	43	100%	393	100%	115	100%	551	100%
Source: Regeneris Consulting Survey of beneficiaries Q76. Note: At a 95% confidence level, the data in this table has the following margins of error: Inward Investment +/- 8.8%, Sector Support +/- 4.6%, International Trade +/- 8.1%, All Business Competitiveness themes +/- 3.9%.								

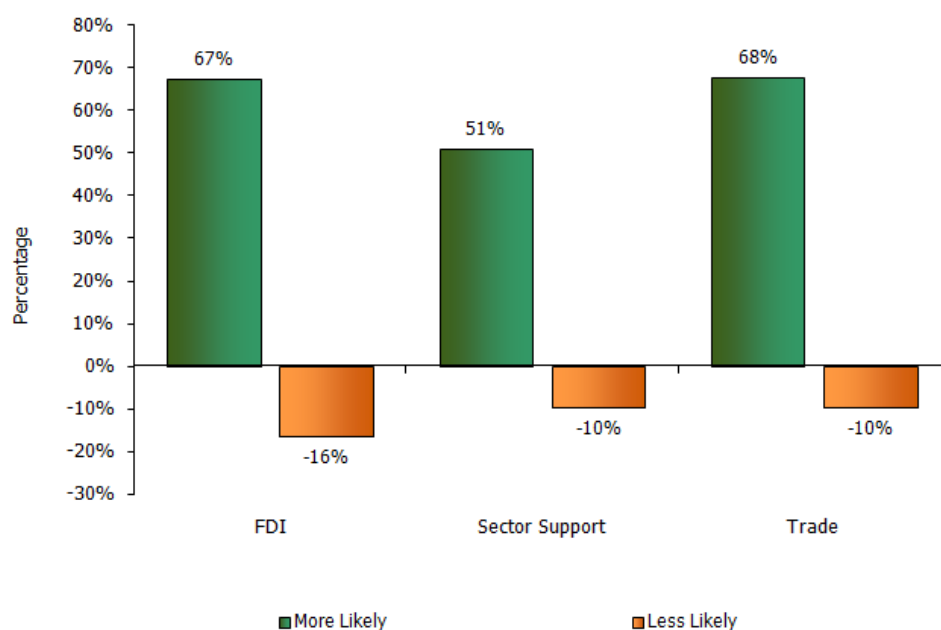
- 3.18 The majority of project beneficiaries seem to think that their expectations of the project outcomes are largely in line with what actually happened (see Table 3-5). There are a number of possible explanations here. It is possible that beneficiaries took part in the projects despite feeling that the end result would be largely no change to their current performance, possibly because the relative cost to them of participation was low.
- 3.19 It is also possible, however, that it is difficult for the beneficiary business to directly attribute any specific change specifically to the project activity, perhaps due to limited interaction with the project delivery agency or limited follow-up or outcome tracking work.
- 3.20 Furthermore, it is possible that the beneficiaries are partaking in a number of interventions simultaneously and may face considerable difficulty in differentiating between the various impacts.

Table 3-5: Match up of experience and expectations								
	Inward Investment		Sector Support		International Trade		All Business Competitiveness Themes	
	No	%	No	%	No	%	No	%
Greatly exceeded them	6	14%	32	8%	18	16%	56	10%
Slightly exceeded them	7	16%	42	11%	11	10%	60	11%
Largely in line with them	21	49%	241	61%	67	58%	329	60%
Fell slightly short of them	2	5%	29	7%	11	10%	42	8%
Fell well short of them	5	12%	35	9%	6	5%	46	8%
Don't know	2	5%	14	4%	2	2%	18	3%
Grand Total	43	100%	393	100%	115	100%	551	100%
Source: Regeneris Consulting Survey of beneficiaries Q77. Note: At a 95% confidence level, the data in this table has the following margins of error: Inward Investment +/- 8.8%, Sector Support +/- 4.6%, International Trade +/- 8.1%, All Business Competitiveness themes +/- 3.9%.								

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- 3.21 On a positive note, over 20% of beneficiaries state that their expectations were actually exceeded. The majority of beneficiaries felt that expectations were very much in line with what they actually experienced.
- 3.22 It is clear also that project participants are now more likely to seek to access other forms of support (see Figure 3-2).

Fig 3-2 Likelihood of seeking external support after receiving assistance



Source: Regeneris Consulting Survey of Beneficiaries Q78.

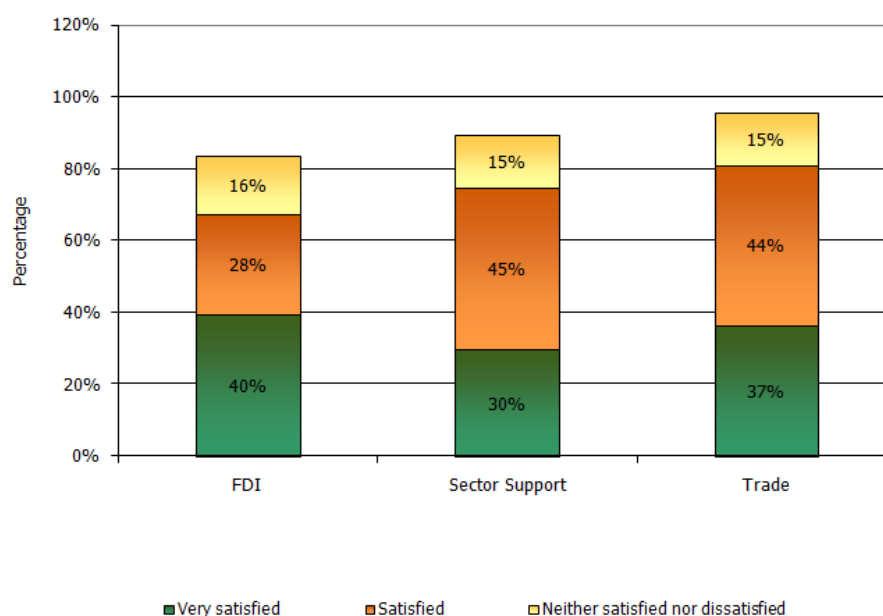
Note: At a 95% confidence level, the data in this figure has the following margins of error: Inward Investment +/- 8.8%, Sector Support +/- 4.7%, Trade +/- 8.1%, All Business Competitiveness themes +/- 3.9%.

