

Invest Northern Ireland
Evaluation of Suite of Trade Interventions
Final Report
30 May 2011

Ref:MN/kw

Private and Confidential

Mr Richard Molyneaux
Invest Northern Ireland
Bedford Square
Bedford Street
Belfast
BT2 7ES

DRAFT

14 October 2013

Dear Mr Molyneaux

Re: Evaluation of Suite of Trade Interventions

We enclose our evaluation of the Suite of Trade Interventions.

The evaluation has been based on the information provided to us. We note that this information has not been verified on any basis in the nature of an audit.

The evaluation has been prepared on behalf of Invest Northern Ireland. It should not be released to wider circulation without our prior written consent.

If you have any queries, or if we can be of any further assistance, please contact Michael Nixon or Keith Wilson.

Yours sincerely

Michael Nixon
Director

Email: michael.nixon@asmbelfast.com or
keith.wilson@asmbelfast.com

Contents

Section		Page(s)
I	Executive Summary	1-22
II	Introduction, including Scope, Purpose and Objectives	23 – 36
III	Strategic Context and the Need for Intervention	37 - 52
IV	Intervention Objective/Targets/Performance and Management	53 - 79
V	Economic Impact and Value for Money	80 - 107
VI	Equality considerations	108
VII	Conclusions and Recommendations	109 - 122

Appendix

A	Questionnaire
B	Online Survey Responses
C	Benchmarking Evidence
D	Background information for each Intervention
E	Data Tables

Executive Summary

I

1.1 ASM has been appointed by Invest Northern Ireland ("Invest NI" or the "Client") to undertake an evaluation of its Suite of Trade Interventions for the period 1 April 2006 to 31 March 2010.

Purpose and Objectives of the Evaluation

1.2 The specific objectives of the evaluation are as follows:

- a) an assessment of rationale, including:
 - i) a review of the rationale for trade support interventions and the nature and extent of market failure that the interventions are seeking to correct **(Section III)**; and
 - ii) an assessment and subsequent conclusions on the need for intervention with respect to each element of the suite of interventions and analyse and conclude on the need for repeat support to individual companies **(Section III)**.
- b) an assessment of strategic fit, including:
 - i) a review of the strategic fit of the entire suite of interventions in line with the objectives of the Invest NI Corporate Plans and DETI Corporate Plans in place at the time and examine the fit with other Invest NI interventions. Confirm that the strategic context under which the interventions are delivered remains valid **(Section III)**;
 - ii) an assessment of the extent to which the interventions have contributed (from April 2008 - 31 March 2010) or has the potential to contribute to achieving relevant targets included in the Programme for Government ("PfG") with particular focus on securing improvements in manufacturing and private services productivity ("PSA 1") and increasing employment ("PSA 3") **(Section V)**; and
 - iii) an assessment of the extent to which the targets/objectives set for the interventions are consistent with the relevant targets included in the Programme for Government ("PfG") **(Section IV and V)**.
- c) an assessment of performance, including:
 - i) a review of the performance of each intervention against the original objectives and targets **(Section IV)**;
 - ii) an assessment of the overall economic impact of the interventions in Northern Ireland, identifying the costs and benefits of this support both quantifiable and unquantifiable and assessing the wider and regional economic benefits which may have been delivered **(Section IV)**;
 - iii) benchmarking of the performance of the suite of interventions against other comparators in the UK, Republic of Ireland and European Union, establishing quantitative benchmarks where possible; identify innovative approaches to promoting greater levels of exporting by public sector bodies **(Section IV)**;
 - iv) a comparison of the costs actually incurred in delivering each intervention with those estimated at the outset, allowing an assessment of the economic, efficiency and effectiveness with which public funds have been used **(Section V)**; and
 - v) assessment and conclusions of the financing, management, marketing, procurement, monitoring and evaluation that was in place for each of the suite of interventions **(Section IV)**.

Executive Summary**I**

- d) the development of robust conclusions:
 - i) where relevant, conclude on the overall level of value for money offered individually and in totality, by the suite of interventions taking account of all available evidence from the evaluation. This should include quantified assessments of the level of additionality and displacement and relevant cost-effectiveness indicators (**Section VII**); and
 - ii) comment on lessons learned, making recommendations on the future of each intervention and identifying any areas for improvement. This should include an assessment of any current and potential gaps in provision (**Section VII**).

1.3 This is a programme evaluation which seeks to assess the overall value for money impact of the Suite of Trade Interventions operated by Invest NI. The impact of individual interventions will be assessed, however, it is the added value of the delivery of the entire suite which will be the main output of the evaluation.

Interventions to be evaluated

1.4 Invest NI offers the following trade interventions (services offered under Passport to Export), which are the subject of the evaluation:

- a) Business Information Service;
- b) Consultancy Services, comprising:
 - i) Developing Export Sales Strategy; and
 - ii) Export Advisory and Research Services.
- c) Export Workshops;
- d) Trade Missions;
- e) Trade Exhibitions;
- f) In-Market Support;
- g) Trade Advisory Service;
- h) Northern Ireland Trade Development Centres; and
- i) Going Dutch.

1.5 Detailed information in respect of each of the above interventions is set out in paragraphs 2.8-2.11 and **Appendix D**.

Methodology

1.6 In accordance with the Terms of Reference the following methodology was adopted;

- a) Desk Based Research;
- b) Stakeholder and Programme Management consultation;
- c) Benchmarking exercise; and
- d) On-line survey and focus groups/beneficiary interviews.

Executive Summary**I****Desk Based Research**

1.7 This process included an assessment of the following core strategy documents for Invest NI and the Department of Enterprise, Trade and Investment ("DETI"), including:

- a) Programme for Government (and PSA Framework);
- b) Northern Ireland Economic Vision (2007);
- c) Independent Review of Economic Policy ("IREP");
- d) DETI's and Invest NI's Corporate Plans for the evaluation period;
- e) Northern Ireland's Regional Innovation Strategy, 2008-2011;
- f) Matrix: Northern Ireland Science Industry Panel – Horizon Report;
- g) Northern Ireland Manufacturing Sales and Export Survey 2008/09; and
- h) Invest NI Performance Information Report.

Stakeholder and Programme Management consultation exercise

1.8 Guided by the Client, ASM undertook a Stakeholder Mapping Exercise to identify all stakeholder organisations involved in the Programme. The following organisations were contacted:

- a) DETI;
- b) Invest NI (Programme Management Staff and Strategic Management and Planning);
- c) InterTradeIreland;
- d) Northern Ireland Chamber of Commerce;
- e) Belfast City Council; and
- f) Lisburn City Council.

Benchmarking Exercise

1.9 A benchmarking exercise was undertaken against the following regions/nations:

- a) Finland;
- b) New Zealand;
- c) North Brabant;
- d) Republic of Ireland;
- e) Schleswig Holstein; and
- f) Scotland/UKTI.

On line Surveys

1.10 Two online surveys were developed with the purpose of gathering the following information:

- a) capture the economic outcomes and impact of the programme at the firm level, as well as on the wider Northern Ireland economy:
 - i) including key metrics such as employment, turnover and GVA and other value for money measures; and
 - ii) an assessment of additionality (including deadweight, displacement/substitution, leakage and economic multiplier effects).

Executive Summary**I**

- b) analysis of the interaction between many interventions and consideration of the complexity and synergy of the activities, including;
 - i) progression through Programme elements; and
 - ii) the combined influence of different Programme elements.
- c) engage the project beneficiaries to identify relevant evidence:
 - i) identify views on Programme content and delivery;
 - ii) identify lessons and instances of best practice; and
 - iii) lay the ground work for possible change in delivery mechanisms.

1.11 Two separate surveys were conducted. The first, and larger, focused on beneficiaries who received export-related assistance from Invest NI, including, in some cases, accessing the Business Information Centre (Survey A). The second survey focused on beneficiaries using the Business Information Centre, but not in receipt of any other export-related support from Invest NI (Survey B). Survey B represented an identical sub-set of Survey A questions relating only to the Business Information Centre.

1.12 The level of sampling accuracy required for the study was agreed at the 95% confidence level. A target of +/- 5% sampling error was also set for both surveys.

Executive Summary**I**

1.13 Sampling details are summarised in the table below:

Survey Groups	No. of firms in Population *	Required sample size at 95% Confidence level +/- 5%	No. of firms in Sampling Frame	Actual Responses	Estimated Margin of Error +/- %
All Trade Programme	1471	305	966	239	5.80
Business Information Centre	139	103	118	120	3.32**
Developing Export Sales Strategy	124	94	115	72	7.51
Export Advisory and/or Research Services	214	138	101	105	6.84
Export Workshops	412	200	358	116	7.72
Trade Missions	871	267	564	158	7.06
Trade Exhibitions	121	93	120	129	0.00**
Trade Advisory Service	281	163	208	119	6.83
Northern Ireland Trade Development Centres	41	38	34	64	0.00**
Going Dutch	58	51	44	34	10.91

Notes: *uncorrected- contains a small number of duplicates, 'ceased trading', 'cancelled', or 'did not proceed'. This will marginally reduce the required sample size. ** Actual number of project participants exceeds the expected number of participants identified by monitoring data and/or present in sampling frame.

Source: ASM Survey

Executive Summary**I**

1.14 For Survey B, the potential population consisted of all Northern Ireland businesses. Combining responses achieved from Surveys A and B provided an estimated +/- 6.99 margin of error for the results relating to the Business Information Centre. The sampling details for the Business Information Centre data are summarised in the following table:

Survey Targets	No. of firms in Population	Required sample size at 95% Confidence level +/- 5%	No. of firms in Sampling Frame	Actual Responses	Estimated Margin of Error +/- %
BIC-only survey	70,620*	383	440	76	11.24
BIC (Main Survey)	139	103	118	120**	3.32
Combined BIC	70,620*	383	558	196	6.99

Notes: * Number of firm in NI paying VAT or operating a PAYE scheme (source: DETI (2009) Facts & Figures from the Inter Departmental Business Register (IDBR) – Edition Twelve, 30th December, Northern Ireland Statistics and Research Agency: Belfast). **Actual number of project participants exceeds the expected number of participants identified in sampling frame.

Source: ASM Survey

Response Rates

1.15 For Survey A, a response rate of 25% was attained. A response rate of 35% was attained for Survey B. Both of these response rates are considered robust, given their respective population sizes and the relative complexity of the surveys.

1.16 Some consideration of non-response bias is merited given:

- a) the incomplete nature of the sampling frames; and
- b) moderate response rates.

1.17 However, we note that relatively little monitoring data is available on the characteristics of the non respondents with which to make meaningful comparisons (e.g. location, sector and size).

Executive Summary

I

Limitations

1.18 We note a number of limitations in the survey methods, including:

- a) around one third of project beneficiaries did not have up-to-date and accurate contact information;
- b) in some cases, the actual number of project participants exceeds the expected number of participants identified by monitoring data and/or present in sampling frame, suggesting issues with the accuracy of the monitoring data and/or accuracy of respondent reporting;
- c) a lack of background characteristics on non-surveyed beneficiaries makes meaningful analysis of non-response difficult; and
- d) a routing error affected the answering of one question, which may have been identified by additional piloting, and we recommend that this is considered in future work.

Focus Groups

1.19 It was our intention to host two focus groups to gain a deeper understanding of the results achieved within the surveys. Twenty four companies were approached to attend one of two focus groups to be held in mid November and although there was a high degree of flexibility over time and location on the part of the evaluation team, the overall response rate was low. Consequently, it was decided to undertake a number of telephone interviews addressing the emerging themes from the consultation exercise. A stratified sample of twenty companies was contacted to see if they would take part in a detailed telephone interview, seven companies consented.

Strategic Context and the Need for the Intervention

1.20 HM Treasury, DETI and Invest NI strategies clearly identify a need to expand and diversify exports. Northern Ireland as a region currently lags the UK average of exports as a percentage of GDP at 21% compared to a UK average of 28%. Northern Ireland further lags behind the Republic of Ireland which had a figure for exports at 80% as a percentage of GDP (Source: Independent Review of Economic Policy).

1.21 In addition, the export market in Northern Ireland is dominated by approximately 25 large scale companies, most of which are foreign owned.

1.22 Our review of research and surveys in **Section III** identified that:

- a) there are significant advantages to be obtained from exporting, both at a micro and macro economic level;
- b) there are real and perceived barriers to exporting which have been identified at both a UK wide level through UKTI and at a Northern Ireland level; and
- c) Northern Ireland as a region underperforms in comparison to the UK as a whole and to the Republic of Ireland in terms of export activity.

1.23 Invest NI's export support activities clearly fall within its economic development remit as set out in the Programme for Government and its historic and current strategic plans. It is noted, however, as the strategic remit for economic development becomes more blurred, through the involvement of District Councils, there is potential for duplication of services. In summary the following themes have been identified:

- a) need to continue to support the export activities of indigenous SMEs within Northern Ireland;
- b) enhanced export activity not only brings financial rewards, but that there is also increased capacity and learning for the companies involved;

Executive Summary**I**

- c) a number of organisations across Northern Ireland, including Invest NI, the local Councils, Northern Ireland Chamber of Commerce and Industry ("NICCI") and InterTradeIreland currently provide support for companies wishing to engage in export activities;
- d) there is currently a degree of under-performance by Northern Ireland based companies in the emerging markets of the Far East, Middle East and within key sectors in the USA. There is a strategic need for Northern Ireland companies to engage with these economies, which are amongst the world's largest and fastest growing;
- e) it is recognised that large scale (experienced exporters) companies have the capacity to exploit the emerging markets without additional export assistance from Invest NI. However, it is our contention that their continued involvement is to be supported:
 - i) as it provides a demonstration effect of potential benefits to other Northern Ireland based companies;
 - ii) there are opportunities for networking and supply chain linkages; and
 - iii) particularly on trade missions, their presence is critical to attract the 'overseas interest' and so adds credibility to the particular intervention.
- f) some companies may not require, or benefit from, participating in the complete continuum of services and that some companies may require a more tailored service. During the period of the Evaluation, the Trade Team did provide this flexible approach and it is recommended that this is continued; and
- g) there is clearly a recognition that in order to compete, Northern Ireland as a region must export more in total, diversify existing markets and encourage non exporting companies to take the leap of faith and learn to export. Export strategies for Northern Ireland seek solutions to these three issues. However there are still ongoing coordination problems between various agencies in the delivery of export support to the wider business community in Northern Ireland.

1.24 The interventions have been developed to overcome the market failure of asymmetric information, i.e. companies do not have sufficient information/experience to enter target markets. Invest NI interventions are designed to overcome this market failure through the provision of information, the embedding of expertise and the demonstration of good practice.

1.25 The Suite of Interventions works best when it is considered as a programme of interventions that has been designed to promote company learning through a structured yet flexible development path and one in which companies should use when changing market situations require.

Executive Summary**I****Intervention Objectives, Targets, Performance and Management**

1.26 We have been informed that the trade team reports against the following headline targets. For the period 2005-06 to 2007-08 these were:

Target	Outcome
The level of exports as a percentage of total sales by Invest NI client companies (excluding the top 25 exporting clients in 2003) to increase to 30%.	Exports as a percentage of total sales: 30.5% in 2005-06
1,000 companies to enter new export markets	1,095 companies have entered new markets
500 new exporters	611 companies have begun to export
500 key sales personnel to improve sales and marketing skills	719 personnel have improved their sales and marketing skills

1.27 The following headline targets were reported against for the period 2007/08-09/10:

Target	Outcome
Encourage new first time exporters - 240	286
Support companies to diversity into new markets -500	542
Deliver export skills and knowledge workshops -650 participants.	708
Support market visits - 100	100

1.28 The above targets have all been met and in most cases surpassed.

Executive Summary**I****Assessment of fitness of purpose**

1.29 The following table provides a summary of the findings of the survey against each intervention:

Intervention	% who view intervention as important for improving performance	% who view intervention as representing good value for money	% who were satisfied with the service offered under the intervention	% who viewed the intervention as encouraging further use of Invest NI services
Business Information Centre	62%	69%	81%	36%
Developing Export Sales Strategy	65%	76%	71%	66%
Export Advisory and/or Research Services	60%	65%	70%	53%
Export Workshops	62%	76%	82%	61%
Trade Missions	70%	78%	83%	59%
Trade Exhibitions	75%	77%	79%	59%
Trade Advisory Service	59%	63%	52%	64%
Northern Ireland Trade Development Centres	41%	38%	59%	45%
Going Dutch	78%	78%	75%	69%

1.30 The majority of respondents across each of the interventions (barring the Northern Ireland Trade Development Centres) considered them to be good value for money. There was also a high degree of satisfaction from the beneficiaries with regard to each intervention. We therefore conclude that the interventions are both fit for purpose and generally providing good value for money for clients.

1.31 The above table illustrates that the intervention which was viewed as being the most important in achieving performance improvement was the Going Dutch programme. The Northern Ireland Trade Development Centres were viewed as being important by only 41%. We are not surprised that Going Dutch has scored so highly as it is an integrated programme of training, in market support and post market support which aims to embed practical knowledge with direct experience. The Going Dutch Programme is expensive to run, but it does involve an extensive resource commitment from the beneficiary, something we believe illustrates the real value of the approach.

Executive Summary**I**

1.32 The results in the table above indicate that beneficiaries place more importance to interventions which are closer to the point of selling (such as Trade Missions and Trade Exhibitions). We believe that this is largely down to the profile of Invest NI's client group, who tend to have previous export assistance and so largely discount the importance of the earlier stage interventions which are aimed at embedding expertise amongst inexperienced exporters. The beneficiary interviews highlighted a number of concerns regarding the operation of the suite, including:

- a) confusion over the range and remit of services offered; and
- b) a preference by some experienced 'Client managed' companies to use GAP rather than interventions from the suite.

1.33 When we reviewed the original constraints facing the companies, we identified that these could be addressed by Invest NI's existing Suite of Trade Interventions. In most cases the use of one intervention acted as an incentive by the beneficiary to use further export support activities. This is certainly the case with the results illustrated in the table above, except for the Northern Ireland Trade Development Centres and the Business Information Centre interventions. It is our belief that there is a degree of disconnect between these two interventions and the rest of the suite of interventions. (During the Evaluation period, the NITDC incubation units were used by over 40 companies. However, an additional 958 companies received in depth market research and other trade related interventions to enable them to enter a particular market. The NITDC also provided dedicated support to Invest NI in the delivery of more than 50 major in market events. To this end the results of the survey need to be caveated.) This disconnect is particularly evident with the case of the Business Information Centre, which is usually the first access point to Invest NI for non-Client managed companies. Although it is marketed as an Invest NI service and can be accessed from the Trade site on the Invest NI website, staff within the Business Information Centre at present do not signpost the other services offered under the Suite of Trade Interventions. The Business Information Centre also provides separate services under the European Enterprise Network, which may place limitations on its ability to be integrated into the wider trade team provision.

1.34 In addition to signposting relevant opportunities within the Trade Team, we believe that there is an opportunity for the Business Information Centre to produce more value add through the provision of market intelligence and relevant sectoral data, thereby offsetting (to a degree) a current reliance on UKTI's OMIS reports. This would provide an opportunity to combine the data sets contained within the Business Information Centre with the sectoral and market knowledge of the wider Trade Team. However this would necessitate staff training in both the Business Information Centre and the wider Trade Team to ensure that potential publications are sufficiently robust for public scrutiny.

1.35 We believe that both actions are essential if Invest NI (and its partner organisations) are to engage with a wider section of the Northern Ireland business community and to add greater value to the services they offer.

1.36 The Benchmarking exercise identified that there seemed to be a shared rationale for intervention across all of the regions. Export development is rarely delivered by one body, it is mostly delivered by a range of organisations and the present Scottish model could provide a very useful example for future engagement in Northern Ireland. Finally it was viewed as essential to have good performance management and an integrated customer relationship management tool, as this not only identifies and measures the 'qualitative/learning aspects' of the project but can also maintain the appropriateness of the suite of interventions.

Management of the Suite of Interventions

1.37 During the period of the Evaluation, the Suite of Trade Interventions was managed by the Trade Directorate within Invest Northern Ireland. There was a named member of staff responsible for the administration and reporting of activities for each intervention and budgets were apportioned to each intervention.

Executive Summary**I**

1.38 Reporting was carried out by the geographic and sector teams and on an individual interventions basis, however, there was no programme approach, rather interventions were treated as separate project headings operated by the Trade Team. The resourcing for the Suite of Trade Interventions was therefore dependant upon assessments of demand carried out separately by individual sector and geographic managers. Subsequent to the period of the Evaluation the Trade Team has a programme approach to budget management.

1.39 Until recently trade interventions were not recorded on Invest NI's knowledge management tool ("CCMS"). Beneficiary information was formerly kept in a number of separate excel spreadsheets meaning it was difficult to identify the range of interventions each company had attended. This situation was highlighted in the preparation of the survey, where we had to draw reliance on at least six different excel spreadsheets. Subsequent to the period of the Evaluation, CCMS has been adapted to permit the capture of trade development information.

1.40 However since April 2010 the Trade Team has reformed its allocation and management of budgets and has sought to integrate its performance monitoring within Invest NI's wider performance management tool (CCMS).

Impact of the Suite of Interventions and Value for Money

1.41 In this Section we examine the value for money of the Trade Programme. The public sector costs of the Programme are set out in the table below. Other Invest NI staff costs and overheads have not been included in this analysis.

1.42 In assessing the value for money of the Trade Programme we have presented findings both with and without the Business Information Centre costs, as the service is available to both Invest NI client firms and the wider business community, so only a portion of the costs should be attributed to the Trade Programme benefits.

1.43 A total of £13,093,000 (£11,961,000 excluding the BIC) in project costs has been identified for the period 2006/07 to 2009/10. The table below illustrates the costs per project:

Executive Summary**I**

Project	2006/07	2007/08	2008/09	2009/10	Total
	£	£	£	£	£
Business Information Centre	278,000	214,000	258,000	382,000	1,132,000
Developing Export Sales Strategy	0	146,000	165,000	86,000	397,000
Export Advisory and/or Research Services	95,000	16,000	257,000	198,000	566,000
Export Workshops	110,000	146,000	106,000	93,000	455,000
Multi Sector Missions	447,000	288,000	589,000	658,000	1,982,000
Sectoral Trade Missions	149,000	126,000	205,000	184,000	664,000
Trade Exhibitions	660,000	660,000	1,012,000	1,038,000	3,370,000
Trade Advisory Service	181,000	134,000	216,000	234,000	765,000
Northern Ireland Trade Development Centres	532,000	619,000	925,000	1,287,000	3,363,000
Going Dutch	47,000	87,000	29,000	236,000	399,000
Total Excluding BIC	2,221,000	2,222,000	3,504,000	4,014,000	11,961,000
TOTAL	2,499,000	2,436,000	3,762,000	4,396,000	13,093,000

Source: Invest NI

1.44 The table set out below identifies costs and benefits in relation to turnover, employment and gross value add ("GVA"). Turnover benefits are presented for the latest financial year (2009/10) at the evaluation point. Costs and benefits for employment and GVA are estimated as cumulative benefits over the whole programme period (2006/7 to 2009/10) (NB: the benefits in terms of employment and GVA are based on the levels of employment identified at the evaluation point which have been pro-rated over the period).

Executive Summary**I**

1.45 We refer the reader to assumptions and limitations associated with these figures as identified in the section (5.10), and note that the figures should be interpreted in light of these.

Executive Summary

I

	Excluding BIC cost	Including BIC cost
Annual Turnover Benefits (2009/10)		
Total Invest NI Inputs (Project Costs Only)	£4,014,000	£4,396,000
Gross Turnover	£6,796,142,734	
Net Additional Turnover	£272,645,456	
Gross Turnover per £100k Public Spend	£169,223,954	£154,612,247
Net Additional Turnover per £100k Public Spend	£6,788,872	£6,202,684
Cumulative Employment Benefits (2006/07 – 2009/10)**		
Total Invest NI Inputs (Project Costs Only)	£11,961,000	£13,093,000
Gross Total Jobs (FTEs)		60,842
Net Additional Jobs (FTEs)		922
Gross Total Jobs (FTEs) per £100k Public Spend	509	465
Net Additional Jobs (FTEs) per £100k Public Spend	8	7
Cost per Net Additional Job	£12,973	£14,201
Estimated Cumulative GVA Benefits (2006/07- 2009/10) **		
Total Invest NI Inputs (Project Costs Only)	£11,961,000	£13,093,000
Total Invest NI Inputs (Project & Staff Costs)	£17,735,766	£18,867,766
Gross GVA (employment based)	£4,678,749,800	
Net Additional GVA (employment based)	£70,901,800	
Gross GVA per £100k Public Spend (Project Costs Only)	£39,114,348	£35,745,648
Net Additional GVA per £100k Public Spend (Project Costs Only)	£592,739	£541,690
Gross GVA per £100k Public Spend (Project Costs & Staff Costs)	£26,380,309	£24,797,582
Net Additional GVA per £100k Public Spend (Project Costs & Staff Costs)	£399,767	£375,782
Cost-Benefit Ratio (Project Costs Only)	1: 5.9	1:5.4
Cost-Benefit Ratio (Project Costs & Staff Costs)	1: 4.0	1:3.8
Note: for margins of error, see individual tables. *including total spend 2006/07 to 2009/10. **Employment & GVA benefits pro-rated.		

1.46 The evaluation estimates Net Additional Turnover per £100k Public Spend of £6,788,872 (£6,202,684 including BIC costs) (per year at evaluation point).

1.47 Net Additional Jobs (FTEs) per £100k Public Spend of 8 (7 including BIC costs) are estimated (over Programme period).

1.48 Net Additional GVA per £100k Public Spend of £592,739 (£541,690 including BIC costs) are estimated (over Programme period). This reduces to £399,767 and £375,782 respectively, if both direct projects costs and staff costs are included. This represents a cost: benefit ratio of 1:5.9 (1:5.4 including BIC), or 1:4.0 (1:3.8 including BIC) if staff costs are included.

1.49 The overall level of turnover additionality reported for the Invest NI Trade Programme is 4% versus 5% for the Scottish Enterprise Account and Client Managed Programmes. Both of these studies considered the difference made to the total turnover of the business assisted.

Executive Summary**I**

For this measure it should not be unexpected that the Net Additional effect represents a relatively low proportion of the overall business activity of the assisted firm.

Benchmarking Lessons

1.50 Of value as a benchmarking tool are a small number of relatively recent studies which adopt comparable methods of benefits measurement and estimation of impacts. These include evaluations of Scottish Development International's ("SDI") Internationalisation Programme (2010), and Scottish Enterprise's ("SE") Account & Client Management Programme (2009).

1.51 Comparisons must still take into account minor variations in methods (including the costs assessed), but also different time periods covered, and of course, the nature of the Programmes themselves. However, in terms of Net Additional GVA and Cost-Benefit ratio, the Invest NI Trade Programme and SDI Internationalisation Programme display similar impacts. The Net Additional GVA reported for the SE Account & Client managed Programme is less comparable as it reflects a much wider range of interventions.

1.52 Cost per Net Additional Job are broadly similar between the Invest and SDI Programmes, although the SE Account & Client Managed Programme appears somewhat better value for money, especially given that costs include staffing and overhead costs, which are not sated in either the Invest NI or SDI Programmes.

	Invest NI Trade Programme	SDI Internationalisation Programme	SE Account & Client Managed Programme
Programme Period Evaluated	2006/07 – 2009/10 (4 years)	2005/06 – mid 2009 (between 4 and 5 years)	2004/05- 2006/07 (3 years)
Net Additional Turnover	£273m (annual)	£58m (annual, average exports only)	£1,450m (cumulative)
Turnover Additionality	4%	Not reported	5%
Net Additional Jobs (FTEs)	922 (cumulative)	1,100 (cumulative)	12,875 (cumulative)
Cost per Net Additional Job	£12,973*	£11,000	c£10,000
Net additional GVA	£71m (cumulative)	£75m (cumulative)	£613m (cumulative)
Cost-Benefit Ratio (Cost: annual net GVA)	1:6* (project costs only) 1:4* (project and staff costs)	1:7†	1: between 4 and 6 (range given) ‡
Note: * excluding BIC costs, †treatment of costs not specified, ‡includes staffing and overheads			

Assessment of Non Financial Benefits

1.53 The Survey gathered responses in respect of a number of non financial benefits. The findings can be summarised as follows:

- 57% of respondents considered that Invest NI played a positive role in motivating them to export;
- there is a clear implication that the Suite of Interventions has had a positive impact on such factors as market penetration, cost savings and ability to attract staff; and
- there is strong evidence to suggest that the Suite of Interventions has led to the development and embedding of new and innovative ways of working amongst beneficiary companies which in the longer term has the potential to further enhance productivity.

Executive Summary

I

1.54 These findings are in keeping with international best practice, which states that trade interventions can and do embed good practice which in turn manifests itself in enhanced productivity, greater collaboration and more expansive growth strategies.

Value for Money Conclusion

1.55 In terms of the strength and reliability of the findings, we have presented a thorough and detailed application of the relevant impact assessment methods. In doing so, we highlight a number of assumptions and limitations on the availability of data. However, where judgment has been required on the setting of the various factors that underlie the estimates (e.g. displacement and substitution) we believe we have been relatively conservative. Other factors such as deadweight and leakage are well supported by survey evidence and are consistent with other comparable studies. Economic multipliers are a limiting factor on the accuracy of the findings, but are nonetheless broadly consistent with levels expected from other available evidence.

1.56 Overall, our view is that the level of benefits reported, in terms of Net Additional turnover, employment and GVA are relatively cautious and that the Invest NI Trade Programme exhibits positive economic benefits in terms of turnover, employment and GVA. In particular, estimates of the net contribution of the Trade Programme highlight strong performance in supporting Net Additional turnover gains amongst the participating firms.

1.57 In contrast, while employment levels have increased significantly amongst participating firms, relatively little of this is attributed to the Trade Programme. Nonetheless, the broad estimates of the additional Gross Value Added contributed to the Northern Ireland economy, based on the Net Additional employment contribution, constitutes £71m over the evaluation period, at a ratio of six pounds of Gross Value Added for every public sector pound spent on delivering the Trade Programme (excluding public sector staff costs and other overheads) and four pounds of Gross Value Added for every public sector pound if staff costs are included.

1.58 Despite this positive overall monetary contribution in absolute terms, the distribution of gains varies widely amongst participating firms. The biggest benefits are bunched amongst a minority of firms, and there is a long tail of participants experiencing low or no benefits.

1.59 These findings raise important tactical issues in targeting of support, with a balance required between trying to identify and concentrate resources on supporting those firms with the greatest potential for benefits, and encouraging a broad base of participation in recognition that 'picking winners' is far from straightforward and also that many participants are on a 'learning journey' and expect participation to bear fruit well into the coming months and years.

1.60 This Evaluation is limited in the extent to which it can analyse the detailed nature of when and in what circumstances participating firms gain the most benefit; other sections of this report touch upon these issues. However, we note that participation in multiple Trade Programme interventions is significantly associated with greater additional turnover benefits, which support the goal of providing a co-ordinated and comprehensive suite of interventions rather than isolated elements of support.

Executive Summary**I**

1.61 In terms of benchmarking, comparisons of the Trade Programme with related interventions from other areas are not straightforward as the nature of the interventions varies as well as the nature of the evidence on performance. Nonetheless, comparisons with a number of recent studies, including Scottish Development International's Internationalisation Programme and Scottish Enterprise' Account & Client managed Programme, demonstrates broadly similar levels of benefits in terms of Net Additional turnover, Net Additionality ratios, Net Additional Employment benefits (in the case of SDI study), cost per Net Additional job, Net Additional GVA (in the case of SDI study), and cost-benefit ratios.

1.62 A focus on turnover, employment and GVA is a core concern of this study. However, it must also be recognised that a range of wider less tangible outcomes are anticipated from the Trade Programme.

1.63 These less tangible outcomes relate more to the embedding of expertise and enhanced business confidence. They have also manifested themselves in an increased desire to work collaboratively and/or expand through acquisition and also to utilise new ways of working through the use of new production techniques and new products. These findings are in keeping with international best practice, which states that trade interventions can and do embed good practice which manifests itself in enhanced productivity, greater collaboration and more expansive growth strategies.

1.64 In conclusion, in examining the evidence presented for the monetary and wider, non-monetary, benefits of the Suite of Interventions; and taking into account the multiple limitations of the data available for the study, described above, we nonetheless consider that the Programme has provided overall value for money.

Equality Considerations

1.65 It is our opinion that the Suite of Interventions complies with relevant equality guidelines.

Conclusions and Recommendations

1.66 The consultation exercise identified a number of issues which we believe should be addressed to ensure the continuing validity of the Suite of Interventions:

- a) a need to expand the take up of exporting;
- b) a need to enhance support to emerging sectors and markets;
- c) a need to utilise the skills of Invest NI clients and the expatriate community to form advice networks;
- d) need to improve the targeting and effectiveness of the Suite of Trade Interventions; and
- e) a need to raise additional revenue.

1.67 Although Invest NI is meeting its targets and is addressing the concerns of its client base, a still larger constituency of non exporters is not benefiting from the Programme. Invest NI Clients account for approximately 5% of all Northern Ireland based companies and deliver approximately 90% of exports, however, 95% of the NI business base is not using Invest NI services. With exports currently being seen as the main driver for the economy moving out of recession, this lack of provision must be seen as a negative. However the solution of this problem is not just a matter of consideration for Invest NI, but has impacts on the delivery of export interventions by a range of other economic development organisations operating in Northern Ireland.

Executive Summary

I

1.68 The consultation exercise identified a number of key markets and sectors in which Invest NI should have an enhanced presence. In a situation of finite resources, there is a need to rationalise and prioritise activities in order to address these new challenges, such as recent initiatives in Brazil and Kurdistan and new markets like professional services and convergent technologies.

1.69 Although it is important to expand the overall number of companies participating in export training and development, it is also essential that finite resources are targeted for best results. Therefore Invest NI and other development agencies should ensure that all potential beneficiaries are assessed for export skills prior to registration on any scheme.

1.70 Enhanced networking within Northern Ireland based sectors and with the wider expatriate community were seen as ways for addressing concerns over lack of critical mass, asymmetric information and access to key decision makers both within Northern Ireland and abroad.

1.71 In a time of recession it is recognised that there is a need to raise additional revenue. This is compounded by a belief that the present interventions, although representing value for money, are underpriced. The Trade Directorate has moved some way to addressing the issue of under pricing through increased contributions to Trade Missions by beneficiaries and the removal of travel and accommodation assistance to companies seeking exhibition support in the UK and Republic of Ireland. Pricing Policy should be a central consideration of any subsequent economic appraisal.

Proposed response

1.72 Although Invest NI is the Northern Ireland Executive's economic development agency and is the largest provider of export support in Northern Ireland, it is not the sole provider. Currently a range of public bodies, including InterTradeIreland, Enterprise NI and at least five local authorities, as well as the Chamber of Commerce provide export support interventions, which in many situations duplicate one another. There is a need for Invest NI to work in conjunction with these bodies to develop complementary interventions.

1.73 Invest NI has already commenced this exercise but it needs first to address a number of auxiliary points. Invest NI needs to:

- a) **strategically align itself with other service providers.** There is evidence of duplication of activities both within Invest NI and amongst partner bodies. There is a need to use resources where they will have the biggest impact. The survey clearly states that beneficiaries see Invest NI as the deliverer of choice for "high end" interventions, mainly for experienced exporters. However, this does not mean that "low end" services should not be offered, rather Invest NI needs to identify its strengths and signpost other delivery partners. In addition, there are potential opportunities to expand existing collaboration between other regional tier export agencies (UK and RoI) in the provision of in market support, particularly in regions where Northern Ireland does not have a significant strategic interest. Greater partnership working should also be encouraged with the private sector; developing opportunities for collaborative networks to advise on strategy and operational issues and also for individual mentoring between experienced and inexperienced exporters. This mentoring brings with it the dual advantages of demonstrating good applied practice and for large companies an opportunity to 'give something back', a key recommendation of IREP. However, to be successful these mentoring programmes need official sanction, both to coordinate activities and ensure quality of output. Therefore Invest NI should formalise much of the mentoring activity currently undertaken on an ad hoc basis within its existing interventions;

Executive Summary

I

- b) **ensure that its advice is robust and pertinent.** This can only be done by having a clear rationale of the sectors and markets Invest NI believes are important and investing sufficient time and resources to develop supporting information and contacts which can provide companies with the necessary support to give them a comparative advantage. We believe that Invest NI cannot do this in isolation, rather it should enhance its existing working relationships with key representatives of industry and the Matrix sectors to develop sectoral trade/expatriate networks to provide that advice;
- c) **consider the structure of the suite of interventions.** We believe that the current Suite of Interventions is a confusing concept to Clients and its major use is for internal management purposes. However, through the Transform process we believe that there is an opportunity to simplify the front facing aspects of the Suite of Interventions and address confusion.
- d) **develop new ways of delivering interventions.** Interventions should become more accessible, potentially using new communication methods such as webinars and online communities of practice. In addition, good practice highlighted the benefits of 'inward market visits' particularly for sectors in which Invest NI had critical mass and for the same sectors, adequately resourcing of sector exhibits at strategically important trade exhibitions. Internal consultation has highlighted some dissatisfaction with UKTI products, in particular OMIS, therefore greater reliance should be placed on augmenting Invest NI's internal research capability through developing the services currently delivered by the Business Information Centre. This should be considered within any subsequent economic appraisal; and
- e) **create value.** At a time of financial cutbacks Invest NI needs to ensure that it is delivering interventions that are cost effective. Respondents have stated that the existing interventions are good value for money, whilst feedback from Programme Staff and the telephone interviews has identified that the interventions are heavily subsidised. We believe that there is an opportunity for Invest NI to recoup some of its delivery costs through increased charging and generate a virtuous cycle of investing those additional funds in further enhancing a consolidated service offering; and
- f) **measure impact.** During the period of the Evaluation, Invest NI did not adequately capture the full benefit of its interventions and had significant gaps in the presentation of its management information, most notably in the tracking of beneficiary activities and the assessment of impact.