Perceptions of the Service

- 3.23 Overall, project beneficiaries appear to be reasonably satisfied with the services received via the projects (see Figure 3-3).

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Figure 3-3: Overall Satisfaction with services received



Source: Regeneris Consulting Survey of beneficiaries Q79.

Note: At a 95% confidence level, the data in this figure has the following margins of error: Inward Investment +/- 8.8%, Sector Support +/- 4.7%, Trade +/- 8.1%, All Business Competitiveness themes +/- 3.9%.

- 3.24 In terms of specific forms of support, there are relatively high and consistent levels of satisfaction with provision of finance, premises, information/advice and networking, although of these, networking receives a relatively less favourable response.

What Might Otherwise Have Happened: the Counterfactual

- 3.25 In the case of Inward Investment, it is highly unlikely that the projects reviewed would have gone ahead in their current form in the absence of SEEDA funding. There would certainly have been a contraction of current service levels and deliverers would have found it difficult to independently re-orientate their inward investment activity in the direction that SEEDA would have preferred. A significant proportion of Inward Investment beneficiaries – over 70% - do claim that they would have been able to locate premises elsewhere in the South East in the absence of the project. This is generally the form of support that these beneficiaries claim to have received most often and their ability to independently locate suitable premises remains untested.
- 3.26 As with Inward Investment, it is unlikely that the International Trade project reviewed would have been able to re-design its activities in the specialised manner (i.e. towards support for target sectors) that it has done without SEEDA's intervention. Just over 40% of beneficiaries claim that they would not have been able to make their investment in the absence of the project's support. A relatively small proportion of beneficiaries claim that they would have been able to source alternative financial support.
- 3.27 The Sector Support activities, particularly the Sector Consortia, would definitely not have

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gone ahead in the absence of SEEDA's intervention, as there was no real alternative leadership or coordinating vehicle in the region in the absence of SEEDA. A significant number of beneficiaries also claim that they would not have been able to source the various forms of support accessed via any alternative means.

Qualitative Impacts on Businesses

- 3.28 In addition to the benefits described by the actual project participants, project delivery bodies are able to identify a number of additional qualitative benefits since receiving support.
- 3.29 For the Sector Support projects, a number of these additional benefits are associated with a general awareness-raising in terms of the characteristics and potential of target sectors amongst both stakeholders and businesses themselves. In addition, opportunities for networking and greater connectivity between businesses within the target sectors and other intermediary and support organisations are also identified as additional benefits.
- 3.30 In addition, Sector Consortia point to increasing coordination and streamlining of business support activities generally as a result of the implementation of these projects, as well as the development of more efficient mechanisms for target companies to engage with the business support environment overall.
- 3.31 Improved connectivity and relationships between target sectors generally and the HE and R&D bases within the region is also identified as an additional benefit of project implementation.
- 3.32 For International Trade and Inward Investment projects additional qualitative benefits include improved profile of the South East region as a place for international investment.
- 3.33 There is a great deal of variability across projects in terms of how they gather information and feedback about impacts. A number of the sector consortia conduct survey analysis with beneficiaries on an ongoing basis. Other delivery organisations may bring in independent agencies to conduct evaluation and assessment. Overall, however, there is little consistency in terms of gathering intelligence about the ongoing impacts of these projects.

4. Impact on the South East Economy

4.1 We have included three assessments of impact:

- **Current Year Impact.** This assessment simply takes the figures for 2008 turnover, jobs and profit to generate the gross increases in company performance since the time the support was received.
- **Cumulative Impact.** The assessment takes into account the fact that supplementary financial impacts will have accrued to the company and region in the intervening years between 2008 and the start date of the intervention. To include an assessment of the impact accruing to the intervening years we have simplistically assumed a straight line growth trajectory⁶.
- **Future Impacts.** This assessment is based on responses in the beneficiary survey on the business's future expected growth in the next five years and the degree to which they would attribute these changes back to the support received⁷.

Gross Impacts of the Project Sample to Date

Gross Impacts

4.2 An aggregated analysis of the telephone survey responses to demonstrate the likely gross achievements of the sampled projects is presented in Table 4-1 below. These figures show changes experienced by the beneficiaries in total over the evaluation period, rather than change attributable to project participation only.

Table 4-1: Gross Impacts in Sampled Projects			
	Gross Additional Jobs (no.)	Gross Additional Turnover (£millions)	Gross Additional GVA (£millions)
Inward Investment	548	£8.9	£16.9
Sector Support	5,085	£439.2	£173.6
International Trade	1,036	£94.4	£29.4
All Business Competitiveness Themes	6,669	£542.4	£219.9

Source: Regeneris Consulting telephone survey of beneficiaries.
 Note 1: Impacts reported by telephone survey respondents in each projects have been scaled up to illustrate the total beneficiary impact of each project. See Technical Appendix for more detailed methodology.
 Note 2: At a 95% confidence level, the data in this table has the following margins of error: Inward Investment +/- 8.8%, Sector Support +/- 4.6%, International Trade +/- 8.1%, All Business Competitiveness themes +/- 3.9%.

4.3 Businesses taking part in these projects overall have generated an equivalent figure of over 6,600 jobs, representing over £540million of gross additional turnover. A figure of £219million of GVA has been generated by these businesses. In general, therefore, the

⁶ The cumulative analysis has not been applied to Jobs Created.

⁷ The Future Impact Assessment is not cumulative due to the way in which the future impact questions were asked.

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beneficiary firms have, as a group, experienced a very positive business performance.

- 4.4 Businesses partaking in Sector Support projects account for by far the largest share in this employment and turnover generation.
- 4.5 The key question now is the extent to which project participants have generated these outcomes as a direct result of project involvement.