The Evaluation identified that entrants to any of the Suite of Interventions have to complete an 'intervention specific' application form regardless of whether or not they are an existing Client managed company. This information is then assessed by the relevant Trade and Client Executives to determine suitability for support. We recognise that the current system of assessment is constrained as it does not provide an opportunity to assess export skill sets, to baseline the information and assess the comparative impact of each intervention on the export capability of the company. Therefore a significant proportion of Invest NI Trade Support is going unmonitored and impact is only being assessed once a company has secured an export related sale. In short, developing a company skills baseline and measuring a company's subsequent progress against agreed milestones would ensure that Invest NI's impact could be more accurately monitored.

In addition, the inability to consistently assess export skill sets through the use of an agreed baseline and key milestones may mean that companies opt for interventions which are not 'best fit' with their needs. There is the potential for 'savvy client managed companies' to apply for more expensive consultancy/mentoring support programmes, which are perceived as adding more value, rather than using cheaper alternatives such as workshops.

Executive Summary**I**

We are cognisant of the existing arrangements for capturing client data, through individual application forms and Invest NI's CCMS system. We recommend that both these mechanisms are augmented to facilitate the development of an export skills baseline statement for companies and agreed milestones (from an indicative list) which would chart company development across all interventions and reduce the duplication of data collected under separate applications.

We have also reviewed PIMS and have found this to be expensive and rigid in what is measured. The consultation exercise has identified a desire on the part of SDI to coordinate performance measurement.

Recommendations

1.74 There is a clear leadership role for Invest NI in addressing the issues mentioned above. However, our recommendations have been developed to not only augment Invest NI's existing delivery mechanisms, but also to facilitate the development of new ways of working. They have been tiered into a number of operational and strategic deliverables:

Economic Appraisal

1.75 **Recommendation 1:** We recommend that Invest NI should continue to support the entire Suite of Trade Interventions subject to the satisfactory completion of both the following recommendations and of an independent economic appraisal embracing the entire Suite of Interventions (see paragraphs 4.80, 7.12, 7.49 & 7.51). Any terms of reference for the economic appraisal should consider the following:

- a) the future role of the Business Information Centre and Trade Development Centres;
- b) the extent of potential duplication of activities with other economic development bodies;
- c) a progressive pricing structure; and
- d) rationalisation of the number of interventions (directly delivered by Invest NI) to provide a clear and defined structure.

Monitoring and evaluation**Short Term/Operational Goals**

1.76 **Recommendation 2:** We recommend that the existing mechanisms for capturing company data; individual application forms and Invest NI's CCMS are augmented to facilitate the development of an export skills baseline statement for each company and agreed milestones (from an indicative list) which would chart companies development across all interventions and reduce the duplication of data collected under separate applications (see paragraph 7.51f).

1.77 **Recommendation 3:** We recommend that the Trade Team nominate a Senior Responsible Officer who will ensure the routine coordination of the following information onto the CCMS. The information to be routinely collated will include (see paragraph 4.74):

- a) all applications for each intervention (e.g. employee size, SIC 2 digit code, post code etc);
- b) total financial contribution to date from Trade interventions to the specific company (to ensure compliance with State Aid guidelines);
- c) collation of individual export skills questionnaire;
- d) all routine monitoring information in line with proposed key milestones; and

Executive Summary**I**

- e) the development and collation of impact assessment forms for all beneficiaries of interventions at 2 intervals (on completion and 12 months post completion).

1.78 **Recommendation 4:** We recommend that the Trade Team integrate the augmented performance monitoring system into their standard quarterly Board reports. Information to be reported on quarterly will include (see paragraph 4.74):

- a) number of applications for each intervention broken down by sector, geography and company scale;
- b) number of successful completions for each intervention broken down by sector, geography and company scale;
- c) variance analysis of spend and key milestones broken down by intervention and for each sector; and
- d) assessment of all attributable key impacts carried out on a cohort basis (at six month and 12 month basis).

Medium Term/Strategic Goals

1.79 **Recommendation 5:** We recommend that DETI, in conjunction with Invest NI, consult with other bodies charged with the delivery of export support in the development of common performance indicators which would chart the embedding of expertise within beneficiary companies and permit greater inter-agency cooperation. (see paragraph 4.74)

1.80 **Recommendation 6:** We recommend that in order to ensure the continued fitness for purpose of the Northern Ireland export assistance provision, DETI, in conjunction with Invest NI should review the possibilities of a common performance monitoring framework with Scotland (Scottish Development International has expressed a wish to cooperate on performance monitoring) and Republic of Ireland based economic development agencies. This will ultimately lead to more robust benchmarking. (see paragraphs 4.74 & 7.51f).

Improvement to delivery**Short Term/Operational Goals**

1.81 **Recommendation 7:** We recommend that Invest NI should review its existing delivery mechanisms for workshops and where possible develop online delivery options for lower value added elements through the medium of, for example, webinars. However, for more generic information the NI Business Information site should be the initial focus for update (see paragraph 4.70).

1.82 **Recommendation 8:** Invest NI should continue to review its current costing structure and ensure that it is maximising the potential for revenue generation whilst at the same time ensuring value for money. However, cognisance shall be paid to the parlous state of many SMEs in Northern Ireland in any recommendation related to beneficiary contribution for specific interactions (see paragraphs 4.80 & 4.82h)

1.83 **Recommendation 9:** – We recommend that Invest NI should continue to promote opportunities for experienced private sector exporters to mentor less experienced companies, however to be successful these mentoring programmes need official sanction, both to co-ordinate activities and ensure quality of output. Therefore Invest NI should formalise much of the mentoring activity currently undertaken on an ad hoc basis within its existing interventions (see paragraph 4.80b).

Executive Summary

I

Medium Term/Strategic Goals

1.84 **Recommendation 10:** – We recommend that action is taken to address the ongoing coordination problems between various agencies in the delivery of export support to the wider business community in Northern Ireland. As a first stage, DETI in conjunction with Invest NI should continue to develop linkages with other local export promotion bodies to scope out the potential scale of export assistance needed in Northern Ireland and provide an assessment of existing provision. The second stage is development of a more integrated approach to export promotion (see paragraph 4.80d).

1.85 **Recommendation 11:** – We recommend that Invest NI should have an increased focus on delivering the higher 'added value' interventions such as, trade missions, trade exhibitions and export advisory and research services and work in conjunction with other 'export delivery bodies' to coordinate the common delivery of export workshops and developing export sector strategies (see paragraphs 4.80d & 7.51).

1.86 **Recommendation 12:** – We recommend greater presence in key markets in the Far East and Latin America. These have been recognised as significant markets not only by Invest NI but also by UKTI. However, this may have resource implications and we recommend that options should be investigated to develop local partnering arrangements through greater coordination with other British and Irish trade representations, NI university collaborations and a direct Invest NI resource. However we are aware that changing trading patterns means that other markets have become less strategically important, i.e. Western Europe. We recognise that other development agencies may still see the benefit of a continued presence in these markets, so we recommend that Invest NI seek to develop arrangements with these bodies for ad hoc representation (see paragraph 4.82).

Learning and Embedding Expertise

Short Term/Operational Goals

1.87 **Recommendation 13:** – We recommend that the Business Information Centre identify options for the greater utilisation of its resources by the Trade Team in the subsequent development of sectoral/geographical research reports (see paragraphs 7.12 & 7.13).

1.88 **Recommendation 14:** – We recommend that Invest NI should formalise its existing mechanisms for consulting with industry through the continued assessment of monitoring forms and undertaking at least one central workshop with industry representatives over the operating period of the Corporate Plan. In addition Invest NI should ensure that the trade team provide an operational prospective to the emerging Matrix sectors and relevant Collaborative Networks (see paragraphs 4.80 & 7.51).

Introduction and Background

II

Introduction

2.1 ASM has been appointed by Invest Northern Ireland ("Invest NI" or the "Client") to undertake an evaluation of its Suite of Trade Interventions for the period 1 April 2006 to 31 March 2010.

Purpose and Objectives of the Evaluation

2.2 The specific objectives of the evaluation are as follows:

- a) an assessment of rationale, including:
 - i) a review of the rationale for trade support interventions and the nature and extent of market failure that the interventions are seeking to correct (**Section III**); and
 - ii) an assessment and subsequent conclusions on the need for intervention with respect to each element of the suite of interventions and analyse and conclude on the need for repeat support to individual companies (**Section III**).
- b) an assessment of strategic fit, including:
 - i) a review of the strategic fit of the entire suite of interventions in line with the objectives of the Invest NI Corporate Plans and DETI Corporate Plans in place at the time and examine the fit with other Invest NI interventions. Confirm that the strategic context under which the interventions are delivered remains valid (**Section III**);
 - ii) an assessment of the extent to which the interventions have contributed (from April 2008 - 31 March 2010) or has the potential to contribute to achieving relevant targets included in the Programme for Government ("PfG") with particular focus on securing improvements in manufacturing and private services productivity ("PSA 1") and increasing employment ("PSA 3") (**Section V**); and
 - iii) an assessment of the extent to which the targets/objectives set for the interventions are consistent with the relevant targets included in the Programme for Government ("PfG") (**Section IV and V**).
- c) an assessment of performance, including:
 - i) a review of the performance of each intervention against the original objectives and targets (**Section IV**);
 - ii) an assessment of the overall economic impact of the interventions in Northern Ireland, identifying the costs and benefits of this support both quantifiable and unquantifiable and assessing the wider and regional economic benefits which may have been delivered (**Section IV**);
 - iii) benchmarking of the performance of the suite of interventions against other comparators in the UK, Republic of Ireland and European Union, establishing quantitative benchmarks where possible; identify innovative approaches to promoting greater levels of exporting by public sector bodies (**Section IV**);
 - iv) a comparison of the costs actually incurred in delivering each intervention with those estimated at the outset, allowing an assessment of the economic, efficiency and effectiveness with which public funds have been used (**Section V**); and

Introduction and Background

II

- v) assessment and conclusions of the financing, management, marketing, procurement, monitoring and evaluation that was in place for each of the suite of interventions (**Section IV**).
- d) the development of robust conclusions:
 - i) where relevant, conclude on the overall level of value for money offered individually and in totality, by the suite of interventions taking account of all available evidence from the evaluation. This should include quantified assessments of the level of additionality and displacement and relevant cost-effectiveness indicators (**Section VII**); and
 - ii) comment on lessons learned, making recommendations on the future of each intervention and identifying any areas for improvement. This should include an assessment of any current and potential gaps in provision (**Section VII**).

2.3 This is a programme evaluation which seeks to assess the overall value for money impact of the Suite of Trade Interventions operated by Invest NI. The impact of individual interventions will be assessed, however, it is the added value of the delivery of the entire suite which will be the main output of the evaluation.

Interventions to be evaluated

2.4 Invest NI offers the following trade interventions (services offered under Passport to Export), which are the subject of the evaluation:

- a) Business Information Service;
- b) Consultancy Services, comprising:
 - i) Developing Export Sales Strategy; and
 - ii) Export Advisory and Research Services.
- c) Export Workshops;
- d) Trade Missions;
- e) Trade Exhibitions;
- f) In-Market Support;
- g) Trade Advisory Service;
- h) Northern Ireland Trade Development Centres; and
- i) Going Dutch.

2.5 The interventions are summarised in the following paragraphs.

Business Information Services

2.6 Business Information Services are delivered through the Business Information Centre and can provide the following services:

- a) market information;
- b) assistance in identifying new customers and suppliers;
- c) basic guidance on setting up licensing, distribution and other agreements; and
- d) information on European legislation and tender opportunities.

Introduction and Background

II

Consultancy service

2.7 Two services were delivered under consultancy services:

- a) Developing Export Sales Strategy; and
- b) Export Advisory and Research Services.

Developing Export Sales Strategy

2.8 The Developing Export Sales Strategy ("DESS") was targeted at businesses considered to have the potential to export but not yet trading internationally and also existing exporters considered not to be achieving their full potential. Support was offered through consultants on a one-to-one basis in the form of mentoring and coaching inputs, with the aim to enable businesses to identify what steps they need to take to engage in exporting or increased levels of exporting. This service is no longer available.

Export Advisory and Research Services

2.9 The Export Advisory and Research Services ("EARS") provides support through consultants to Small and Medium Sized Enterprises in key industry sectors to help identify quantifiable business opportunities and provide practical advice on market entry in either key markets worldwide through the Export Advisory Service or in Great Britain, through the Great Britain Market Research Service. This service is no longer available.

Export Skills and Knowledge Workshops

2.10 The Export Skills and Knowledge Workshops series is a comprehensive programme which allows inexperienced exporters to develop and strengthen their exporting skills and enables more experienced exporters to refresh their knowledge and obtain an update on current best practice.

2.11 The workshops are open to all export focused companies from any sector involved in manufacturing or tradable services. It is not necessary to be an Invest NI client business to participate.

2.12 The Export Development Workshop Programme includes two series of workshops:

- a) the Core Export Knowledge Workshops are aimed at those involved in the planning, and management of the export process; and
- b) the Essential Export Skills Workshops are aimed at those who have operational responsibility for export business or senior staff who want a more thorough understanding of the processes and practicalities of exporting.

Trade Missions and Trade Exhibitions

2.13 Trade Missions and Trade Exhibitions are structured to open markets, identify and secure export and investment opportunities for Northern Ireland businesses and showcase Northern Ireland products, technology and expertise at specified locations around the world.

Trade Missions

2.14 The Trade Missions are open to all export focused companies from any sector involved in manufacturing or tradable services. Invest NI provides the following support to companies under the Trade Mission intervention: including 50% assistance towards the cost of an economy airfare for one representative, excluding UK taxes and up to £100 per night (up to a maximum of five nights) towards accommodation costs. One follow up visit may be assisted on submission of a sound business case provided that the visit is undertaken within 6 months and is to a new market. However, the Trade Team has subsequently reviewed the contribution rates made by beneficiary companies and has therefore reduced the assistance offered to accommodation costs to up to £75 per night.

Introduction and Background

II

Trade Exhibitions

2.15 The trade exhibition intervention provides support to companies which wish to be part of a recognised Northern Ireland group stand. Assistance is offered for stand, travel, accommodation and other eligible expenditure such as graphics, photographs, promotional flyers, hire of approved expenditure for the stand and transportation of products.

2.16 As well as sectoral trade missions and assistance in paying for group stands at trade fairs, there is also the SOLEX Scheme which offers assistance to businesses wishing to exhibit independently for the first time at an approved trade show outside Northern Ireland. Subsequent to the evaluation period, support is no longer offered to companies seeking assistance for travel and accommodation costs within the UK or Republic of Ireland.

Trade Advisory Service

2.17 The Trade Advisory Service ("TAS") assists companies with market research, practical advice and guidance from experienced Trade Advisers based in the Middle East (Arabian Gulf States), China, India, Germany and the USA. (United Kingdom Trade and Investment's ("UKTI") Overseas Market Introduction Service ("OMIS") which Northern Ireland based companies can also avail of, provides some of the elements of TAS.) Within the Trade Advisory Service model, there are slight variations in provision between geographical markets, with some having a dedicated in-market resource (based around the Northern Ireland Trade Development Centres), whilst in other markets, local consultants are used on a call off basis.

Northern Ireland Trade Development Centres

2.18 Practical in-market support is supplied through providing serviced workspaces and meeting facilities in a number of Invest NI overseas offices. Other support may include, Business Incubation Services, which are now available to businesses interested in establishing a market presence in the Middle East and the United States (incubation services were not available in the United States for all of the period under review and such services are now only available in Dubai).

Going Dutch

2.19 The Going Dutch Initiative targets small businesses that have an internationally tradable product or service but little or no experience of selling outside the British Isles. The objectives for participating companies are to increase export knowledge and to achieve their first international sales. Companies are provided with one-to-one consultancy support from a specialist trade adviser based in the Netherlands, tailored market research, group workshops to address common issues, a market visit programme involving arranged meetings with potential customers and partners, as well as guidance on a follow-up Action Plan.

Methodology

2.20 In accordance with the Terms of Reference the following methodology was adopted;

- a) Desk Based Research;
- b) Stakeholder and Programme Management consultation;
- c) Benchmarking exercise; and
- d) On-line survey and focus groups/beneficiary interviews.

Introduction and Background**II****Desk Based Research**

2.21 This process included an assessment of the following core strategy documents for Invest NI and the Department of Enterprise, Trade and Investment ("DETI"), including:

- a) Programme for Government (and PSA Framework);
- b) Northern Ireland Economic Vision (2007);
- c) Independent Review of Economic Policy ("IREP");
- d) DETI's and Invest NI's Corporate Plans for the evaluation period;
- e) Northern Ireland's Regional Innovation Strategy, 2008-2011;
- f) Matrix: Northern Ireland Science Industry Panel – Horizon Report;
- g) Northern Ireland Manufacturing Sales and Export Survey 2008/09; and
- h) Invest NI Performance Information Report.

2.22 In addition, the following documents were reviewed to inform the critique of the rationale for intervention and identify good practice in other regions, including:

- a) Damijan, J., Polanec S., and Prašnikar J. (2006). 'Self-selection, export market heterogeneity and productivity improvements: Firm level evidence from Slovenia', *The World Economy* Vol. 29;
- b) Evaluating the Contribution of Exporting to UK Productivity Growth: Some Microeconomic Evidence (with R. Harris), *The World Economy*, 2008, 31(2), 212-235;
- c) Export Market Entry, Sunk Costs and Firms Performance: Final Report for UK Trade and Investment. Richard Kneller and Mauro Pisu (GEP, University of Nottingham);
- d) Firm Level Empirical Study of the Contribution of Exporting to UK Productivity Growth. Harris, R. and Q. Cher Li (2007);
- e) Review of the Literature: The Role of International Trade and Investment in Business Growth and Development (2009);
- f) Internationalisation of Innovative Companies: Strategies, Barriers and Markets Research Report UKTI November 2008: OMB Research;
- g) Bonner, K and McGuinness, S (2007) Assessing the Impact of Marketing Assistance to Export Performance of NI SME's International Review of Applied Economics, Vol 21 No 3, pp361-379;
- h) Roper, S., Love J.H. and Higon D.A. (2006) The Determinants of Export Performance: Evidence for Manufacturing Plants in Ireland and Northern Ireland (*Scottish Journal of Political Economy* Vol. 53. No 5); and
- i) DETI (2007) Innovation in Northern Ireland's Tradable Services Phase 2: What Determines Innovating Exports and Productivity in Tradable Services.

Introduction and Background

II

Stakeholder and Programme Management consultation exercise

2.23 Guided by the Client, ASM undertook a Stakeholder Mapping Exercise to identify all stakeholder organisations involved in the Programme. The following organisations were contacted:

- a) DETI;
- b) Invest NI (Programme Management Staff and Strategic Management and Planning);
- c) IntertradeIreland;
- d) Northern Ireland Chamber of Commerce;
- e) Belfast City Council; and
- f) Lisburn City Council.

Benchmarking Exercise

2.24 A benchmarking exercise was undertaken against the following regions/nations:

- a) Finland;
- b) New Zealand;
- c) North Brabant;
- d) Republic of Ireland;
- e) Schleswig Holstein; and
- f) Scotland/UKTI.