Gross to Net Adjustments Factors

- 4.6 Table 4-2 below presents an adjustment from gross to net outputs for businesses participating in these projects, based on survey responses. A detailed explanation of how these figures have been generated is provided in Appendix D.

Table 4-2: Net additional impacts as a proportion of gross additional impacts			
	Jobs	Turnover	GVA
Inward Investment	24-36%	46-55%	28-40%
Sector Support	29-36%	10-18%	29-35%
International Trade	32-42%	48-56%	33-43%
All Business Competitiveness Themes	30-35%	19-25%	30-35%

Source: Regeneris Consulting telephone survey of beneficiaries. This table shows the proportion of gross impacts that translate into net additional impacts once deadweight, displacement and leakage have been accounted for and a multiplier applied. They have been generated using survey responses, apart from multipliers which were calculated using a cautious 1.3 uplift factor taken from EP Guidance for “limited local supply linkages and induced or income effects”. These figures have been generated based on Current Year Impacts **not** cumulative impacts which are different due to the weighting accorded to higher gross impacts. Please see Technical Appendix for detailed commentary on the calculation of individual adjustment factors for displacement, deadweight, leakage and multiplier.

Note: Ranges have been calculated based on the margins of error associated with relevant questions in each theme – see Technical Appendix for more detail.

- 4.7 Overall, 30-35% of jobs generated by the beneficiary companies can be attributed directly to the project interventions, suggesting that around 70% of employment growth might have been achieved by these firms in the absence of the projects. The net impact of additional turnover associated with the projects is lower, in the range of 19%-25%. Around one third of Net GVA growth for these firms can be attributed directly to the project interventions.
- 4.8 Inward Investment project interventions generate significant impacts on turnover, accounting for around half of the additional turnover achieved by the beneficiary businesses. Sector Support projects generate lower net additional turnover. International Trade projects are able to generate reasonable levels of net additional GVA; up to 43% growth attributable to the project interventions in some cases.
- 4.9 In line with the earlier finding from the beneficiary survey of the majority of participants reporting no overall change to performance since receiving support, there are relatively high levels of deadweight associated with participation in these project activities in general. Previously identified caveats with the survey responses should again be borne in mind here.
- 4.10 These relatively high levels of deadweight may well be a reflection of the fact that project interventions have taken place during a period of strong economic performance for the South East regional economy and have been selectively focussing on key growth sectors and markets. Therefore, many of the businesses supported are operating in buoyant conditions. Sector Support, Inward Investment and International Trade initiatives are each relatively

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light touch interventions providing networking and advice which in the context of the drivers impacting on business performance in the South East are likely to be quite modest for any single beneficiary.

- 4.11 Taking this into account these interventions would not be expected to have a transformative or rapid effect on bottom-line performance and this in large part explains why deadweight is high and overall additionality might initially appear to be low. As outlined below, however, a small number of beneficiaries do experience significant benefit and account for the major share of overall impact.
- 4.12 There appears to be relatively limited displacement impacts associated with jobs and turnover across project types.

Overall Net Impacts of the Project Sample

- 4.13 Applying the adjustment factors above to the gross achievements provides final net impact figures as presented in Table 4-3 below.

Table 4-3: Net Achievements in Project Sample			
	Net Additional Jobs (no.)	Net Additional Turnover (£millions)	Net Additional GVA (£millions)
Inward Investment	208	£4.5	£5.7
Sector Support	1,341	£63.2	£55.1
International Trade	366	£49.0	£11.2
All Business Competitiveness Themes	1,916	£116.8	£72.1

Source: Regeneris Consulting Survey of beneficiaries.

Note: Impacts reported by telephone survey respondents in each projects have been scaled up to illustrate the total beneficiary impact of each project. See Technical Appendix for more detailed methodology.

Note 2: At a 95% confidence level, the data in this table has the following margins of error: Inward Investment +/- 8.8%, Sector Support +/- 4.6%, International Trade +/- 8.1%, All Business Competitiveness themes +/- 3.9%.

- 4.14 Overall, the projects result in a measureable, positive economic impact. These project activities have contributed around £117million net additional turnover to the region via the sampled beneficiaries. This compares to a gross figure of almost £542million. Of this net figure, the largest share is again attributable to Sector Support projects.
- 4.15 A figure of 1,916 net additional jobs is also due to the impact of these project interventions, the major part coming, again, from Sector Support projects. Net additional value added attributable to the project interventions amounts to £72million. Once again, Sector Support constitutes the largest contribution of the three themes.
- 4.16 It is possible that businesses receiving Sector Support, despite the majority of them reporting no significant or transformative impact, are likely to experience benefits in the years immediately after participation than projects associated with International Trade and Inward Investment. These latter projects may require significant effort and therefore high spend initially and see no apparent return immediately afterwards. Securing new investment into the South East region from either domestic or foreign sources can often be a complex and lengthy process which may take several years to provide any noticeable impact.
- 4.17 Similarly with efforts to support business expansion into overseas markets, the returns

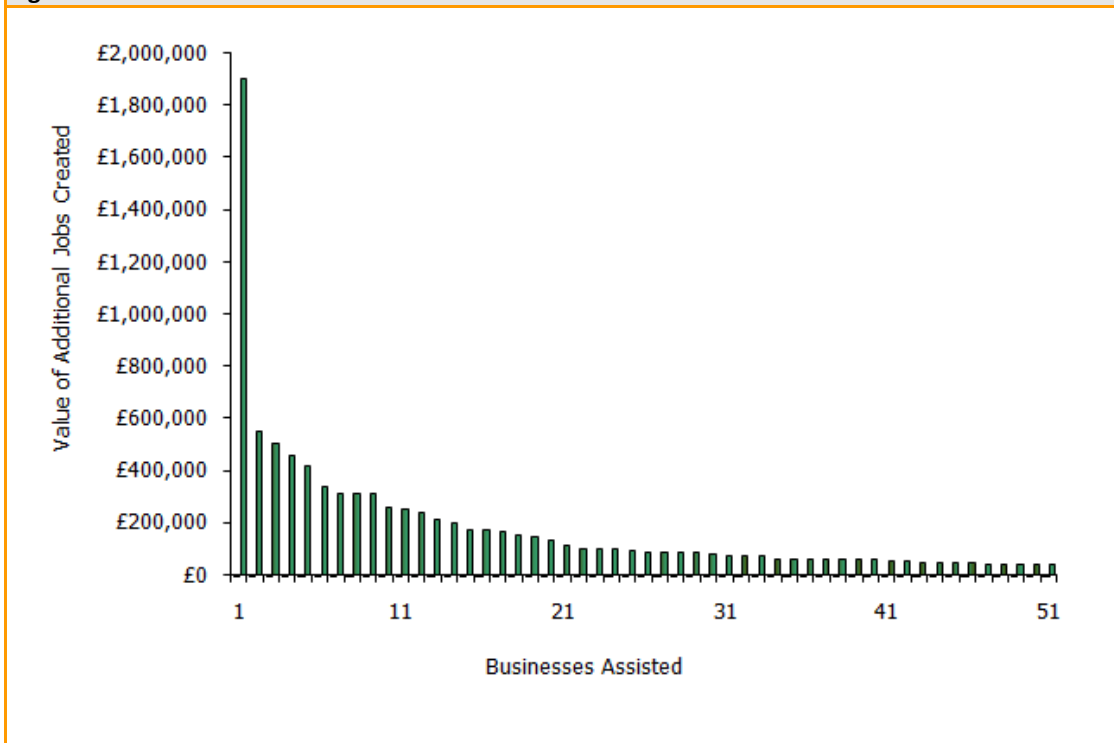
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experienced by individual businesses and therefore, subsequently, the region as whole may take some considerable time to accrue.

Distribution of Impact

- 4.18 As with project interventions typically in this thematic area, the overall distribution of impact is not spread uniformly across all beneficiaries. In fact, it is highly skewed towards a small number of key beneficiaries as illustrated in the Figure 4-1 below. This pattern is replicated across all of the main impact indicators.

Figure 4-1: Distribution of Jobs Created



Source: Regeneris Consulting Telephone Survey Q61a.

Note 2: At a 95% confidence level, the data in this figure has the following margins of error: Inward Investment +/- 8.8%, Sector Support +/- 4.6%, International Trade +/- 8.1%, All Business Competitiveness themes +/- 3.9%.

- 4.19 Impacts on turnover are particularly concentrated amongst a small number of project beneficiaries. As indicated above, this may be related to the timescales across which we might expect returns to accrue, with some projects securing benefits for participants early on, whereas other beneficiaries (especially of International Trade and Inward Investment project support) may have longer to wait. Profit appears to be more evenly spread across beneficiaries in relative terms.
- 4.20 Although there is a limited impact of intervention on most of the participants, for some participants the impacts are highly significant. All projects show this very small number of high achieving beneficiaries.
- 4.21 Overall, it appears that projects across all themes generally have managed to accurately target and effectively support a small number of businesses that have genuinely achieved high growth. Correspondingly, a large share of businesses taking part in projects are not

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securing significant benefit, indicating that they are either inappropriately and ineffectively supported, or indeed that they were the wrong businesses to support in this way.

- 4.22 This finding suggests that if the projects are able to target and support a larger share of businesses that might be located in the left hand corner of the above chart, the overall impact of the projects could be very significant indeed. These businesses might be the ones more likely to be found within the medium-size, medium-turnover range and which are relatively under-represented currently in the overall spectrum of business beneficiaries.

Estimated Achievements of the Programme

- 4.23 A grossing-up from the sample to the population for net Impacts of all of SEEDA's investment in these themes is presented below, in order to understand what the entire SEEDA investment in business competitiveness may have achieved. These impacts show the difference between the year in which the beneficiary received support and the current year.

Table 4-4: Estimated Overall Net Impacts on the South East Economy (Current Year impacts)			
	Net Additional Jobs (no.)	Net Additional Turnover (£millions)	Net Additional GVA (£millions)
Inward Investment	632 – 767	£13.6 - £16.6	£17.4 - £21.1
Sector Support	2,577 – 2,830	£121 – 133	£106 - £116
International Trade	575 – 678	£77.0 - £90.8	£17.6 - £20.8
All Business Competitiveness Themes	3,784 – 4,275	£212 - £241	£140 - £158
Source: Regeneris Consulting Survey of Beneficiaries. See Technical Appendix for methodology.			

- 4.24 Finally, these thematic interventions are providing a net impact in GVA terms of between £140million - £158million. This is positive certainly, although again in terms of the overall scale of the South East region's economy, this is not a significant sum; in fact it represents at best only approximately 0.09% of current South East regional GVA.
- 4.25 If the overall objective of these project interventions is to achieve a significant increase in regional GVA, these activities have secured a relatively limited impact overall, as yet. There will, of course, be future returns to these project activities and it may well be the case that there are greater returns to be had from these interventions over the longer term.
- 4.26 It should be borne in mind that in comparison to the overall scale of the South East economy, SEEDA is able to invest relatively limited amounts into these types of project intervention. By means of comparison, a figure of £85,588million⁸ of private sector investment has taken place across the South East over the period 2002-2006. This figure includes capital investment, as well as financial investment and investment in intangible fixed assets.
- 4.27 All of the projects subject to detailed review have, since the end of the evaluation period (i.e. 2006/7), implemented change and redesign to address any perceived weaknesses. As

⁸ Data on capital formation is not available regionally. Therefore the figure has been estimated using data on Gross Fixed Capital Formation by the Private Sector from the ONS United Kingdom National Accounts Blue Book 2007. South East figures have been derived by apportioning the national figures according to the South East's share of UK GVA.

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such, we might expect their overall impact to increase over time.

Return on Investment

- 4.28 An assessment of the value for money generated by exploring the relationship between money invested in the projects and their achievement is presented in Table 4-5 below.