On line Surveys

2.25 Two online surveys were developed with the purpose of gathering the following information:

- a) capture the economic outcomes and impact of the programme at the firm level, as well as on the wider Northern Ireland economy:
 - i) including key metrics such as employment, turnover and GVA and other value for money measures; and
 - ii) an assessment of additionality (including deadweight, displacement/substitution, leakage and economic multiplier effects).
- b) analysis of the interaction between many interventions and consideration of the complexity and synergy of the activities, including;
 - i) progression through Programme elements; and
 - ii) the combined influence of different Programme elements.
- c) engage the project beneficiaries to identify relevant evidence:
 - i) identify views on Programme content and delivery;
 - ii) identify lessons and instances of best practice; and
 - iii) lay the ground work for possible change in delivery mechanisms.

Introduction and Background

II

2.26 Two separate surveys were conducted. The first, and larger, focused on beneficiaries who received export-related assistance from Invest NI, including, in some cases, accessing the Business Information Centre (Survey A). The second survey focused on beneficiaries using the Business Information Centre, but not in receipt of any other export-related support from Invest NI (Survey B). Survey B represented an identical sub-set of Survey A questions relating only to the Business Information Centre.

2.27 For each group to be sampled a sampling frame was identified, i.e. a list of beneficiaries with the necessary information to draw a sample and to contact the respondents (in this case: name, job position, workplace, e-mail, and phone number). This data was supplied by the Client. The sampling frame was checked for errors and duplicates were removed from the lists. In the case of Survey A, this data was drawn from project monitoring files. For Survey B, the sampling frame included contact details for some 440 Business Information Centre inquirers.

2.28 The level of sampling accuracy required for the study was agreed at the 95% confidence level. A target of +/- 5% sampling error was also set for both surveys.

2.29 In order to achieve the desired sample accuracy all beneficiaries in the sampling frames were invited to participate in the survey.

Introduction and Background

II

2.30 For survey A, some 239 largely complete responses were achieved between the 5th and 23rd November 2010. This provided an overall margin of error of +/- 5.8% at the 95% confidence interval. We note that response levels for individual questions may vary up or down from this typical error level. Sampling details are summarised in the table below:

Survey Groups	No. of firms in Population*	Required sample size at 95% Confidence level +/- 5%	No. of firms in Sampling Frame	Actual Responses	Estimated Margin of Error +/- %
All Trade Programme	1471	305	966	239	5.80
Business Information Centre	139	103	118	120	3.32**
Developing Export Sales Strategy	124	94	115	72	7.51
Export Advisory and/or Research Services	214	138	101	105	6.84
Export Workshops	412	200	358	116	7.72
Trade Missions	871	267	564	158	7.06
Trade Exhibitions	121	93	120	129	0.00**
Trade Advisory Service	281	163	208	119	6.83
Northern Ireland Trade Development Centres	41	38	34	64	0.00**
Going Dutch	58	51	44	34	10.91

Notes: *uncorrected- contains a small number of duplicates, 'ceased trading', 'cancelled', or 'did not proceed'. This will marginally reduce the required sample size. ** Actual number of project participants exceeds the expected number of participants identified by monitoring data and/or present in sampling frame.

Source: ASM Survey

Introduction and Background

II

2.31 It should be noted that two interventions (trade exhibitions and Northern Ireland Trade Development Centres) produced more actual responses than the number of firms recorded by the Client as using the service. We believe that this can be attributed to a difference in interpretation on the nature of the intervention (i.e. for the Trade Development Centres, companies may have responded due to attendance at a meeting which had been hosted in the relevant centre, rather than choosing to rent space in the premises).

2.32 However it has not been possible to isolate the additional responses and their inclusion does not materially impact on the validity of the results.

2.33 It is also noted that for a number of surveys the actual number of responses received was lower than anticipated, of these, the Going Dutch intervention had the lowest completion rate. However, given the small population size of the intervention and underperformance would appear more significant. We have reviewed the sample findings for this intervention and are satisfied that they are reflective of the wider population.

2.34 For Survey B, the potential population consisted of all Northern Ireland businesses. Combining responses achieved from Surveys A and B provided an estimated +/-6.99 margin of error for the results relating to the Business Information Centre. The sampling details for the Business Information Centre data are summarised in the following table:

Survey Targets	No. of firms in Population	Required sample size at 95% Confidence level +/- 5%	No. of firms in Sampling Frame	Actual Responses	Estimated Margin of Error +/- %
BIC-only survey	70,620*	383	440	76	11.24
BIC (Main Survey)	139	103	118	120**	3.32
Combined BIC	70,620*	383	558	196	6.99

Notes: * Number of firm in NI paying VAT or operating a PAYE scheme (source: DETI (2009) Facts & Figures from the Inter Departmental Business Register (IDBR) – Edition Twelve, 30th December, Northern Ireland Statistics and Research Agency: Belfast). ** Actual number of project participants exceeds the expected number of participants identified in sampling frame.

Source: ASM Survey

Questionnaire Development

2.35 In consultation with the Invest NI a survey questionnaire was developed to address the study objectives. The survey questionnaire is in **Appendix A**.

2.36 In developing the survey instrument we adapted official standard question sets on additionality and economic impact assessment, including Scottish Enterprise and Department of Business, Innovation and Skills standard question sets.

Introduction and Background

II

Piloting

2.37 As good practice, a pilot of the survey approach was conducted, examining the following:

- a) Question content;
- b) Question wording;
- c) Question type;
- d) Questionnaire layout; and
- e) Delivery method.

2.38 Piloting was carried out by ASM staff, Invest NI volunteers and a small number of beneficiaries.

2.39 A number of final changes to the survey content and approach were agreed with Invest NI.

Survey Administration

2.40 The method used to deliver a survey is a balance between response quality, ability to establish an accurate sample, and cost.

2.41 For this study, an online survey was developed which promoted:

- a) timely delivery of the survey;
- b) relatively low costs of administration;
- c) efficient analysis of results;
- d) minimal data entry or coding errors and bias; and
- e) the ability to handle complex question routing.

2.42 We note the achieved responses match or exceed those achieved for similar studies using telephone surveys. In addition, careful question development, permitted capture of a range of complex data relating to business benefits, including economic impacts. As such, the method of administration represents a significant improvement on traditional approaches to large-scale impact studies.

2.43 It is estimated that Survey A took, on average, 37 minutes to complete and Survey B took an average of 9 minutes to complete. The average duration of Survey A is not untypical for a complex survey of this type. However, it was longer than envisaged and further piloting may have permitted development of a shorter survey.

2.44 An invitation e-mail from a senior member of staff was sent to all survey targets, providing information on the survey and instructions for completion. Subsequently a series of e-mail reminders were sent to survey targets during the approximately two-week survey period.

Response Rates

2.45 For Survey A, a response rate of 25% was attained. A response rate of 35% was attained for Survey B. Both of these response rates are considered robust, given their respective population sizes and the relative complexity of the surveys.

2.46 Some consideration of non-response bias is merited given the incomplete nature of the sampling frames, and moderate response rates. However, we note that relatively little monitoring data is available on the characteristics of the non-respondents with which to make meaningful comparisons (e.g. location, sector, size).

Introduction and Background

II

2.47 Overall response rates tended to be relatively high for the smaller, more targeted projects, and lower for the larger, more volume-oriented projects (e.g. Export Workshops and Trade Missions).

Characteristics of Respondents

2.48 The results in the following section refer to Survey A –(Suite of Trade Interventions)

2.49 The table below assesses respondents by employment size:

Size (Headcount)	Percent (n= 180)
Micro <10	38.9
Small <50	42.2
Medium <250	15.6
Large 250 ≥	3.3
Total	100.0

2.50 The table below assesses respondents by turnover:

Size (Turnover)	Percent (n= 186)
Micro ≤ £2m (£1.7m)	67.7
Small ≤ £10m (£8.5m)	20.4
Medium ≤ £50m (£42.5m)	10.8
Large £50m > (£42.5m)	1.1
Total	100.0

Introduction and Background

II

2.51 The table below assesses respondents by industry classification:

Sector	Response	%
Real estate activities	0	0%
Transport and storage	0	0%
Administrative and support service activities	1	0%
Electricity, gas, steam and air conditioning supply	1	0%
Human health and social work activities	2	1%
Financial and insurance activities	2	1%
Water supply; sewerage, waste management and remediation activities	2	1%
Accommodation and food service activities	3	1%
Wholesale and retail trade; repair of motor vehicles and motor cycles	4	2%
Arts, entertainment and recreation	5	2%
Other service activities	5	2%
Agriculture, forestry and fishing	6	2%
Mining and quarrying	6	2%
Education	9	3%
Professional, scientific and technical activities	17	7%
Construction	20	8%
Information and communication	29	11%
Other (please specify)	59	23%
Manufacturing	90	34%
Total	261	100%

Introduction and Background

II

2.52 The following table relates to how long the company has been established:

Answer		Response	%
Less than 1 year		0	0%
Between 1 and 2 years		13	5%
Between 2 and 3 years		11	4%
Between 3 and 4 Years		18	7%
Between 4 and 5 Years		11	4%
5 or more years		208	80%
Don't Know		0	0%
Total		261	100%

2.53 The following table relates to whether the company operates on just one site or on a number of separate sites.

Answer		Response	%
A single independent workplace		201	78%
One of a number of different workplaces in the UK belonging to the same UK-owned business		39	15%
The sole UK workplace of a foreign-owned business		5	2%
One of a number of different workplaces in the UK belonging to the same foreign-owned business		8	3%
Don't Know		4	2%
Total		257	100%

2.54 This table identifies in which country the organisation has its overall headquarters:

Answer		Response	%
Republic of Ireland		5	38%
European Union, outside UK & Republic of Ireland		4	31%
North America		4	31%
Total		13	100%

2.55 We are satisfied that the survey is representative of the views of exporting companies in Northern Ireland.

Introduction and Background

II

Implementation Problems

2.56 The main challenge in delivering the survey has been the identification and collation of a suitable sampling frame from available monitoring information. As part of this study we have prepared a single database of export-related support received by beneficiary, date of receipt and including updated contact details. We recommend that Invest NI updates this single database on a regular basis to aid future monitoring and evaluation.

Limitations

2.57 We note a number of limitations in the survey methods, including:

- a) around one third of project beneficiaries did not have up-to-date and accurate contact information;
- b) in some cases, the actual number of project participants exceeds the expected number of participants identified by monitoring data and/or present in sampling frame, suggesting issues with the accuracy of the monitoring data and/or accuracy of respondent reporting;
- c) a lack of background characteristics on non-surveyed beneficiaries makes meaningful analysis of non-response difficult- we recommend that the background data on beneficiaries is recorded routinely (e.g. employee size band, SIC 2 digit code, post code); and
- d) a routing error affected the answering of one question, which may have been identified by additional piloting, and we recommend that is considered in future work.

Focus Groups

2.58 It was our intention to host two focus groups to gain a deeper understanding of the results achieved within the surveys. Twenty four companies were approached to attend one of two focus groups to be held in mid November and although there was a high degree of flexibility over time and location on the part of the evaluation team, the overall response rate was low. Consequently, it was decided to undertake a number of telephone interviews addressing the emerging themes from the consultation exercise. A stratified sample of twenty companies were contacted to see if they would take part in a detailed telephone interview, seven companies consented.

Analysis of Findings

2.59 Due to the range of interventions being evaluated and the number of consultative methods used in the process, there is a risk that key findings may be lost. In response to this risk, we have decided to simplify the structure of the report (capturing detail in the relevant appendices) and detail the key emerging issues.

2.60 This has informed the subsequent structure of the report, which is outlined below:

- a) Strategic Context and the Need for the Intervention;
- b) Intervention Objectives/Targets/Performance and Management;
- c) Economic Impact and Value for Money;
- d) Equality considerations; and
- e) Conclusions and Recommendations.

Rationale, Need for Intervention and Strategic Context**III****Introduction**

3.1 In this Section, we will seek to address the following elements of the Terms of Reference:

- a) an assessment of rationale, including:
 - i) a review of the rationale for trade support interventions and the nature and extent of market failure that the interventions are seeking to correct; and
 - ii) an assessment and subsequent conclusions on the need for intervention with respect to each element of the suite of interventions and analyse and conclude on the need for repeat support to individual companies.
- b) an assessment of strategic fit, including:
 - i) a review of the strategic fit of the entire suite of interventions in line with the objectives of the Invest NI Corporate Plans and DETI Corporate Plans in place at the time and examine the fit with other Invest NI interventions. Confirm that the strategic context under which the interventions are delivered remains valid.

Rationale for Trade Support Interventions**The Benefits of Exporting**

3.2 The following research papers were reviewed to identify the benefits of and relevant barriers to potential and experienced exporters:

- a) Damijan, J., Polanec S., and Prašnikar J. (2006). 'Self-selection, export market heterogeneity and productivity improvements: Firm level evidence from Slovenia', *The World Economy* Vol. 29;
- b) Evaluating the Contribution of Exporting to UK Productivity Growth: Some Microeconomic Evidence (with R. Harris), *The World Economy*, 2008, 31(2), 212-235;
- c) Export Market Entry, Sunk Costs and Firms Performance: Final Report for UK Trade and Investment. Richard Kneller and Mauro Pisu (GEP, University of Nottingham);
- d) Firm Level Empirical Study of the Contribution of Exporting to UK Productivity Growth. Harris, R. and Q. Cher Li (2007); and
- e) Internationalisation of Innovative Companies: Strategies, Barriers and Markets Research Report UKTI November 2008: OMB Research.

Rationale, Need for Intervention and Strategic Context**III**

3.3 The key findings of research for UKTI by Harris and Li (2007) found that exporters contributed 60% of UK productivity growth between 1996-2004, while the main contribution of non-exporters to productivity was through the exit (demise) of low productivity firms. New exporters experienced on average a permanent 34% productivity boost in the year of beginning to export. This productivity increase can largely be attributed to:

- a) increased return on business investment in intellectual property and innovation, due to a larger and more varied customer base;
- b) productivity boost and innovation stimulus for the exporting firms due to exposure and new ideas, new competitors and new markets; and
- c) greater vitality of competition in the UK and greater flexibility of the UK economy in response to changing global circumstances, due to the development of a stronger cadre of innovative SMEs than could be sustained solely by the UK domestic market.

3.4 The main motives and impacts associated with exporting are:

Export Motives	Combined export motives and impacts	Export Impacts
Achieve growth aims	Increased sales	Growth that would not otherwise have been possible
Secure higher profit margins	Improved process efficiency	Improved profitability
Utilise existing capacity	Improved marketing	Improved utilisation of capacity
Reduce dependency on a single market		Reduce dependency on a single market
Keep abreast of developments overseas		Ability to compare with competition
		Improvements to products or services

Market failure/barriers to exporting

3.5 Academic research has identified the following market failures which are cited as preventing companies from exporting, including:

- a) obtaining basic information about the market;
- b) marketing costs;
- c) contacts (e.g. who to make contact with in the first instance, establishing an initial dialogue, building relationships with decision makers);
- d) dealing with legal, financial and tax regulations;
- e) uncertainty or lack of clarity about tax or legal requirements;
- f) intellectual property rights protection;
- g) logistical problems (e.g. delivery);
- h) language barriers;
- i) other cultural difficulties;
- j) exchange rates and foreign currency;
- k) not having a presence or office in the market; and

Rationale, Need for Intervention and Strategic Context**III**

- l) preference on their part for doing business with domestic firms (or firms from other markets).

All firms, even established exporters, report that there are barriers to exporting. This is consistent with a view that starting to export to new foreign markets and increasing the number of products to be exported is a process which involves obstacles and/or sunk costs to be overcome for each market and product (Damijan et al. 2006).

Export experience seems to have an important role in determining the perceived number of barriers to exporting as well as which particular barriers are important. The number of reported barriers declines as export experience rises, however even the most experienced exporter will still be impacted by what appears to be intractable barriers which add to the cost of entering potential markets.

3.6 In respect of the Northern Ireland market the Northern Ireland Chamber of Commerce and Industry publication, entitled "Barriers to Export Survey May 2009" identified the following from a sample of 130 Northern Ireland based companies:

- a) 37.2% cited the cost of market entry in terms of finance and management resources as a barrier;
- b) 29.9% cited lack of information on market opportunities (pre-export activity) as a barrier; and
- c) 14% cited lack of information on legal/commercial aspects of trading as a barrier.

Assessment of need

3.7 The table below illustrates the key markets for Northern Ireland Manufacturing Companies:

Market	Sales	Sales
	2006/07 (£ Billion)	2009/10 (£ Billion)
GB	6.18	7.04
RoI	1.50	1.49
Rest of European Union	1.23	1.07
Rest of World	2.29	2.68

(Source: DETI: NI Manufacturing Sales and Export Survey)

3.8 The Northern Ireland export market has the following characteristics

- a) four sectors; food, beverages and tobacco, computer, electronic and optical, electrical equipment and other transport equipment account for over 61.9% of Northern Ireland manufacturing exports;
- b) small businesses are heavily reliant on the internal market with 61.5% of sales made within Northern Ireland, 14.5% to Great Britain and 17.4% to the Republic of Ireland. Excluding the Republic of Ireland market only 6.6% of sales can be classified as exports;
- c) the table above illustrates the continued importance of the UK market and also marks a small decline in exports to the Republic of Ireland and a more sizeable decline to the rest of Europe. However, the table identifies the growing importance of exports to the rest of the world;
- d) medium sized businesses have a fairly even spread of sales between internal sales in Northern Ireland (35%), external sales to Great Britain (30%) and export sales (35%);

Rationale, Need for Intervention and Strategic Context**III**

- e) 61.4% and 86.2% of sales to the rest of the EU and the rest of the world respectively are delivered by large companies. In addition large companies dominate sales to GB, accounting for 79.8%, however only 28.5% of sales to the Republic of Ireland is made by large companies;
- f) the export market in Northern Ireland is dominated by approximately 25 large scale companies, most of which are foreign owned;
- g) there is currently a degree of underperformance by Northern Ireland based companies in the emerging markets of the Far East, Middle East and within key sectors in the USA (£2.67 billion as opposed to £1.6 billion for the Republic of Ireland market); and
- h) overall export rates are slightly lower than comparable UK regions. Exports to the EU are worth 12.2% of Northern Ireland's lower gross value add per capita compared with 13.1% for the UK gross value add per capita.

3.9 In summary, the Northern Ireland export sector is one dominated by a few large exporters, serving global markets. Below that tier are a number of small to medium sized enterprises who mainly export to the Republic of Ireland and to a lesser degree the Eurozone area.

3.10 Invest NI currently has around 2,500 client companies and they account for around 90% of Northern Ireland's exports. These 'client companies' themselves only amount to 5% of the total number of registered companies in Northern Ireland. There is a recognition that the region lags the UK average of exports as a percentage of GDP at 21% compared to a UK average of 28%. Northern Ireland further lags behind the Republic of Ireland which had a figure for exports at 80% as a percentage of GDP. In short the Northern Ireland export market underperforms compared to other UK regions.