Return on SEEDA's Investment – current year

Table 4-5 Return on SEEDA investment (Current Year Impacts)				
Gross Return on Investment				
	Cost per Business Assist	Cost per job created	Turnover per £1 invested	GVA per £1 invested
Inward Investment	£14,400	£2,600	£6	£12
Sector Support	£1,300	£800	£103	£41
International Trade	£2,800	£1,400	£65	£20
All Business Competitiveness Themes	£1,800	£1,100	£76	£31
Net Return on Investment				
Inward Investment	n/a	£6,800	£3	£4
Sector Support	n/a	£3,200	£15	£13
International Trade	n/a	£4,000	£34	£8
All Business Competitiveness Themes	n/a	£3,700	£16	£10
Source: Regeneris Consulting Survey of Beneficiaries and Aggresso Spend data.				
Note 2: At a 95% confidence level, the data in this table has the following margins of error: Inward Investment +/- 8.8%, Sector Support +/- 4.6%, International Trade +/- 8.1%, All Business Competitiveness themes +/- 3.9%.				
Aggresso spend data is in cash prices.				

- 4.29 These figures tell a much more positive story. In fact, all the figures for return on investment of SEEDA's activities, both gross and net, are positive. This suggests that SEEDA funding generates a positive return to the South East economy overall.
- 4.30 Although the current year impacts of SEEDA-funded interventions on the regional economy may be modest, when cost is taken into account, they represent good value for money. The cost per business assisted for Sector Support projects, for example, is very low.
- 4.31 The cost per net additional job created from SEEDA's interventions is £3,700 for all themes and only £3,200 for Sector Support. By way of illustration, this equates to an equivalent figure of £4,800 for generic business support investments made via the Objective 2 Programme in another UK region/ for example.
- 4.32 Sector Support projects appear to offer good value for money overall, given that GVA per £1 invested is higher for these projects than for International Trade and Inward Investment projects. It should be borne in mind again, however, that there may be issues regarding the timescale across which we might expect returns to accrue.

Cumulative Impacts

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- 4.33 Table 4-6 below shows the cumulative net impacts of project investments, i.e. additional impacts that have accrued over the years between initially receiving the support and the current year, added to current year impacts.

Table 4-6: Estimated Overall Net Impacts on the South East Economy (Cumulative Impacts)			
	Net Additional Jobs (no.)	Net Additional Turnover (£millions)	Net Additional GVA (£millions)
Inward Investment	632 – 767	£30.5 - £37.0	£37 - £45
Sector Support	2,577 – 2,830	£235 – 258	£185 - £204
International Trade	575 – 678	£106 - £125	£19.9 - £23.5
All Business Competitiveness Themes	3,784 – 4,275	£372 - £420	£243 - £273

Source: Regeneris Consulting Survey of Beneficiaries. See Technical Appendix for methodology.

- 4.34 Taking these effects into account generates a higher figure of £243million-£273million of GVA for the South East region. Table 4-7 below shows the return on investment associated with these cumulative impacts.

Table 4-7 Return on SEEDA investment (Cumulative Impacts)				
	Cost per Business Assist	Cost per job created	Turnover per £1 invested	GVA per £1 invested
Gross Return on Investment				
Inward Investment	£14,400	£2,600	£11	£20
Sector Support	£1,300	£800	£210	£67
International Trade	£2,800	£1,400	£90	£22
All Business Competitiveness Themes	£1,800	£1,100	£150	£49
Net Return on Investment				
Inward Investment	n/a	£6,800	£7	£9
Sector Support	n/a	£3,200	£29	£23
International Trade	n/a	£4,000	£47	£9
All Business Competitiveness Themes	n/a	£3,700	£28	£17

Source: Regeneris Consulting Survey of Beneficiaries and Aggresso Spend data.
Note 2: At a 95% confidence level, the data in this table has the following margins of error: Inward Investment +/- 8.8%, Sector Support +/- 4.6%, International Trade +/- 8.1%, All Business Competitiveness themes +/- 3.9%.
Aggresso spend data is in cash prices.

- 4.35 Again, all returns on investment are positive, with Sector Support projects generating good levels of net GVA for every £1 spent. By means of illustration, the cost per net additional job created via a similar business support programme in another region was £10,476. Similarly, the net additional turnover generated per £1 invested from this programme was only £14.61. Clearly, therefore, SEEDA's interventions offer good value for money in comparison to some of the other business support initiatives in other regions.
- 4.36 These projects are therefore providing strong positive returns, suggesting that the interventions make a significant difference to those firms that actually equate improved business performance directly to receipt of support.

Future Impacts

- 4.37 Table 4-8 below shows the value of impacts that might possibly accrue as a result of these project activities into the future.

Table 4-8: Estimated Overall Net Impacts on the South East Economy (Future Impacts)			
	Net Additional Jobs (no.)	Net Additional Turnover (£millions)	Net Additional Value Added (£millions)
Inward Investment	3,492 – 4,241	£27.9 - £33.9	£92 - £112
Sector Support	40,260 – 44,205	£25,018 - £27,469	£1,119 - £1,229
International Trade	5,344 – 6,305	£2,673 - £3,154	£158 - £186
All Business Competitiveness Themes	49,096 – 54,751	£27,719 - £30,657	£1,370 - £1,527
Source: Regeneris Consulting Survey of Beneficiaries. See Technical Appendix for methodology.			

- 4.38 Overall, therefore, businesses are claiming they might expect these project interventions to generate up to £1.5billion of net additional GVA over the next five years. This future assessment is essentially a guesstimate by businesses of how they will grow. These responses in all themes demonstrate a significant degree of ambition which appears not to have been adjusted for by real-world events, such as emerging recessionary conditions or the practical challenges every business faces in realising its goals. The estimated future impact from businesses represents almost a six-fold increase relative to those already secured and will require a fundamental step-change in business performance to occur if they are to be realised.

Supplementary Value Added By Projects

- 4.39 The majority of Sector Support projects reviewed in detail would not have been able to proceed in any form in the absence of SEEDA funding. A small number of Sector Support projects would have gone ahead but with a significantly more limited scope.
- 4.40 In terms of International Trade and Inward Investment, SEEDA funding has enabled the redesign and extension of existing functions. In the absence of SEEDA support, these functions would not have changed or would, in fact, have diminished in scale. As such, SEEDA's funding, according to project deliverers, has in most cases made the difference generally between the project going ahead or not.
- 4.41 Arguably, therefore, although the overall impacts in terms of regional GVA may be low, these impacts are unlikely to have been obtained in the absence of SEEDA's intervention. Even though clients have not generated significant impacts, there appears to be little alternative to SEEDA continuing to invest in these areas.

Strategic Added Value

Leadership

- 4.42 One of the overarching objectives of the Sector Consortia is indeed to provide a leadership function for these key sectors, illustrating to businesses and stakeholders the value to the region of extending the market reach and innovation capacity of businesses in these sectors. From the project deliverers themselves, there is a view that they have in some way managed to influence broader policy agendas that impact on their sectors, providing an impetus for a more bespoke response to the development needs of the sectors. Sector Consortia are also generally discussed favourably by regional stakeholders.
- 4.43 Inward Investment projects have played a role in engendering a more detailed and informed understanding of the characteristics and advantages of the South East region as a place to invest. These projects have added to the capacity of SEEDA itself and other stakeholders in terms of ability to market the region effectively.

Influence

- 4.44 Strategic influence on the agendas and priorities of other regional stakeholders was again a key objective of the Sector Consortia and a role they have all actively sought to take forward. These consortia act as vehicles through which firms can collectively influence business support and development processes, in a manner in which they would be unable to if acting independently. Overall, this has resulted in better coordination and streamlining of support specifically for these target sectors.
- 4.45 International Trade and Inward Investment projects are able to influence the overall approach to marketing the region both internally and externally, through interacting with influential networks of companies and strategic organisations overseas.

Leverage

- 4.46 There is little evidence of significant leverage of additional funding into the business competitiveness process via this collection of projects overall.
- 4.47 Sector Consortia can point to selected examples of specific financial leverage, although this is reasonably limited.

Synergy

- 4.48 Added value through improved synergy has been achieved to some extent via these project activities, especially through the establishment of new, often sector-based networks and better mechanisms for ongoing industry dialogue. Many of these network mechanisms did not exist previously in the South East. Overall, improvements to processes for dialogue with public stakeholders have been achieved.

Engagement

- 4.49 As with synergy related added value, the importance of sector-based networks is identified by various project deliverers as an achievement of these projects. It is likely that many of these networks and dialogue mechanisms will be sustainable in their own right after SEEDA funding ceases.

Changing Baseline Conditions in the South East Region

- 4.50 Various sources, including Annual Business Inquiry (ABI), show clearly that the South East region has continued to perform strongly over the period of the evaluation (i.e. 2002-2006/7), maintaining its position as one of the leading economic regions in Europe.
- 4.51 Overall employment levels have increased, as has the number of businesses operating in the region. Business survival is increasing over this period, as is the rate of investment by businesses in R&D. There have, however, been slight declines in the overall employment rate and the business start-up rate per head. Furthermore, there is a decline in patent applications and successful granting of new patents. This latter effect may be related to time lags associated with investment in R&D and conversion of this activity into new patented products.
- 4.52 The key question of course is the extent to which SEEDA's investments in the projects covered by this evaluation have contributed to this overall positive regional economic performance.

SEEDA's Impact on Changing Conditions

- 4.53 Table 4-9 below shows how these projects have impacted overall in terms of the GVA uplift engendered by the projects in comparison with the overall change to GVA within the regional economy.

Table 4-9: Comparison of Impacts with Regional GVA performance		
Theme	Net GVA Uplift (Cumulative) (£millions)	Percentage of regional GVA uplift 2002/03 – 2007/08 (£45 billion)
Inward Investment	£41.0	0.09%
Sector Support	£195.0	0.42%
International Trade	£21.7	0.05%
All Business Competitiveness Themes	£257.8	0.55%

Source: Regeneris Consulting calculations of impact and Headline GVA at current basic prices (ONS, GVA at current basic prices 2002/03 to 2007/08) Regional GVA available to 2006/07 so the average uplift in regional GVA 1997/8 to 2005/06 has been used for 2006/07 and 2007/08. Overall GVA uplift was converted into 2007 prices (see technical appendix for methodology).

- 4.54 The South East regional economy is significant in scale and there will always be a question mark over the extent to which SEEDA's programmes will be able to impact significantly and realistically upon this economy, given the limited resources the Agency is able to invest in these activities region-wide. The region's economy has remained very strong over the period 2002-2006/7 and has in fact, expanded in terms of employment, scale of business base and overall value added. This was a period of relatively stable economic growth for the UK

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economy as a whole, with no significant economic shocks. During this period, it is estimated around £85,588M⁹ of private sector investment was made into the South East economy. SEEDA's £16million investment in these three themes is just 0.02% of this figure.

- 4.55 The projects reviewed and their grossed-up programme level impacts suggest they have had discernable, yet relatively small, impacts on key economic indicators for the region. The overall impact has therefore been positive and the projects have made a measureable contribution to economic performance. In scale terms, these impacts are generally small and levels of deadweight are correspondingly high.
- 4.56 In the case of Inward Investment and International Trade projects the returns over the period under analysis seem low currently, although there may well be additional impacts available that might feed through over a longer period. It should be borne in mind, of course, that the projects reviewed in detail for this evaluation represent a limited volume of the activity that SEEDA undertakes with regard to international trade and inward investment. It should not be forgotten that in many respects considerable value comes out of simply securing a new investment into the region and the additional economic and profile-raising activity that this might engender.
- 4.57 SEEDA's interventions with regard to Sector Support have focused on providing a platform for the growth of specific key sectors through establishing networking and market development opportunities. Arguably, the greatest results to the region economically should be drawn from those sectors identified as particularly high-growth and high-GVA potential.
- 4.58 As the profile of beneficiaries shows, the impacts of these interventions tend to be concentrated amongst a relatively small number of participating businesses. Therefore, the overall impacts of SEEDA's investment will be due to the greatly enhanced performance of a limited number of companies. Although the impacts are positive and returns to investment relatively high, this is accounted for by a reasonably small number of beneficiaries. This suggests that if, through improved targeting of beneficiaries, a larger share of these types of businesses could be captured then the return to SEEDA's investment could be significantly greater than that obtained currently.