Summary

3.11 It is evident from the above research and surveys that:

- a) there are significant advantages to be obtained from exporting, both at a micro and macro economic level;
- b) there are real and perceived barriers to exporting which have been identified at both a UK wide level through UKTI and at a Northern Ireland level; and
- c) Northern Ireland as a region underperforms in comparison to the UK as a whole and to the Republic of Ireland in terms of export activity.

3.12 The identified barriers to exporting and the underperformance of Northern Ireland point to a high level need for public sector intervention to overcome the market failure.

Rationale, Need for Intervention and Strategic Context**III****Strategic context****European Strategic Context**

3.13 The revised Lisbon Strategy re-targeted priorities towards growth and employment. The European Commission proposed a partnership with member states concerning growth and employment and proposed a revised Lisbon Agenda for the Community that identified the following key areas for intervention:

- a) provide for open and competitive markets within and out with of Europe;
- b) contribute to a powerful European industrial base;
- d) creation of a larger number of better jobs; and
- e) improve the adaptability of labour and corporations.

UK Strategic Context***UK Trade and Investment ("UKTI")– Prosperity in a Changing World Strategy (2009)***

3.14 This strategy states that UKTI will work in partnership with the nine English Regional Development Agencies ("RDAs") (in 2010 the Coalition Government abolished the RDAs, at the time of writing it is unclear as to the future delivery of export support in England), the devolved administrations in Northern Ireland, Scotland and Wales, other government departments, as well as national bodies including Visit Britain, the British Council, trade and other business associations.

3.15 In addition, *"small and medium sized enterprises ("SME's") will continue to be a key client group. UKTI's "Passport to Export" programme for new to export companies will continue and will be developed further to focus on particular customer groups that have the greatest potential to add value to the economy (delivered locally through Invest NI). UKTI will increase the support offered to help experienced exporters make early inroads in emerging markets, with a new experimental programme designed to help experienced exporters expand into and within the high growth Asian markets"*.

3.16 Deepening trade and economic relationships with emerging markets is a key element in the UK's response to globalisation. The world economic map is being redrawn and the UK needs to take advantage of the shift in international economic activity towards the emerging markets, not least because countries with strong relationships to others will be best placed to thrive.

Rationale, Need for Intervention and Strategic Context**III**

3.17 The rationale for UKTI export interventions rests on three necessary conditions:

- a) benefits to UK prosperity from increased international trade and investment – these are potentially large. However, the ability of the UK to achieve these benefits will depend critically on how business responds, both in terms of choices about locating activities in the UK and in terms of UK businesses successfully exploiting opportunities overseas;
- b) market failures – there is clear evidence of barriers to international trade and investment arising from market and institutional failures such as technological spill overs, weaknesses in supporting network or information failures. If not addressed, these failures would prevent the full benefits of trade and investment flows being realised; and
- c) value for money – working with the grain of the market, there is clear evidence that government support for international trade and investment generates benefits to the economy in terms of additional income and beneficial knowledge and technology flows.

UK Trade and Investment ("UKTI") Fiscal Stimulus Initiative

3.18 The Fiscal Stimulus Initiative ("FSI") is a UKTI initiative to help UK based companies capitalise on opportunities arising from major overseas recovery-related spending programmes.

3.19 The FSI aims to:

- a) identify supply chain opportunities from global fiscal stimulus packages by working closely with UKTI colleagues in British Diplomatic posts overseas;
- b) raise awareness amongst UK-based companies providing professional input to business briefings, seminars, overseas missions and other events;
- c) engage with multipliers to reach a wider community of UK based companies;
- d) develop and maintain networks of global suppliers and customer contacts, enabling UK companies to gain a global competitive advantage; and
- e) offer first line business advice and signposting to UK clients who wish to capitalise on these opportunities

Northern Ireland***Northern Ireland Programme for Government***

3.20 In January 2008, the Northern Ireland Executive approved its Programme for Government, in which the economy was identified as the number one priority of Government policy.

3.21 Within Northern Ireland, the Department of Enterprise, Trade and Investment ("DETI") aims to promote the development of a globally competitive economy in Northern Ireland. Its goal is 'to grow a dynamic, innovative economy' (DETI Corporate Plan 2008-2011).

Rationale, Need for Intervention and Strategic Context**III**

3.22 In the Northern Ireland Programme for Government, DETI has identified three priorities, two of which have a specific export focus, for the period 2008-2011:

PSA 1: Productivity Growth – promote a competitive and outward looking economy.

3.23 The following actions relate to PSA 1:

- a) support companies to diversify into new markets; and
- b) improve the sales and marketing capability of NI businesses.

3.24 Specific activity outputs have been identified as follows

- a) 600 new first time exporters;
- b) Support companies to diversify into new markets;
- c) Improve the sales and marketing capability of NI businesses; and
- d) Support 45 new start-ups exporting outside the UK and 300 exporting to GB.

3.25 The following targets have been set:

- a) maintain the Compound Annual Growth Rate ("CAGR") in external sales per employee by Invest NI manufacturing clients at 6%;
- b) increase in the CAGR in external sales per employee by Invest NI tradable services clients to 4%; and
- c) the level of export sales as a percentage of total sales by Invest NI client companies excluding the Top 25 exporting companies, to increase by 3 percentage points.

PSA 3: Increasing employment – increase employment levels and reduce economic inactivity

3.26 The following actions relate to PSA 3:

- a) Addressing barriers to employment;
- b) Providing effective careers advice at all levels.

3.27 Specific activity outputs have been identified as follows

- a) secure investment commitments of £1.2bn;
- b) support 90 inward investment projects;
- c) support 45 new start-ups exporting outside the UK and 300 exporting to GB.

3.28 The following targets have been set:

- a) Total annual wages and salaries secured of £345M, reflecting inward investment successes and growth from locally-owned clients;
- b) 6,500 new jobs from inward investment of which 5,500 will provide salaries above the Northern Ireland Private Sector Median of which 2,750 will have salaries at least 25% above the Northern Ireland Private Sector Median; and
- c) 70% of new FDI projects secured to locate within 10 miles of an area of economic disadvantage.

Rationale, Need for Intervention and Strategic Context**III****Invest NI*****The 2008-2011 Corporate Plan***

3.29 The aim of the 2008-2011 Corporate Plan is to “increase business productivity, the means by which wealth can be created for the benefit of the whole community”.

3.30 In achieving this mission, one of Invest NI’s key priorities is to “provide information and market intelligence and support for companies in the areas of marketing, selling skills and mentoring support for companies”.

3.31 Invest NI’s Corporate Plan 2005-2008 identified a number of key visions that it wished to achieve by 2008. These include:

- a) Northern Ireland economy more internationally focused with broader and better export sales; and
- b) Improved competitiveness of client companies, increased skill levels and evidence of greater entrepreneurship.

3.32 Invest NI’s Corporate Plan 2008-2011 continues this focus on exports. This current Corporate Plan states that Invest NI will work with any manufacturing and tradable services business in Northern Ireland which has the potential and ambition to export to improve its productivity and become more internationally competitive.

3.33 Invest NI has also proposed ambitious organisation wide targets which may relate to export development, specifically:

Overview of Invest NI export targets for the period 2008-2011

Increase external sales outside Northern Ireland per employee of manufacturing client companies by an average of 6% per annum.

Increase external sales outside NI per employee of tradable services client companies by an average of 4% per annum.

Increase by 3% export sales outside the UK as a proportion of total sales – by Invest NI client companies (excluding the top 25 exporters). This objective is designed to broaden the base of export activity in the NI economy.

Support 45 new start up businesses exporting outside the UK.

Support 300 new start up businesses with external sales.

3.34 These targets are in line with the PSA targets noted above.

Northern Ireland Regional Economic Strategy

3.35 The Regional Economic Strategy was developed within the parameters of national economic policy and sets out the public policy framework Government will put in place to deliver the Economic Vision for the Northern Ireland economy.

3.36 The Strategy states that the Northern Ireland economy still faces some significant challenges. Working age economic inactivity is higher than any UK region, innovation levels and entrepreneurial activity are comparatively low. The local economy also relies heavily on the public sector.

3.37 The Strategy recommends that the growth potential of the Northern Ireland economy can be improved by increasing the employment rate and improving productivity by focusing on four key drivers: infrastructure, enterprise, skills and innovation. In particular the Draft Regional Economic Strategy calls for public sector interventions to:

“increasingly refocus business support on exports, R&D and innovation.”

Rationale, Need for Intervention and Strategic Context**III****Northern Ireland Economic Vision**

3.38 The Vision has the following key ambition:

"Northern Ireland as a high value-added, highly skilled, innovative and enterprising economy which enables us to compete globally leading to greater wealth-creation and better employment opportunities for all".

3.39 The Vision states that Northern Ireland must grow its private sector and encourage companies to move up the value chain and raise the rate of productivity. In addition, the Vision calls for the *"encouragement of a culture within SMEs of being more outward looking and enterprising, innovative and creative"*.

Independent Review of Economic Policy (the "Review")

3.40 The Independent Review of Economic Policy (DETI and Invest NI) was published in 2009 and highlighted the following issues:

- a) industry led Innovation communities, as suggested in the Matrix report, should be developed as a pilot to bring together business, academia and Government and exploit available export market opportunities;
- b) the Review recommended that Invest NI's export assistance is more dedicated and professional adopting a similar model of the fee charging export agency, with two tiers of charges depending on whether the company is an SME or large firm;
- c) the Review recommended that the concept of Invest NI 'clients' is removed and Invest NI works throughout the entire business base to raise awareness and provide support for businesses undertaking Innovation, R&D and exports;
- d) that DETI should also ensure a much clearer link between its interventions (including those of Invest NI) and the overarching PfG productivity goal; and
- e) the provision of export support in Northern Ireland should be targeted on firms that are in a position to take advantage of support.

The wider economic development agenda

3.41 Two themes that have run through the UK export promotion agenda since the mid 1980s are the need to better coordinate government support for exporters and the tying of export promotion into the wider economic development approach of encouraging entrepreneurship, SME growth and UK competitiveness.

3.42 UK policy makers now attach importance to exporting as a catalyst for changes in the general economy. The argument is that in acquiring the skills for successful exporting and through being exposed to new markets, competitors and ways of doing business, British companies will lift their capabilities and competitiveness and in so doing lift the overall economy.

Rationale, Need for Intervention and Strategic Context**III****Emerging Themes**

3.43 The financial crisis of 2008 led to a dramatic slump across almost all major economies. There are a number of emerging trends which may have an impact on international export and as such need, including:

- a) **decline of importance of the Republic of Ireland and wider Euro Zone markets:** the countries of the Euro-zone continue to have lower growth rates, many of which were formerly significant export markets for Northern Ireland based companies. In addition, many emerging countries, particularly the BRIC countries and the Far East are recording double digit growth. UKTI recommends a change of geographic orientation towards the following markets:
 - (i) China;
 - (ii) India;
 - (iii) Brazil;
 - (iv) Indonesia
 - (v) Mexico;
 - (vi) Russia;
 - (vii) Saudi Arabia;
 - (viii) South Africa;
 - (ix) Turkey; and
 - (x) United Arab Emirates.
- b) **New Forms of FDI:** increasingly, the collaboration between firms in different sectors allows the development of entirely new projects. Multinational firms assemble networks of people in their own organisations as well as meshing with other multinational firms and indigenous companies to create new products and services. The new kinds of business activity that are emerging also seek to locate in places where there is an existing base of similar or complementary industries – small and large, indigenous and MNCs and an enabling pro business environment;
- c) **Convergence technologies:** changes in technology have made possible whole new categories of products and services. Companies working at the forefront of nanotechnology and microelectronics are developing applications for the life sciences. Even traditional businesses are being transformed. These innovations require an approach to project and product development that requires collaboration between firms in previously unrelated sectors and between businesses and universities; and
- d) **Focus on services:** in all developed economies, services such as finances, insurance, computer related activities, design and architecture are driving economic growth and are increasingly traded internationally. Between 1980 and 2006, the global value of this international trade in services increased by a factor of seven, spurred on by changes in technology and by regulatory reform.

Rationale, Need for Intervention and Strategic Context**III****Invest NI provision of services**

3.44 In addition to the range of export development programmes offered by Invest NI there are a number of other generic programmes which may, in certain, circumstances, be utilised to support export related activities. These are set out in the following table:

Programme	Programme Promoter	Description of Activities
BITP	Invest NI	A company wide skills audit and development of a programme of training
GAP	Invest NI	Growth Accelerator Programme comprises 2 aspects: a) consultancy/marketing support: and b) key worker salary grant which gives up to 50% max of a salary for 12 months for a max of 2 key workers in any one project.
Interim Manager	Invest NI	The programme is delivered through one to one consultations and specialist advice. It also offers an element of financial support for the engagement of an interim manager.
Trade and Marketing Mentor (subsidiary of Northstar)	Invest NI	The assignment comprises of 40 hours of mentoring support from a registered mentor on the Invest NI database. The mentor aims to inform decision making by producing independent observations and recommendations.
Selective Financial Assistance	Invest NI	The provision of financial assistance to enable the setting up of new establishments or expanding existing establishments, the starting up of an activity involving a fundamental change in the product and/or the production process through rationalisation, diversification and/or modernisation. Finally the purchase of an establishment which has closed or which would have closed had it not been purchased.

Other Providers of export assistance

3.45 The table below identifies the providers of export assistance in Northern Ireland:

	UKTI	Invest NI	Inter trade Ireland	Northern Ireland Chamber of Commerce	Local Authorities
Geographical scope	UK wide	NI wide	Republic of Ireland and NI	NI wide	Specific Local Authorities
Sector	Any	Manufacturing and tradable services.	Manufacturing and tradable services.	Any	Any
Scale of companies	All	Focus on SMEs	Focus on SMEs	Any	Any

Rationale, Need for Intervention and Strategic Context**III**

3.46 The table illustrates that a number of organisations operating in Northern Ireland are also delivering export related services to local companies. Although there are minor differences in the geographical scope and scale of companies assisted, there is significant variation in the type of interventions offered by each organisation.

3.47 The following table sets out the various programmes offered by non-Invest NI providers of export support:

Programme	Programme Promoter	Description of Activities
ACUMEN	IntertradeIreland (Co funded by Invest NI)	The Acumen Graduate Programme operates in both Northern Ireland and the Republic of Ireland and aims to increase a company's awareness, understanding and capability to trade on a cross-border basis by working with a high calibre graduate to assess the market potential and develop a strategic marketing/sales approach.
Trade Accelerator Voucher Scheme	Inter trade Ireland (Co funded by Invest NI)	The Trade Accelerator Voucher Scheme offers financial assistance of up to £1,000 towards professional advice in areas such as finance, taxation, employment law, currency or regulation for companies wishing to trade in the other jurisdiction on the island of Ireland.
Go-2-Tender Programme	Inter trade Ireland	The Go 2 Tender Programme consists of two days of workshops and an additional half day mentoring for every company taking part. Eligible participant companies can also apply for up to a further three days of mentoring from an experienced consultant to help with tender development, scoping potential markets and tailored advice and guidance.
Cross-border information and advice	Inter trade Ireland	This provides up to 10 themed workshops each year throughout the island of Ireland in relation to cross border trading.
Council Led Export Programmes	Various Councils throughout Northern Ireland	A number of Councils have developed export development programmes which provide a combination of mentoring support, workshops and subsidised 'learning journeys' to a number of markets in Eastern Europe and Holland.
Gateways USA*	Northern Ireland Chamber of Commerce (Co funded by Invest NI)	The Gateways USA trade mission programme was developed by the Northern Ireland Chamber to assist Northern Ireland companies to explore and develop trade links in the United States.
Getwork EU*	Northern Ireland Chamber of Commerce (Co funded by Invest NI)	The Getwork EU trade development programme assists Northern Ireland companies to explore and develop trading links with countries in the European Union.
MicroTrade	Enterprise NI	The MicroTrade Programme aims to promote cross border trade and business co-operation specifically within the micro enterprise sector. The programme supports County Enterprise Boards and Local Enterprise Agencies to undertake joint projects such as reciprocal visits between small business networks, North and South or to facilitate their client companies in developing cross border markets. Allied to those, the programme offers a range of supports
Tradelinks	Enterprise NI	Tradelinks is specifically designed to assist the micro enterprise sector across Northern Ireland and the Border counties of the Republic of Ireland.

* Were not available for the entirety of the project period.

Rationale, Need for Intervention and Strategic Context**III**

3.48 Approximate trade budgets could only be sourced from two sources:

Name of Organisation	Budget
InterTradeIreland	£1,220,144*
ERDF support to Councils for Export Development	£705,000**
*-combined trade programme budget for 2009	
** combined ERDF support to Councils since 2007	

3.49 The programmes described in the above tables have been further analysed to identify the scale of beneficiary company and the preferred export market:

	Target Market		
	UK/ROI	Europe	Rest of World
Micro/Small	ACUMEN North Star Interim Manager GAP Tradelinks	Council Led Export Training Programmes North Star Interim Manager	GAP
Medium	ACUMEN GAP North Star Interim Manager	Council Led Export Training Programmes North Star Interim Manager GAP	GAP
Large	BITP*	BITP*	BITP*
* provides assistance in the development of strategy of which exporting may be one aspect of the intervention.			

3.50 There are a significant number of current export support programmes providing assistance to companies seeking to enter export markets in Great Britain, the Republic of Ireland and mainland Europe. These are generally targeted at small enterprises seeking to export for the first time.

3.51 The suite of trade interventions potentially provides support to companies across all geographies, sectors and scales, however the degree of assistance increases with the relative 'complexity' of the market being served.

3.52 It is evident that there is a high degree of complementarities between interventions (and a potential for duplication), and companies can pick and choose which interventions they want to avail of from a range of other bodies. However, in terms of budget and geographical coverage, Invest NI is the most significant provider of export support in Northern Ireland.