⁹ Data on capital formation is not available regionally. Therefore the figure has been estimated using data on Gross Fixed Capital Formation by the Private Sector from the ONS United Kingdom National Accounts Blue Book 2007. South East figures have been derived by apportioning the national figures according to the South East's share of UK GVA.

5. Conclusions & Reflections

Strategic Priorities

- 5.1 SEEDA's strategic priorities with regard to Business Competitiveness are quite clear. These priorities broadly are:
- To improve the competitive position of the South East economy through actively supporting those businesses most likely to secure significant volumes of quality, high value-added employment and revenue growth
 - To support the growth and development of the highest value-added sectors, especially those characterised by use of new technology
 - To attract inward investment and associated employment in order to reinforce the global competitiveness of the region; and
 - To extend the reach of high-growth South East based businesses into lucrative overseas markets.
- 5.2 Given the region's aspirations to improve its competitiveness and overall position as a leading global region, these are unquestionably valid and appropriate priorities. Overall, these priorities have been incorporated into the strategic configuration and design of SEEDA project activities covering Sector Support, International Trade and Inward Investment.

Investment Programme

- 5.3 In terms of the overall design and aspirations of the projects falling within SEEDA's Business Competitiveness programmes, there has been a genuine desire on the part of delivery bodies to address the strategic priorities outlined above. Project initiators and delivery bodies have, on the whole, correctly identified relevant priorities and associated market failures and have designed project responses specifically to address these.
- 5.4 Delivery bodies are generally of the opinion that they have successfully identified and addressed a valid economic rationale and have engaged effectively with sufficient volumes of business beneficiaries.
- 5.5 Sector Support projects actively addressed a specific set of market failure issues namely around circumventing problems of imperfect or asymmetric information within target sectors, addressing issues around market power and also addressing public good related issues through the provision and coordination of leadership functions within the sectors - functions that individual private companies would be unwilling to take on independently.
- 5.6 Inward Investment projects also address issues of market failure relating to imperfect information and seek collectively to offer a more coordinated marketing strategy for the South East Region. As noted above, the projects reviewed in detail here represent only a small volume of SEEDA's overall approach to inward investment.

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- 5.7 With regard to International Trade, again the emphasis of this project is addressing a correctly identified market failure associated with overcoming barriers to entry into new overseas markets.

Delivery & Performance

- 5.8 There are a number of important overarching findings in terms of project delivery and performance:

- For all projects – **Sector Support, Inward Investment and International Trade** – these initiatives have, on the whole, correctly identified an accurate rationale and economic imperative guiding their development and delivery and have aligned themselves clearly to the region's economic priorities.
- For all projects in all themes, there is a clear 'logic chain' linking their objectives, the activities they seek to implement and prevailing issues of market failure affecting the markets in which they operate.
- The predominant form of support activity involves provision of information and intelligence to beneficiary businesses, in order to reduce the direct costs incurred in making effective investment decisions regarding product development, market expansion or location. This is particularly the situation for **Sector Support projects**. Inward Investment and International Trade projects offer advice, guidance and information in association with other forms of support. A large number of Inward Investment beneficiaries have received support with premises.
- Project delivery bodies across all project types are very positive in terms of their performance and ongoing engagement with target sectors and businesses and in the quality and nature of the support provided.
- The beneficiaries of projects under review have, in the main, experienced improved business performance over the evaluation period – gross impacts have been positive and significant. This may to some extent reflect healthy economic conditions generally in the South East region over the period.
- The majority of business beneficiaries across all projects, however, do not necessarily identify a discernable benefit to their business directly as a result of involvement with the projects. This is despite the majority of project beneficiaries claiming to have high business-growth ambitions. This may be due to a degree of under-reporting on the part of beneficiaries.
- For those businesses that do attribute business improvement to their involvement with the projects, impacts are reasonably high in terms of turnover, profit and value of jobs created, as well as rates of return on investment.
- These projects collectively account for approximately 0.05% of uplift in GVA in the South East over the evaluation period. Although this is a relatively small share, it is still positive and shows that the projects have actually made a measurable difference to the region's economy. The major part of the GVA uplift comes from impacts of **Sector Support** projects specifically.

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- **Sector Support** projects also offer good levels of return on investment.
- Analysis of net achievements shows that the cost of intervention in both **International Trade** and **Inward Investment** projects is relatively high. It is likely, however, that the return to investment in these activities may be relatively low in the short-term given the nature of these interventions. Therefore, there is a need to establish monitoring and tracking mechanisms that allow a longer term analysis of the outcomes of these forms of investment to take place.
- Returns on investment for all projects indicate that they offer reasonably good value for money. The overall scale of return is limited, however, suggesting that if there was more effective targeting of appropriate beneficiaries – i.e. firms that really do offer the best opportunities for high value-added growth –the overall impact to the region could be much greater.
- Given the levels of deadweight attributable to all project activities within these themes, it is probable that many of the beneficiary firms would possibly have achieved their growth and expansion objectives even in the absence of SEEDA-funded support. It is necessary, therefore, to establish whether these projects have accurately identified the most suitable firms for receipt of support.
- A significant share of beneficiaries of all projects appears to be relatively older businesses, although still small in scale. It is not clear if these businesses are therefore still high-growth potential businesses, even at this late stage of development. If businesses have been in existence for over 20 years there may be a key question over how realistic it is for them to pursue growth as a strategy, especially when this requires intensive effort (e.g. expanding into new overseas markets). The criteria for selecting target business for support must be very clearly defined and projects may have to be prepared to reject significant numbers of interested businesses.
- A number of the **International Trade** and **Inward Investment** projects did not establish effective monitoring arrangements at the initial contracting stage. Therefore it has been difficult for project-delivery organisations to effectively communicate their achievements to SEEDA. This situation was not helped by numerous changes in contract manager within SEEDA, leading to a lack of consistency in terms of personnel able to develop a long standing and accurate understanding of the progress of these projects.
- Many of the benefits of project participation reported by beneficiaries were associated with awareness of market position, improved confidence and skills development. There is also evidence that these projects do result in direct new market penetration and associated turnover growth or, indeed, in development of new innovative product and service.