Invest NI operation methodology

3.53 Invest NI has developed an operational methodology which categorises exporters into one of 5 categories. Its suite of interventions is designed to take companies through a number of key stages, from workshops through to in market support. However, there is a degree of flexibility as to how companies progress through the stages is based on their individual export experience:

Rationale, Need for Intervention and Strategic Context

III

Non exporter	First time exporter	Inexperienced exporter	Experienced exporter	Exporter maximising opportunities
<p>Overcome perceptions and constraints of:</p> <ul style="list-style-type: none"> •Lack of Desire •Lack of Support •Insufficient Export Expertise •Investment Risk Concerns •Transport Costs •Lack of resources / managerial time •Lack of market information •Language / cultural differences 	<ul style="list-style-type: none"> •Define market •Identify differentiator •Generate leads •Build customer relationships •Sales function •Negotiate contract •Close sale / deal •Develop and manage accounts •Access to relevant markets •Relevant market research 	<ul style="list-style-type: none"> •Quantify market •Ongoing development of company •Develop company structural support •Develop company export support functions / expertise (e.g. pricing / distribution / CRM) •Identify target companies •Build distributor & existing customer relationships •Profile target companies •Rank targets •Exploit differentiator •Sale and contract management •Access to relevant markets •Relevant market research 	<ul style="list-style-type: none"> •Marketing strategy •Ongoing structural support development •Develop market & customer target criteria •Identify & develop new / existing customer / distributor relationships •Management of multiple export markets •Tender development and management •Access to relevant markets •Relevant market research 	<ul style="list-style-type: none"> •Identify additional market opportunities •Review and exploit differentiator •Refine company structural support •Account management & contract review •Partnership development •Customer relationship management •Diversification •Review and exploit potential synergies with partners •Acquisition / merger activities •Access to relevant markets •Relevant market research

3.54 Research carried out by the University of Strathclyde in conjunction with UKTI acknowledges that there are market failures which may prohibit or delay companies from exporting, but that the major determinant behind export readiness is the mindset of the company. They have developed the following typology of experiences which questions the basic rationale for exporting:

	Traditional (Uppsala Model) (Dominant)	Born Global (Very rare, usually university spin outs)	Born Again Global (rare, usually management buy outs)
Motivation	Reactive, adverse home market, reluctant management, cost of new production processes forces export initiation.	Proactive. Global 'niche' markets. International from inception. Active search.	Reactive. Response to a critical incident.
Expansion Patterns	Incremental. Domestic Expansion first. Low tech/less sophisticated markets targeted. Limited evidence of networks.	Concurrent. Near simultaneous domestic and export expansion. Due to the high proportion of R&D companies favour extensive use of sectoral networking.	Epoch of domestic market orientation followed by rapid internationalisation. Strong evidence of Client 'followership'.
Nature of intervention	Focus on embedding expertise and entry into 'basic markets'. Non knowledge intensive sectors.	Focus on trade exhibitions and developing networks (lifesciences/ pharma, ICT).	Focus on in market support, developing geographical markets and some trade exhibition work (Renewables, construction sector and aggregates).

Rationale, Need for Intervention and Strategic Context**III**

3.55 The above research indicates that there are differing needs for each of the different types of companies and they may require more tailored interventions. Although, the Suite of Trade Interventions does currently permit support for Networking activities, which are a core element as to how 'Born Global' companies research, develop and promote new goods and services. Due to the moving environment in which these emerging companies operate, it is essential that Invest NI remains vigilant to emerging niche networks through routine consultation with local industry leaders.

Strategic context conclusion

3.56 There is recognition that in order to compete, Northern Ireland as a region must export more. At present, the region lags the UK average of exports as a percentage of GDP at 21% compared to a UK average of 28%. Northern Ireland further lags behind the Republic of Ireland which had a figure for exports at 80% as a percentage of GDP (Source: Independent Review of Economic Policy).

3.57 In addition, the export market in Northern Ireland is dominated by approximately 25 large scale companies, most of which are foreign owned.

3.58 Invest NI's export support activities clearly fall within its economic development remit as set out in the Programme for Government and its historic and current strategic plans. It is noted, however, as the strategic remit for economic development becomes more blurred, through the involvement of District Councils and others, there is potential for duplication of services. In summary the following themes have been identified:

- a) need to continue to support the export activities of indigenous SMEs within Northern Ireland;
- b) enhanced export activity not only brings financial rewards, but there is also increased capacity and learning for the companies involved;
- c) a number of organisations across Northern Ireland, including Invest NI, the local Councils, Northern Ireland Chamber of Commerce and Industry ("NICCI") and Inter trade Ireland currently provide support for companies wishing to engage in export activities;
- d) there is currently a degree of under-performance by Northern Ireland based companies in the emerging markets of the Far East, Middle East and within key sectors in the USA. There is a strategic need for Northern Ireland companies to engage with these economies, which are amongst the world's largest and fastest growing;
- e) it is recognised that large scale companies have the capacity to exploit the emerging markets without additional export assistance from Invest NI. However, it is our contention that their continued involvement is to be supported:
 - i) as it provides a demonstration effect of potential benefits to other Northern Ireland based companies;
 - ii) there are opportunities for networking and supply chain linkages; and
 - iii) particularly on trade missions, their presence is critical to attract the 'overseas interest' and so adds credibility to the particular intervention.
- f) some companies may not require, or benefit from, the need to take part in the complete continuum of services and that some companies (Born Global and Born Again Global) may require a more tailored service. During the period of the evaluation, the Trade Team did provide this flexible approach and it is recommended that this is continued;

Rationale, Need for Intervention and Strategic Context**III**

- g) the key market failures (as set out in para.3.5) can be summarised as follows:
 - i) a lack of information;
 - ii) lack of both financial and managerial resources; and
 - iii) need to demonstrate tangible benefits of engaging with emerging markets.

3.59 We have sought to further develop these themes through the consultation and survey processes the results of which are set out in **Section IV**.

Intervention Objective/Targets/Performance and Management IV

Introduction

4.1 In this section we will set out the main findings of our primary research. The raw data from our primary research is set out in following Appendices:

- a) Online Survey results (**Appendix B**); and
- b) Benchmarking (**Appendix C**).

Online Survey

4.2 The online survey was designed to address the following issues:

- a) motivation and barriers to exporting;
- b) exporting patterns and experience;
- c) support received from Invest NI and satisfaction levels; and
- d) the benefits and impact on performance

Characteristics of respondents

4.3 The survey was designed to attract responses from a representative sample of NI companies. The general characteristics of the respondents was as follows:

- a) 38.9% of respondents were micro companies with a further 42.2% being small companies. 15.6% of respondents were from medium sized companies, whilst only 3.3% of companies were large. This is reflective of the structure of companies in Northern Ireland;
- b) there was good coverage of respondents from all but 9 of the 82 postcode districts across Northern Ireland. Belfast predominated at 89 responses, with Craigavon in second place with 21 and good representation from the other cities of Lisburn, Newry and Londonderry;
- c) 34% of respondents were from manufacturing companies with information and communication coming in second place of the specified activities. There were returns across all of the sectors for Invest NI;
- d) 80 % of responses were from companies who had been established for 5 or more years. 5% had been established for less than 2 years;
- e) 78% of respondents were from single independent workplaces with another 15% operating out of a branch office of a larger concern; and
- f) of those branch offices, 38% had their headquarters in the Republic of Ireland, 31% elsewhere in the European Union and a further 31% were based in North America.

4.4 It is our contention that the profile of respondents corresponds with the overall user profile of Invest NI's interventions and we can therefore draw reliance on its findings.

Intervention Objective/Targets/Performance and Management IV

Motivation and Barriers to Exporting

4.5 59% of respondents to the survey stated that their prime motivation to consider exporting related to achieving company growth ambitions, with 49% stating that international markets have always played a part in the company's marketing. Perhaps reflective of the current economic circumstances are the following three results: with 38% stating that their motivation to consider exporting was to reduce dependency on a small number of markets, 14% to utilise existing capacity and 13% to gain higher profit margins from outside the UK.

4.6 The last three points matches feedback from Invest NI Trade staff in sectors such as manufacturing and construction who have sought to encourage companies to diversify into other markets to overcome the significant down turns in the core UK and Republic of Ireland markets. 11% of respondents stated that they were motivated to export through advice provided by Invest NI.

4.7 An 'opportunity to keep abreast of development' was only cited as a motivation by 8% of respondents. Although this would seem at odds with DETI and Invest NI policy of embedding innovation through exporting, it merely illustrates that companies still predominantly see exporting as a means of expanding sales rather than know how.

4.8 Companies were asked what barriers they hoped to address when they first started working with Invest NI. 71% of respondents stated that they saw opportunities but needed help to research the market. 54% stated that they had a strategy but wanted assistance to refine it and a further 64% stated that they saw opportunities and needed help to enter a specified market. 25% stated that they only approached Invest NI as they wanted financial assistance to support international activity. Only 20% of respondents stated that they had no international strategy when they first started working with Invest NI.

Exporting patterns and experience

4.9 The survey identified that within the last 4 years, 87% of businesses have conducted business outside of the United Kingdom with a further 10% stating that they were planning to start trading within the near future.

4.10 In terms of export activity, 44% stated that they were regular exporters, with a further 49% stating that their export activity is dependent on winning ad hoc orders and so varies significantly. 6% stated that their only export activity had been a one off event.

4.11 79% of respondents stated that international trade activity was related to the development of new markets for existing products, with 34% producing new products for existing international markets. 22% of activity relates to the development of overseas joint ventures/partnerships (it is not specified whether this is for local market penetration or relates to local sourcing of materials).

4.12 The survey asked what proportion of turnover was made in a number of areas. Northern Ireland (31%), the rest of the UK (23%) and Republic of Ireland (14%) are the areas where most turnover was made for Northern Ireland based companies. Europe (not including the Republic of Ireland) accounted for 8.07% of turnover, with North America having 5.05% of turnover. We believe that this turnover figure may be misleading as it may in part relate to transfers between Northern Ireland based subsidiaries rather than to sales to third parties.

4.13 31% of respondents stated that market conditions had strongly declined over the last three years, with a further 33% stating that conditions had declined but only moderately. 23% stated that market conditions had improved either moderately or strongly. It is not possible to discern in which sectors there has been growth.

4.14 In terms of access to finance, 53% of respondents stated that it was either difficult or very difficult to borrow money from banks.

Intervention Objective/Targets/Performance and Management IV

Support received from Invest NI and satisfaction levels

4.15 From the earlier analysis of barriers to entry, it would seem that the typical Invest NI beneficiary company already has a propensity to export, but is merely seeking to clarify/overcome constraints to possible market entry. This is evidenced by 50% of respondents stating that prior to working with Invest NI they had made sales outside of the UK. Therefore 50% of beneficiary companies cannot be classified as novice exporters.

Findings by intervention

4.16 The following table provides a summary of the findings of the survey against each intervention. The remainder of the section provides an overview of each of the interventions (Detailed quantitative and qualitative analysis is outlined in **Appendix B**):

Intervention	% who view intervention as important for improving performance	% who view intervention as representing good value for money	% who were satisfied with the service offered under the intervention	% who viewed the intervention as encouraging further use of Invest NI services
Business Information Centre	62%	69%	81%	36%
Developing Export Sales Strategy	65%	76%	71%	66%
Export Advisory and/or Research Services	60%	65%	70%	53%
Export Workshops	61%	76%	82%	61%
Trade Missions	70%	78%	83%	59%
Trade Exhibitions	74%	77%	79%	59%
Trade Advisory Service	59%	63%	52%	64%
Northern Ireland Trade Development Centres	41%	38%	59%	45%
Going Dutch	78%	78%	75%	69%

Intervention Objective/Targets/Performance and Management IV

4.17 The above table illustrates that the intervention which was viewed as being the most important in achieving performance improvement was the Going Dutch programme. The Northern Ireland Trade Development Centres were viewed as being important by only 41%. We are not surprised that Going Dutch has scored so highly as it is an integrated programme of training, in market support and post market support which aims to embed practical knowledge with direct experience. The programme itself is expensive to run, but it does involve an extensive resource commitment from the Client, something we believe illustrates the real value of the approach.

4.18 The projects which scored lowest were those in which there was limited scope for added value by Invest NI, such as the Northern Ireland Trade Development Centres. Respondents saw the NITDC as a managed office spare intervention. During the evaluation period, the NITDC incubation units were used by over 40 companies. However, an additional 958 companies received in depth market research and other trade related interventions to enable them to enter a particular market. The NITDC also provided dedicated support to Invest NI in the delivery of more than 50 major in market events. To this end the results of the survey need to be caveated.

Clients respond to interventions, where they can see the added value which Invest NI's involvement brings.

4.19 Although the Business Information Centre scored relatively well against all four headings, there was a concern expressed through the wider consultation exercise that the Centre could be adding significantly more 'value add'. At present, the Centre is accessible to all private individuals and businesses in Northern Ireland and provides 'basic information' to a high volume of requests. The Centre houses significant online resources which have the potential to inform the production of 'more specialised export market/sectoral research' and thereby replacing to a certain extent, the need for an external research capability.

4.20 It is recommended that the Business Information Centre identify options for the greater utilisation of its resources by the Trade Team in the subsequent development of sectoral/geographical research reports. The integration of this service would greatly aid the value add of Invest NI's trade provision and move it further up the value chain.

Business information centre

4.21 83% of respondents stated that they are infrequent users of the BIC accessing information with a frequency of less than several times per year. 7% have never used the service. Less than 5% use it more than once a month.

4.22 57% of respondents learnt about the BIC service from an Invest NI Client Executive, 22% of respondents found out about the service by word of mouth. 38% of respondents used the market research function of BIC, whilst a further 24.4% used it for identifying new customers. Approximately 25% used it for competitor intelligence or for tender opportunities. There were negligible returns for business guidance on licensing or European legislation.

4.23 Only two services, market research and identifying new customers scored a satisfaction rating over 50%. Business guidance on licensing had the lowest satisfaction level at 21%. When asked whether they would recommend the BIC 44% said they probably would, with a further 45% stating they definitely would. 69% of respondents stated that the BIC was good value for money, but only because there was no charge.

Developing Export Sales Strategy

4.24 71% of respondents stated that they were made aware of this service by an Invest NI Client Executive, with a further 10% becoming aware of it through a mail shot. 76% believed the service represented either good or very good value for money and 66% stated that it had encouraged them to use other Invest NI export related services.

Intervention Objective/Targets/Performance and Management IV

Export Advisory and/or Research Services

4.25 74% of respondents stated that they were made aware of this service by an Invest NI Client Executive with a further 9% becoming aware of it through a mail shot. 65% believed the service represented either good or very good value for money and 53% stated that it had encouraged them to use other Invest NI export related services. Overall there was a 70% satisfaction level with the intervention.

Export Workshops

4.26 58% of respondents stated that they were made aware of this service by an Invest NI Client Executive with a further 26% becoming aware of it through a mail shot. 76% believed the service represented either good or very good value for money and 61% stated that it had encouraged them to use other Invest NI export related services. Overall there was a 82% satisfaction level with the intervention.

Trade Missions

4.27 61% of respondents stated that they were made aware of this service by an Invest NI Client Executive with a further 13% becoming aware of it through a mail shot and 14% through word of mouth. 78% believed the service represented either good or very good value for money and 59% stated that it had encouraged them to use other Invest NI export related services. Overall there was an 83% satisfaction level with the intervention.

4.28 Although there was a high degree of satisfaction with the trade missions, there were a number of operational issues which soured the experience for a small number of respondents, themes include; the quality of accommodation, the resourcing of the missions and associated media activity.

Trade Exhibitions

4.29 75% of respondents stated that they were made aware of this service by an Invest NI Client Executive with a further 7% becoming aware of it through a mail shot and 8% through word of mouth. 77% believed the service represented either good or very good value for money and 59% stated that it had encouraged them to use other Invest NI export related services. Overall there was a 79% satisfaction level with the intervention and 84% would recommend it to others.

Trade Advisory Service

4.30 74% of respondents stated that they were made aware of this service by an Invest NI Client Executive with a further 11% through word of mouth. 63% believed the service represented either good or very good value for money. However only 52% stated that it had encouraged them to use other Invest NI export related services. Overall there was a 64% satisfaction level with the intervention and 78% would recommend it to others.

Northern Ireland Trade Development Centres

4.31 61% of respondents stated that they were made aware of this service by an Invest NI Client Executive with a further 8% becoming aware of it through word of mouth. 53% believed the service represented either good or very good value for money and 45% stated that it had encouraged them to use other Invest NI export related services. Overall there was a 59% satisfaction level with the intervention.

Going Dutch

4.32 75% of respondents stated that they were made aware of this service by an Invest NI Client Executive with a further 16% becoming aware of it through a mail shot. 78% believed the service represented either good or very good value for money and 69% stated that it had encouraged them to use other Invest NI export related services. Overall there was a 75% satisfaction level with the intervention and 85% would recommend it to others.

Intervention Objective/Targets/Performance and Management IV

Assessment of Relative Importance of Interventions

4.33 The table below illustrates the relative importance of each intervention when measured against one another:

Intervention	Response
Business Information Centre	6%
Developing Export Sales Strategy	10%
Export Advisory and/or Research Services	4%
Export Workshops	8%
Trade Missions	38%
Trade Exhibitions	24%
Trade Advisory Service	6%
Northern Ireland Trade Development Centres	2%
Going Dutch	6%
Total	100%

4.34 The results in the table above indicate that Clients place more importance on interventions which are closer to the point of selling (such as Trade Missions and Trade Exhibitions). We believe that this is largely down to the profile of Invest NI's client group, who tend to have previous export assistance and so largely discount the importance of the earlier stage interventions which are aimed at embedding expertise amongst inexperienced exporters. (The Going Dutch model scores low in this table because it is relatively small and is seen as a means to an end rather than an end in itself. Success in that programme leads to enhanced use of Trade Missions and Trade Exhibitions.)

A possible implication of these findings is that Invest NI should play to its strengths and focus on the high end interventions where it can generate greater added value.

Summary of key learning points from the survey

4.35 The completion of the survey provides answers to the following questions:

- a) Why do firms export and what do they get out of it?
- b) If there are clear cut reasons for companies to export what is preventing them from doing so?
- c) Is there a market failure preventing companies from exporting?
- d) What companies should be assisted to export?
- e) What is the rationale and subsequent impact of focusing attention on a limited number of exporters?
- f) What is the role of networking in export promotion?
- g) What level of contribution should companies make?
- h) How appropriate are the interventions to the needs of the Client?

Intervention Objective/Targets/Performance and Management IV***Why do firms export and what do they get out of it?***

4.36 The majority of companies cited that their prime motivation to export was to achieve company growth ambitions (sales). A number of the companies also cited problems in their existing markets and also a perception that there were wider profit margins to be had in external markets. 'An opportunity to keep abreast of developments' was only cited by 8% of respondents. There may be a language issue here, as companies are willing to export and take part in trade interventions with an eye to embedding expertise, but the ultimate goal is to enhance profits.

If there are clear cut reasons for companies to export what is preventing them from doing so?

4.37 The companies identified a number of constraints to exporting such as lack of local knowledge and lack of a local resource and a need to update their export strategy. These issues reflect common market failures identified in academic literature. The suite of interventions clearly addresses these issues through the provision of workshops, mentoring and consultancy support. Financial constraints were only cited by about 19% of respondents. We interpret this as more of a symptom of the general state of the economy, rather than a specific constraint to exporting. However, cognisance should be paid to the parlous state of many SMEs in Northern Ireland in any recommendations related to beneficiary contributions for specific interventions.

Is there a market failure preventing companies from exporting?

4.38 In terms of market failure, the survey is clearly identifying the principal failure as being asymmetric information, that is 71% of respondents stated that they saw opportunities but needed help to research the market, with 73% stating that they saw opportunities but needed help to enter the market. Invest NI interventions have been developed to address this issue through the provision of training, mentoring, market information and in market support. However, it must be borne in mind that this is the market failure being addressed by companies who wish to export or have previously exported. The survey does not take into account, the large section of the Northern Ireland business community who have neither engaged with Invest NI nor previously exported. Their market failure, of asymmetric information and the consequent need of a demonstration effect, is not recorded in the survey.

What companies should be assisted to export?

4.39 Over 50% of companies assisted through the interventions were previous exporters. A significant proportion also highlighted that international markets had always played a part in the company's marketing and growth plans. There may be concerns over deadweight, however many of the exporters themselves are moving up the value chain and selling to larger more sophisticated markets. In terms of revenue generation, these companies are the ones which will generate the largest export orders and therefore add to regional GVA.

4.40 As stated in the previous question, the survey does not address the issue of the companies who are not presently engaging with Invest NI nor exporting.

What level of contribution should companies make?

4.41 All interventions were judged to be good value at their existing tariff, therefore we assume that there may be room to increase the charge for services. However, subsequent to the period covered by the evaluation, the Trade Team has sought to increase the financial contribution made by companies to more fully cover the costs of the intervention.

Intervention Objective/Targets/Performance and Management IV

How appropriate are the interventions to the needs of the Client?

4.42 When we reviewed the original constraints facing the companies, we identified that these could be addressed by Invest NI's existing Suite of Trade Interventions. In addition, in most cases the use of one intervention acted as an incentive by the Client to use further export support activities. Finally, there was a high degree of satisfaction from the Clients and the majority of respondents across each of the interventions considered them to be good value for money.

Key Learning

The interventions seem to be utilised by experienced exporters.

Companies tend to conform to the Upsalla model of export development and only change markets/processes in response to market opportunities or 'market shocks'.

There is a high degree of satisfaction with the range of interventions, both individually and as a suite.

Although they do not cite it as their main motivation to export or selecting the suite of interventions, there are perceived learning and strategic benefits attributable to the interventions.

Trade Missions are viewed as being the most useful intervention, the trade development centres, the least.

Companies get the largest non financial added value from the Going Dutch Programme.

Due to the nature of the Invest NI client base, predominantly composed of SMEs and large companies and mainly have previous export experience, survey respondents stated that they favoured direct market support interventions rather than utilising services aimed at embedding expertise. The latter interventions would be considered more fitting for novice or early stage exporters.

Structured interviews

4.43 The role of the structured interviews was to undertake deeper analysis of emerging issues from the desk based research and the survey.

4.44 Although all of the research questions cited throughout the report were posed to the interviewees, specific themes emerged from the following questions:

- a) How will the emerging themes impact on the Northern Ireland export proposition?
- b) What is the role of networking in export promotion?
- c) What level of contribution should companies make?
- d) How appropriate are the interventions to the needs of the Client?

How will the emerging themes impact on the Northern Ireland export proposition?

4.45 When asked to identify any emerging themes with the potential to impact on their sectors, the beneficiaries all identified the challenge of the emerging economies and secondly the use of new technologies.

4.46 Foremost was the role of the BRIC countries. All respondents stated that even if they did not ultimately trade with these countries, it was important to observe what they are doing. They may not be at the forefront of technology at present, but things are moving in that direction. A number of respondents had been on trade missions to the Far East and Brazil and the main point was the importance of local knowledge.

Intervention Objective/Targets/Performance and Management IV

4.47 They recognised that these were not places that you could merely 'swoop into' rather there needed to be more upfront research, to assess the benefits of the trip and also greater added value by Invest NI, that once they get there, they are meeting the right people. This can only come from higher value services in Northern Ireland, ahead of the visit and perhaps the embedding of staff in the specific market.

4.48 Respondents felt that China and India were well covered, but felt that Brazil had greater opportunities. Although there is no permanent Invest NI office in Brazil, companies do have access to a UKTI country representative.

4.49 Companies felt that in terms of new technology, Northern Ireland was very far from the cutting edge. A number of the respondents, particularly those from a research and development background have sought to use Invest NI support to attend exhibitions, where their objective is not to sell, but to inform themselves of the next trend and ensure that their technologies are in keeping with the demands of their potential customers. When asked about the role of Invest NI in this activity, the respondents stated that they appreciated the support (financial and general business advice) they received. Respondents stated that for Invest NI's interventions to remain pertinent (particularly in relation to Trade Events), there was a need for the Trade Team to regularly engage with local industry leaders to ensure 'emerging interests' were at least considered.

What is the role of networking in export promotion?

4.50 Networking was seen as a major motivation for being involved in Invest NI activities, particularly the cross sectoral trade missions. This provided many of the smaller companies with an opportunity to meet on friendly terms with representatives of larger companies. There were instances of cross selling as a result of trade missions and also using the existing contact of larger companies to enter new markets (particularly in the Middle East). There was strong support for creating Northern Ireland propositions.

4.51 Companies involved in research and development were particularly interested in developing learning networks within their own sector/complementary areas, not solely for the purposes of trading, but providing a forum for best practice and in the longer term, developing an element of critical mass when dealing with larger companies who will stipulate that they will only work with other companies of scale. Respondents stated that the Network approach brings with it the opportunity for shared learning but also developing trust, which eventually could lead to collaboration.

4.52 Respondents were aware that Invest NI did have such networks, but they did not realise that they could be used for export purposes. One respondent, who had previously received support from Enterprise Ireland, identified the use of the Irish diaspora and thought that was another network that could be used, outside of the sector and supply chain.

What level of contribution should companies make?

4.53 On the whole it was agreed that the interventions offered good value because they were either free or were subsidised. There was also agreement that the costs could be increased by a percentage, but there would also have to be an increase in customer care to ensure that they continued to get good value for money. Respondents were also interested in other forms of contribution, particularly mentoring, where they could swap expertise. However, respondents stated that there would need to be a formal monitoring role for Invest NI to ensure that beneficiary companies complied with the mentoring process, in lieu of a financial contribution.

Intervention Objective/Targets/Performance and Management IV

How appropriate are the interventions to the needs of the Client?

4.54 Respondents felt that Invest NI was largely doing the right thing in terms of interventions. They believed it was the appropriate body to speak to regarding export. However, there were a number of concerns. One respondent stated that he did not appreciate the range of services which Invest NI offered and had missed out in the first year on follow up support once he had returned from his trade mission.

4.56 Respondents also stated that it was hard to discern the difference between key interventions, such as export advisory services and types of in market support and that the marketing could be more 'straight forward' (We believe that Invest NI's Transform Agenda will address this issue by simplifying the external marketing of interventions).

4.57 Finally an experienced customer of Invest NI stated that they were happy with the overall range of Invest NI products, but for specific intervention such as Solex and some in market support, it was easier just to use funds such as GAP. When questioned further, their reason for favouring GAP was that it offered a range of services (and just one application form) and also a higher rate of assistance than interventions such as Solex. We are unsure as to how representative this is of the experience of other beneficiary companies, however we are aware that there are clear guidelines in place for the use of Invest NI interventions and that programmes such as GAP were developed to have multiple uses.

Key Points

Need for enhanced presence in emerging markets;
Need to utilise the skills of Invest NI clients to form networks;
Some non trade interventions are being used for trade purposes.
There is general support for an increased contribution.

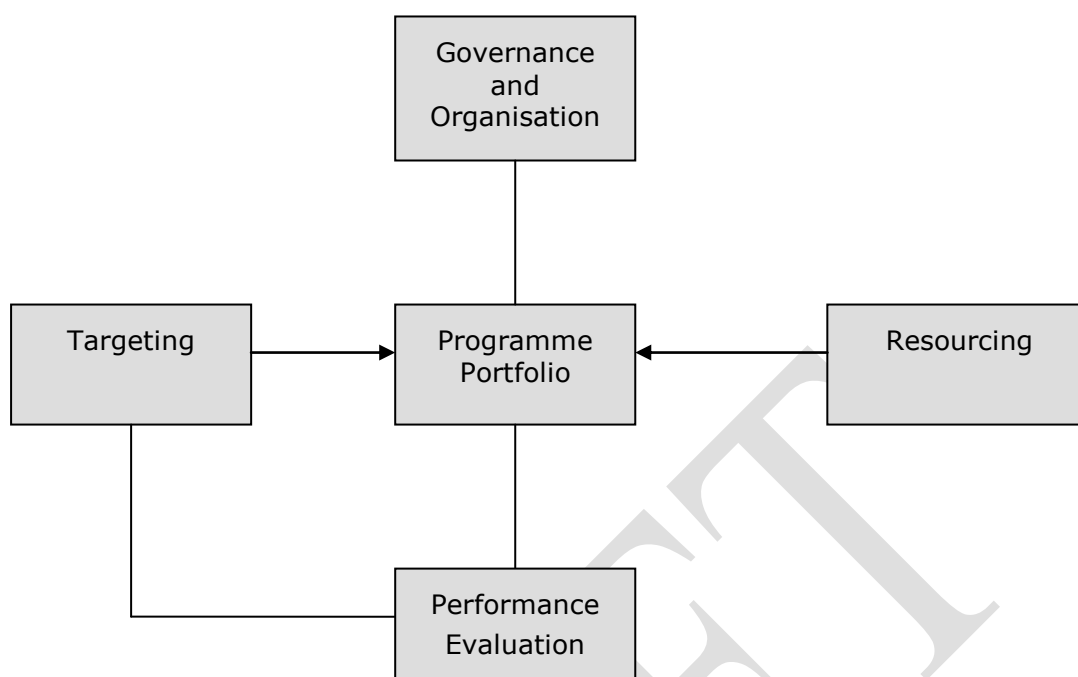
Benchmarking

4.58 We have reviewed evidence from each of the following regions and Nations.

- a) Finland;
- b) New Zealand;
- c) North Brabant;
- d) Schleswig Holstein;
- e) Republic of Ireland; and
- f) Scotland/UKTI

4.59 A detailed analysis of the key findings in each benchmarked area are set out in **Appendix C**. The following paragraphs summarise the main findings of the benchmarking exercise.

4.60 As part of the benchmarking exercise, we reviewed the activities of the New Zealand Trade and Enterprise Agency and discovered the following benchmarking mechanism which we have augmented to the demands of the terms of reference:

Intervention Objective/Targets/Performance and Management IV

4.61 Before moving onto the specific finding under each heading, it was found that the common rationale for intervention, across all examples were:

- a) to learn about exporting (which markets, findings customers, advice on business plans, logistics and finance);
- b) to grow international business (those with some experience require assistance to plan entry into new markets, obtain growth finance, networking with new customers and finding new partners); and
- c) to become globally competitive (more experienced firms requiring high level market and strategic insights and assistance to access partners and use more sophisticated business models involving outward FDI type activities).

Intervention Objective/Targets/Performance and Management IV

Governance and Organisation

4.62 The table below illustrates the tiers of administration and an overview of their responsibilities:

	Finland	Schleswig Holstein	North Brabant	Ireland	New Zealand	Scotland	Northern Ireland
Federal/Nation Level							
Market intelligence	✓	✓	✓	✓	✓	✓	✓
Overseas Presence	✓	✓	✓	✓	✓	✓	✓
Financial Assistance	✓	✓	✓	✓	✓	✓	✓
Consulting/mentoring	✓	✓	✓	✓	✓	✓	✓
Delivery of Workshops	✓	✓	✓	✓	✓	✓	✓
Regional Level							
Market intelligence		✓	✓		✓	✓	✓
Overseas Presence		✓	✓		✓	✓	✓
Financial Assistance		✓	✓		✓	✓	✓
Consulting/mentoring		✓	✓		✓	✓	✓
Delivery of Workshops		✓	✓		✓	✓	✓
Local Level							
Market intelligence	✓	✓	✓	✓	✓	✓	✓
Overseas Presence					✓	✓	✓
Financial Assistance	✓	✓		✓	✓		✓
Consulting/mentoring	✓	✓	✓	✓	✓	✓	✓
Delivery of Workshops	✓		✓	✓	✓		✓
Third Party Delivery							
Market intelligence						✓	
Overseas Presence						✓	
Financial Assistance						✓	
Consulting/mentoring						✓	
Delivery of Workshops						✓	

Intervention Objective/Targets/Performance and Management IV**Key Issues:**

4.63 The key learning points are:

- a) most export assistance is delivered through a number of strategically aligned public sector delivery organisations (with either a sector or scale orientation);
- b) most organisations have a unified export promotion with foreign direct investment entity integrating onshore and offshore activities; and
- c) the national trade promotion organisation often acts as a first port of call for the business community and through its referral system, coordinates trade support network's overall response to the individual exporter.

4.64 We believe that points A and C are most pertinent to this evaluation and are best illustrated through the Scottish Development International example.

4.65 In keeping with the strategic guidelines of "A Smart Successful Scotland", Scottish Development International ("SDI") consolidated its interventions and target groups to those 2,000 companies which could produce the highest export return. However, the change of Government in Scotland 2007, brought about a rethink of this targeting exercise and a realisation that a significant number of small and medium sized enterprises were not receiving export support. Rather than weakening SDI's focus on high impacting companies, it was decided to augment this approach by utilising additional delivery mechanisms administered by the Local Authorities and the Chambers of Commerce. The result is an emerging programme, where the Chambers of Commerce administer a Scotland wide programme of export interventions aimed at early stage exporters, through a stand alone body called Scottish Chambers International. SDI has an input into this organisation and it is anticipated that companies progress along the 'programme conveyor belt' of Scottish Chambers International, until such time that they are judged to need the specific support which SDI offers. At the time of writing, we are uncertain as to whether they have common performance metrics and the exact mechanism for transferring clients between the two schemes.

4.66 Although this scheme would seem to have simplified export support in Scotland, local authorities continue to perform their own standalone interventions.

Benchmarking exercise has identified clear models for the delivery of a segmented export delivery model.

Intervention Objective/Targets/Performance and Management IV

Targeting

4.67 The table below identifies the method and rationale for targeting by each of the benchmarking organisations:

	Finland	Schleswig Holstein	North Brabant	Ireland	New Zealand	Scotland	Northern Ireland
Geography	✓	✓	✓	✓	✓	✓	✓
Sector	✓	✓	✓	✓	✓	✓	✓
Place and prioritise sector	✓	✓	✓	✓	✓	✓	✓
Scale of Beneficiary	✓	✓	✓	✓	✓	✓	✓

Key Issues:

4.68 The key issues are:

- there is a degree of targeting by all organisations. Programmes are targeted by one or a combination of the following:
- sectors – each development agency has its clearly defined strategic sectors. These mainly reflect the key sectors for economic development generally, rather than those which are most important for regionally exporting. In addition, there is no 'apparent' indication of prioritisation;
- markets – market segmentation reflect key geographies. There is little supporting information to identify the rationale for market selection apart from historical linkages and general economic conditions;
- firm size – there is an orientation towards small to medium sized enterprises, however we believe that this is mainly down to state aid guidelines. There is evidence that in most if not all occasions, large companies can still access some support (although intervention/contribution rates may vary)
- export readiness – the degree of preparedness to export. The academic research states that greatest returns are to be derived from those who are either 'threshold or mature exporters'

There is an essential dichotomy in export delivery, between the argument for targeted support to those companies which are closest to the export market and the broad brush approach of using export support as a means of improving overall market efficiency for a large number of companies, both arguments are valid and the argument is being waged across a number of the benchmarked regions.

Intervention Objective/Targets/Performance and Management IV

Programme Portfolio

4.69 The table below illustrates the range of services offered by each of the benchmark organisations:

	Finland	Schleswig Holstein	North Brabant	Ireland	New Zealand	Scotland	Northern Ireland
Exhibitions, missions and learning journeys	✓	✓	✓	✓	✓	✓	✓
Overseas market support	✓	✓	✓	✓	✓	✓	✓
Readiness to internationalise	✓	✓	✓	✓	✓	✓	✓
International business opportunities	✓	✓	✓	✓	✓	✓	✓
Flexible financial products	✓	✓	✓	✓	✓	✓	✓
International strategy workshop	✓	✓	✓	✓	✓	✓	✓
International mentoring	✓	✓	✓	✓	✓	✓	✓
International market presence	✓	✓	✓	✓	✓	✓	✓
Diaspora/International Networking				✓	✓	✓	

Key Issues

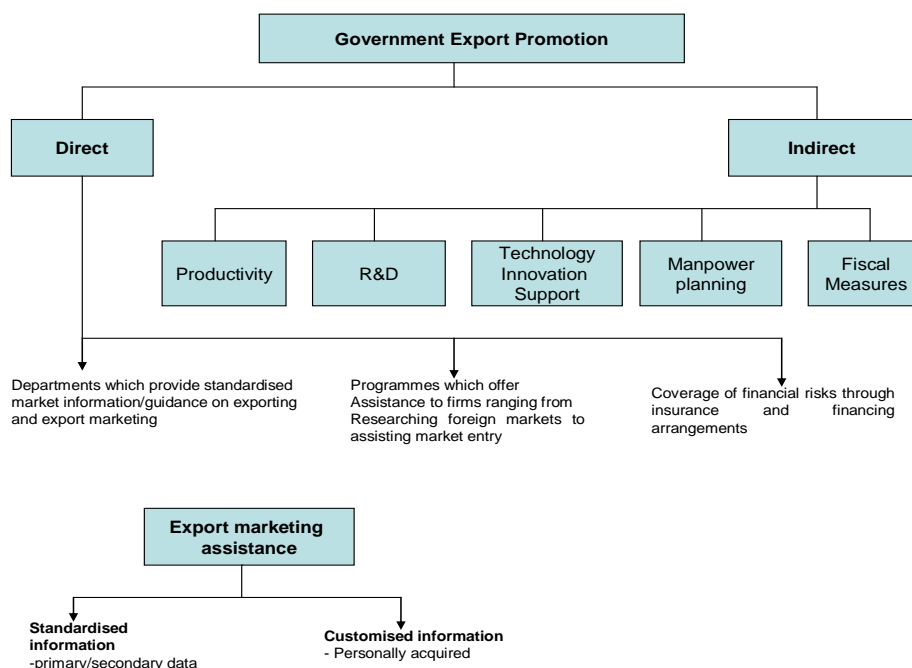
4.70 The following issues are noted:

- there is a degree of consistency of provision between most of the development agencies, the only major exception is the diaspora/International Networking projects which are delivered by development agencies in Scotland, Ireland and New Zealand. Invest NI has recently piloted a diaspora programme which is still identifying key stakeholders in a number of markets and sectors and scoping possible interventions. However, even at this early stage there are a number of possible opportunities to augment the foresight function collaborative networks by providing access to 'international expertise'. Unlike the more formalised networks operating in Scotland and Ireland it is too early to assess any tangible impacts to Invest NI's export provision, outside of that foresight function;
- a common theme raised in the research is the need to focus on higher value interventions, which ultimately generate higher rates of GVA; and
- Scottish Development International also recently dropped its Graduate into Export programme.

Intervention Objective/Targets/Performance and Management IV

We note that development agencies in Scotland and New Zealand are using new communication technology to ensure accessibility, including webinars and on-line communities of practice.

4.71 The diagram below illustrates the standard intervention model used by the development agencies cited above:



In summary, most regions are pursuing broadly similar interventions which are in keeping with the model cited above. However there does seem to be a move away from placing resources into companies to a position of 'embedding expertise' through the use of mentoring and consultation.