Recommendations

Reflections on Performance Management

- 5.9 Across all themes of the evaluation, there have been uncertainties about the scale of achievement by the projects under review and in the wider population. Over time, SEEDA's approach to performance management has evolved. Although procedures and approaches have tightened up, an evaluation stretching back to 2002/3 has had to aggregate data on spend and outputs gathered using different approaches.
- 5.10 Although SEEDA has a central database for collating information on project performance, (the PMS) this has been used in very different ways by different staff and has not been able to provide the evaluators with a comprehensive or reliable illustration of the scale of achievement. This problem has been compounded by the disparate ways in which SEEDA officers have kept paper or local copies of performance data. During the course of the evaluation we endeavoured to build up a project-by-project assessment of the performance of the short-listed projects but often found accurate and comprehensive information was not readily available among SEEDA staff. Our third port of call was to approach project managers in the delivery organisations for their latest claim data. Although this was a more fruitful avenue, it did reveal the breadth of indicators against which projects had been asked to collate information. The evaluation has found an overly relaxed attitude towards performance management across SEEDA and many of the delivery organisations into which it invests public funds.
- 5.11 The upshot is that:
- 1) The evaluation has not been able to arrive at a definitive assessment of the total number of outputs generated by the population of projects in each theme (spend data is stored in the Aggresso database, and is much more reliable).
 - 2) Comparisons of performance between projects should be approached cautiously, as there are many different indicators in use, different interpretations of each output and different approaches to collating and reporting achievements.
- 5.12 This approach to performance management may have contributed in part to some of the less favourable outcomes and permitted too much performance variety among, what in some cases, should be quite similar schemes. SEEDA does not appear to have had accurate, reliable, timely or comparable management information available over the life-span of these projects to manage, guide and influence their decision-making.
- 5.13 Recently SEEDA has taken steps to establish a Programme Office with the objective to *"ensure robust and transparent investment decisions that generate the greatest possible impact and value for money, the Agency being able to map and monitor delivery of proposed benefits/impact."*¹⁰ At the same time, SEEDA is moving towards a *Strategic Investment Framework* approach to future rounds of spending. Although the evaluation has not

¹⁰ Programme Office *Summary Role and Rationale Paper* by SEEDA.

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reviewed these processes in detail, they are welcome steps in the right direction. To really tackle the issues the evaluation has encountered, these developments need to manifest themselves in a more standardised approach to:

- Setting KPIs against which performance is measured
- Collating and verifying claimed achievements against KPIs; and
- Ensuring its investment decision-making and project management are more intelligence led.

Programme Recommendations

5.14 The following recommendations are presented for consideration:

- **Review of processes for targeting firm beneficiaries.** Given that most beneficiaries do not claim to experience any noticeable business benefit due to involvement in the projects, SEEDA must ensure that these projects have correctly identified suitable beneficiary companies. Levels of value for money and return on investment show that it is possible to generate very high impacts for a certain number of businesses at reasonable cost. Therefore if a more robust and more highly targeted approach is adopted to identifying possible beneficiaries, there is a potential return of some significance for the regional economy. If SEEDA wishes to drive up its overall impact on regional conditions, the Agency should place more emphasis on reducing the currently large number of supported businesses that have so far reported no gross increase in jobs or turnover.
- There is a need to **review tracking and follow-up mechanisms** and ensure that these are actually in place properly. A lack of interaction by project-delivery bodies may explain the lack of recognition by beneficiaries that their involvement with projects has had any lasting impact on their performance. Mechanisms must therefore be established that allow beneficiary companies to distinguish between the impacts of different interventions from different sources and generate greater clarity in terms of the impact of SEEDA-funded investments per se.
- Overall **review of the approach to generating inward investment leads.** SEEDA's approach to generating specific investment leads is based on highly selective choice of locations within which to base representatives. There is a need to assess whether these locations are the most appropriate and review the intelligence used to make decisions about target locations. It may be necessary overall to review the regional approach to attracting foreign direct investment.
- In terms of Inward Investment and potential re-investment projects, there is need for **greater interaction with the region's most important employers** in terms of both employment and value added. Regional stakeholders have a very limited awareness of the role that SEEDA may be playing in supporting the needs of the most important employers in different locations across the region. As a response to this, SEEDA has recently strengthened its Investor Development Team to 12 persons, making it now one of the largest across the RDA network.

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- The beneficiary survey suggests that many of the firms supported by all projects (Sector Support, Inward Trade and Inward Investment) are relatively older and are not necessarily young, recent start-ups. There is a need therefore to **review the efficacy of supporting these types of firms** and ensure that the rationale is clear for supporting each of these beneficiaries. In particular, there should be greater targeting of medium-size, medium-turnover businesses; these appear under-represented currently in the overall range of project participants. These businesses may be more likely to achieve significant impacts from projects participation. SEEDA's own evidence regarding the Investor Development Team suggests that there are considerable returns to investment and activity in terms of jobs created and safeguarded. This effort must continue to be reinforced through SEEDA's other inward-investment activities.

Appendix A Detailed Data Tables from The Client Survey

1. [This section will contain a more detailed analysis of the client survey findings.]

Appendix B Project Review Findings

1. [This section will include a write-up of the Project Reviews and point readers to the database in which the information is stored.]

Appendix C Technical Matters

1. [This section will explain all the technical issues encountered in the evaluation and the assumptions used to generate findings.]

Appendix D Research Tools

1. [This section will contain all the research tools used during the course of the evaluation.]

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