Resourcing

4.72 The following key issues are noted:

- a) the level of resources invested has an impact on the success of export promotion activities. The net investment in internationalisation by SDI was £19.3million (2005/06 to mid 2009), an average of around £5million per annum. The ratio of GVA per pound invested is 7:1;
- b) there was a degree of inconsistency as to the issue of charging, SDI didn't charge for services, however Finpro, Schleswig Holstein, North Brabant and New Zealand all charge for aspects of their service (it has not been possible to confirm at this stage the exact rates);
- c) New Zealand Enterprise recommends that all trade staff have formal qualifications in the discipline;
- d) departmental structures tended to be a hybrid of sectors and geographies, usually with more of a sectoral focus to fit in with the wider remit of the organisation;

Intervention Objective/Targets/Performance and Management IV

- e) SDI and Enterprise Ireland both placed an emphasis on the sectoral approach 'selling the region' at trade events and invest heavily (with private sector assistance); and
- f) a number of services are outsourced by all bodies to third party delivery organisations.

Performance Management

4.73 The following table identifies the resourcing issues related to the delivery of the interventions:

	Finland	Schleswig Holstein	North Brabant	Ireland	New Zealand	Scotland	Northern Ireland
Evidence of Programme Monitoring Framework	✓	✓	✓	✓	✓	✓	✓
Evidence of integrated Customer Relationship Management tool					✓	✓	✓
Specific Export Performance Indicators	✓	✓	✓	✓	✓	✓	✓
Undertakes Benchmarking					✓	✓	
Developing baseline information					✓	✓	

Key Issues:

4.74 The following issues are noted

- a) evaluation is seen as important and programme monitoring should be integrated into the organisation's customer relationship management tool;
- b) it is essential to identify baseline information through initial export skills questionnaire;
- c) it is essential that the Customer Relationship Management tool can capture the following types of information:
 - (i) all applications for each intervention (e.g. employee size, SIC 2 digit code, post code etc);
 - (ii) total financial contribution to date from Trade interventions to the specific company (to ensure compliance with State Aid guidelines);
 - (iii) collation of individual export skills questionnaire;
 - (iv) all routine monitoring information in line with proposed key milestones; and
 - (v) the development and collation of impact assessment forms for all beneficiaries of interventions at 2 intervals (on completion and 12 months post completion).

This information can generate the following management reports:

Intervention Objective/Targets/Performance and Management IV

- (i) number of applications for each intervention broken down by sector, geography and company scale;
 - (ii) number of successful completions for each intervention broken down by sector, geography and company scale;
 - (iii) variance analysis of spend and key milestones broken down by intervention and for each sector; and
 - (iv) an assessment of all attributable key impacts carried out on a cohort basis (at six month and 12 month basis).
- d) it is essential to benchmark across other regions; and
 - e) essential to ensure that there is common performance metrics between all delivery organisations within the region.

4.75 The last point is seen more as an aspiration rather than something which is happening on the ground.

4.76 In line with the issue of benchmarking with other regions, we enquired into the potential use of PIMS, UKTI's performance monitoring system. Respondents stated that although this tool was very useful and provided detailed information, it was however, expensive, and had a degree of inflexibility which may preclude it from use in the specific circumstances of Northern Ireland.

Summary of findings from Benchmarking Exercise

4.77 The completion of the Benchmarking exercise provides answers to the following research questions:

Key Learning

There is a shared rationale for intervention across all of the development agencies.

Export development is rarely delivered by one body; it is mostly delivered by a range of organisations with the delivery mechanism determined by the group it wishes to target.

Targeting is prevalent, however most development agencies recognise the importance of 'exporting training' as a tool for enhancing productivity across all companies.

There do not seem to be any gaps in the current provision. However, Scottish Enterprise, Enterprise Ireland and New Zealand Enterprise and Trade do have in place 'expatriate networking' programmes which could augment the existing trade interventions.

Not all development agencies charge for their services, where they do, there is still often an element of subsidy.

It is essential to have good performance management and an integrated customer relationship management tool as this not only identifies and measures the 'qualitative/learning aspects' of the project but can also maintain the appropriateness of the suite of interventions.

Stakeholder Consultation

4.78 This exercise involved consultation both with representatives of external organisations and meetings with Programme Management and delivery staff within Invest NI.

External Stakeholder Consultation

4.79 Face to face interviews were conducted with representatives of the following external organisations, including:

- a) Department of Enterprise Trade and Investment;
- b) Belfast City Council;

Intervention Objective/Targets/Performance and Management IV

- c) Lisburn City Council;
- d) IntertradeIreland; and
- e) Northern Ireland Chamber of Commerce.

Key Findings

4.80 We have grouped individual responses to form the following key findings. The key finds are:

- a) **Scale and scope of export activity** –all respondents stated that Northern Ireland was underperforming in terms of export activity. There were a number of companies which did perform well, however they were few in number and were usually foreign owned. Two main problems were highlighted, the low levels of export activity amongst indigenous SMEs and the over-reliance on established markets such as the Republic of Ireland. It was suggested that the low levels of export activity were in part a consequence of the natural conservatism of many local companies, however it could also be attributable to a lack of awareness/provision of basic export provision. In terms of scope of export activity, it was felt that this was the responsibility of Invest NI who needed to do more research into identifying the emerging sectors and regions. In addition, Invest NI should consult more regularly with relevant industry representatives, Government and academia, through mechanisms such as the Matrix Group and Collaborative Networks, to inform its subsequent interventions and develop robust targets;

- b) **Range of interventions** – respondents stated that in principle the range of services presently offered by Invest NI was in keeping with that delivered by other similar trade bodies. However individual respondents stated that the service could be augmented by a limited number of improvements.

First, is the need to make use of networking. Suggested networking solutions were based on two propositions: Those based in Northern Ireland and related to the Matrix groups and those involving the expatriate community. The Matrix networking groups were viewed as important for exporting for the following reasons:

- (i) providing a useful foresight function, identifying emerging issues and key markets for specialist sectors. Thereby augmenting Invest NI's own sectoral provision;
- (ii) development of cross selling (particularly in convergent industries); and
- (iii) development of Northern Ireland sectoral propositions (i.e. encouraging companies to think in terms of the wider sector and developing the critical mass to deliver services to multi national companies).

The expatriate networking groups were viewed as important for exporting for the following reasons:

- (i) initially local knowledge and contacts in distant markets, "the familiar face in foreign climes"; and
- (ii) once trust has developed, the potential for longer term collaboration, both in terms of selling and use of premises/research and development.

In addition to the networking role, there was significant discussion regarding the use of mentoring. All respondents viewed the continued involvement of large companies as very useful, providing that they 'gave back' more. As these larger companies tended to be experienced exporters, they were viewed as having a role in providing mentoring to smaller/novice companies. It was agreed that this could not be left on an ad hoc basis, rather it would need to

Intervention Objective/Targets/Performance and Management IV

be co-ordinated. In line with the IREP recommendations, it was felt that the mentoring could be formalised as an 'in-kind contribution' when companies used Invest NI's higher end interventions.

Although outside of the remit of this study, there was discussion with DETI regarding the linkage between support for foreign direct investment and export support, with overseas offices providing a dual role. However, within the remit of the report was the suggestion that greater use should be made of the 'inward visits', where groups of business people from a targeted geographical market receive a facilitated learning journey to Northern Ireland. This has been successfully delivered by the 'Red Meat' Group and for key geographies including Kurdistan and Brazil. and should be continued to be rolled out to other sectors who have a high concentration in Northern Ireland.

There is recognition that Invest NI has provided support to a range of professional service companies, however diminishing opportunities in their former core markets of GB and RoI necessitates a need for enhanced support to enter new markets.

- d) **Continuum approach** - all respondents stated that provision of export support in Northern Ireland was very complicated and probably contained areas of duplication of provision between the various organisations charged with its delivery. It was originally envisaged that the Review of Public Administration would provide an opportunity to discuss the complementarity of interventions between the Enterprise Agencies, Central and Local Government, however this opportunity has now passed. In response to this lost opportunity, Invest NI has begun a dialogue with the various stakeholders regarding how their interventions 'fit' with its 'continuum approach' (The Continuum approach is Invest NI Trade Team strategy document which articulates the export priorities for the organisation). There was recognition, that the continuum was a useful starting point for discussion and there was agreement that Invest NI should have primacy in the delivery of higher end interventions, such as trade missions to destinations out of continental Europe, as well as supporting trade exhibitions and the provision of specialist marketing advice. However, a number of the organisations stated that they had an existing role in early stage export assistance, such as workshop provision, mentoring and in market support to countries such as the Republic of Ireland, the Netherlands and other 'entry level' markets.

With this in mind, it was suggested that Invest NI should augment its existing 'continuum strategy' so as to recognise the role and responsibilities of the other organisations. However, respondents were concerned regarding the issue of geographic coverage, although bodies such as IntertradeIreland and the Northern Ireland Chamber of Commerce both have a remit which officially covers the entirety of Northern Ireland, only a selection of Councils currently provide export advice, with the potential that any withdrawal of service by Invest NI could exclude certain communities; and

- e) **Charging for services** – all respondents believed that Invest NI was under charging for its services and that at a time of Government budgetary constraints it was necessary to ensure that additional revenue be raised. It was agreed that the issue of charging should be considered as part of the discussions regarding future delivery.

Intervention Objective/Targets/Performance and Management IV

Internal Stakeholder Consultation

4.81 Face to face interviews were conducted with representatives of the following teams within Invest NI, including:

- a) Asian Team;
- b) European Team;
- c) Food Team;
- d) Electronics Team;
- e) Creative Industries Team;
- f) Bio/Health Team;
- g) Engineering and Business Services;
- h) Materials Handling;
- i) Transport, construction and tourism; and
- j) Senior staff including: Tracy Meharg, Grainne McVeigh and Dr Vicky Kell.

Key Findings

4.82 We have grouped individual responses to form the following key themes. Key findings include:

- a) **Continuum approach** – all respondents stated that they agreed with the strategic intention of the Continuum approach as it provided a structure for both internal and external stakeholder discussion;

However, there were comments that for the continuum model to work, three elements had to be put in place:
 - i) a robust export skills audit;
 - ii) a move to an integrated programme approach of delivery; and
 - iii) an independent co-ordinating role for DETI, to ensure geographic coverage and avoid areas of service duplication between Invest NI, IntertradeIreland, Enterprise NI, the Local Authorities and the Chamber of Commerce.

Most respondents stated that they wanted Invest NI to move towards adding more value/higher impacting projects, involving enhanced strategic marketing.

Intervention Objective/Targets/Performance and Management IV

There was also a concern that the Continuum approach needed to be sufficiently flexible so as to cope with individual and sectoral outliers which don't confirm to its 'traditional process approach'. The table below provides examples:

	Food/Drink and Tobacco	Electronics, Telecoms, ICT	Creative/Design	Bio /Health Technologies	Engineering and Business Services	Materials Handling	Transport, tourism and construction
Characteristics of the Sector	Sales to a limited number of large scale retailers.	Mainly SMEs. supplying larger companies. Lack of critical mass. Concerns over product conformity	Predominantly small scale producers. Wish to enter niche markets. Concerns over product conformity	Small number of world class research companies and micro companies. Concerns over the continued presence of research.	Emerging sector, dominated by a number of small companies. Concerns over critical mass.	Small number of world class companies and a concentration of small support companies.	Large number of medium sized companies who until recently were oriented towards domestic and RoI markets.
Perceived Export Needs	Mature exporting sector. Main tool used is trade missions to target markets	Emerging sector, mainly interested in geographic trade missions to US.	Emerging sector, mainly interested in geographic trade missions to US	Mature Exporting sector. Main tool used is trade exhibitions to identify emerging technologies. Strong opportunities for networking.	Emerging sector interested in sectoral guidance and using trade exhibitions to enhance presence. Strong opportunities for networking	Greatly impacted by the crash in Republic of Ireland seeking new markets. Strong Opportunities for networking	Emerging sector. Greatly impacted by the crash in Republic of Ireland seeking new markets.

The table illustrates that there is a high degree of variance between the export skills/demands of various sectors.

- b) **Developing a Baseline** – the evaluation identified that entrants to any of the suite of interventions have to complete an 'intervention specific' application form regardless of whether or not they are an existing Client managed company. This information is then assessed by the relevant Trade and Client Executives to determine suitability for support. We recognise that the current system of assessment is robust, however it does not provide an opportunity to assess export skillsets, to baseline the information and assess the comparative impact of each intervention on the export capability of the company. Therefore a significant proportion of Invest NI Trade support is going unmonitored and impact is only being assessed once a company has secured an export related sale. In short, developing a company skills baseline and measuring a company's subsequent progress against agreed milestones would ensure that Invest NI's impact could be more accurately monitored.

Intervention Objective/Targets/Performance and Management IV

In addition, the inability to consistently assess export skillsets through the use of an agreed baseline and key milestones may mean that companies opt for interventions which are not 'best fit' with their needs. There is the potential for 'savvy client managed companies' to apply for more expensive consultancy/mentoring support programmes, which are perceived as adding more value, rather than using cheaper alternatives such as workshops.

We are cognisant of the existing arrangements for capturing client data, through individual application forms and Invest NI's CCMS system. We recommend that both these mechanisms are augmented to facilitate the development of an export skills baseline statement for each company and agreed milestones (from an indicative list) which would chart company development across all interventions and reduce the duplication of data collected under separate applications. We also recommend that a Senior Responsible Office is charged with ensuring the routine updating of CCMS which in turn will provide the basis for quarterly Directorate and Board reports.

- c) **Programme Approach/Going Dutch Model** – a number of respondents stated that they favoured the return of the export development programme approach. This was a fore runner of the present Going Dutch Model and had key stages which companies had to undertake/be formally exempted from before moving up to higher cost interventions. The advantages of this approach were that it embedded expertise within the companies, whilst at the same time meant that companies did not undertake interventions which they were not prepared for. It was stated that because some respondents were omitting the early stage interventions, such as the workshops, there were for example additional mentoring costs incurred to remedy deficiencies. The integrated programme approach would have clear development stages and controls in place, but still with a degree of flexibility for those 'born global' companies who can quickly move up the programme approach;
- d) **Portfolio of interventions** – respondents were broadly in support of the current portfolio of interventions, however it was recommended that increased use should be made of the facilitated 'inward market' visits approach as pioneered by the 'red meat' section:

The facilitated inward market visit has proven a useful mechanism for developing strategic links with emerging geographical markets, such as Kurdistan and Brazil. Through this approach, representatives are invited to Northern Ireland 'to assess the complementarity of the regional economy' to their own needs. Synergies are identified and in both these examples, key sectors have been agreed and follow up sectoral trade visits have been put in place. Although it involves significant up front investment in terms of relationship building, this strategic approach has brought significant dividends through high level official contacts and subsequent signposting of commercial opportunities, without the need for a permanent in market representative.

- e) **UKTI**- respondents stated that there were concerns over the provision of information from UKTI. It was viewed as being very generalised and quite expensive. In addition, there were also concerns that Invest NI placed too much emphasis on the strategic visioning of UKTI, depending on that organisation to determine the emerging trends within sector and geographies. Rather it was thought that this should be carried out by Invest NI in conjunction with 'collaborative networks' of local private sector companies;
- f) **In market support** – respondents stated that Invest NI should commit in market resources to those geographic markets it had identified as priorities. This is particularly true in the North American and Asian markets, where companies can't simply fly in and fly out over the course of one or two days.

Intervention Objective/Targets/Performance and Management IV

Invest NI has had a number of notable successes through it in market support, particularly in India and through its extensive network of intermediaries in the Middle East (Invest NI has been consulted by other regional development agencies as to its approach to the region). Both regions (India and the Middle East) necessitate permanent in market support through the scale and complexity of their markets and the need to gain local insight and 'credible partner status' with local partners who insist on strong personal relationships.

- g) There is a need for **greater in market presence** in certain markets which are judged strategically important, however this need not be a formal Invest NI presence, rather opportunities should be investigated to develop local partnering arrangements or greater co-ordination with other British and Irish trade representations. One respondent was particularly enthused about the use of the diaspora in the US and its opportunities for networking stating that this could be an alternative to a formal Invest NI presence; and
- h) **Resourcing** – respondents stated two concerns regarding resourcing. The first was that in terms of trade exhibitions, the Northern Ireland presence was often overshadowed by the 'better resourced' Scots and Irish presence. Secondly, that many of the interventions were priced too cheaply. The consensus view was that a number of interventions should be increased in price, thereby providing the revenue for a better resourced Northern Ireland presence at strategically important events. Subsequent to the period of the evaluation the track team have been introducing progressive pricing.

Key Issues

Agreement that the portfolio of interventions was suitably robust.

Support for the Continuum Approach and its priorities.

Support for a Programme Approach 'Expanded Dutch Model'

Need to move up the value chain and more strategic marketing.

Need to reduce the percentage of the subsidy for certain interventions.

Programme management

4.83 At the commencement of the Evaluation, the project team sought the following information:

- a) economic appraisals;
- b) internal management information (including quarterly reports); and
- c) project monitoring information

4.84 We were informed by the Trade Directorate team that no previous economic appraisals were available.

4.85 The Suite of Trade Interventions was not devised as an integrated programme, rather it has evolved from a number of sources, including the export development programme administered by the Industrial Development Board. Therefore many of the projects have not undergone economic appraisal (although annual approval is sought from the Invest NI Board for the Trade Directorate Budget).

Intervention Objective/Targets/Performance and Management IV**Management Processes**

4.86 Reporting was carried out by the geographic and sector teams and on an individual intervention basis, however, there was no programme approach, rather interventions were tracked as separate project headings operated by the Track Team. The resourcing for the Suite of Trade Interventions was therefore dependant upon assessments of demand carried out separately by individual sector and geographic managers. Subsequent to the period of the Evaluation the Trade Team has a programme approved to budget management.

4.87 There was not previously a programme approach to the management of the Suite of Trade Interventions, rather they were treated as separate project headings operated by the Trade Directorate. The resourcing for the Suite of Trade Interventions was therefore a reactive process, dependent upon the anticipated demand for services by each of the Sector and Geography managers. Reporting was carried out against each of the sectors.

4.88 Every beneficiary of each intervention is required to complete a feedback form on two occasions, one immediately after the intervention (mainly concerned with qualitative feedback) and a second at an interval of no more than one year after the project has ended (primarily concerned with assessing impact). Interventions routinely aggregate this information and submit as an internal report to the Directorate's management team. This information is used only for internal management purposes.

4.89 Until recently trade interventions were not recorded on Invest NI's knowledge management tool ("CCMS"). Beneficiary information was formerly kept in a number of separate excel spreadsheets, meaning it was difficult to identify the range of interventions each company had attended. This situation was highlighted in the preparation for the survey, where we had to draw reliance on at least six different excel spreadsheets. Subsequent to the period of the evaluation, CCMS has been adapted to permit the capture of Trade Directorate information.

4.90 However since April 2010, responsibility for the budgets has been placed with appropriate sector and geographic teams. The various teams bid each year for their budgets from the central Trade Directorate budget and the allocation of funding between sectors and geographies reflects its perceived strategic importance as outlined in the Trade Team's strategy document (and will in future years also be informed by previous spending patterns). The sectoral/geographic budget holders then have the opportunity to 'purchase' services from the Suite of Trade Interventions for their client companies. We believe that this approach to the disbursement of funding is more reflective of the priorities of the Trade Directorate's Strategy by ensuring that specific sector export needs are ring fenced and that funding is not simply dispersed to those companies/sectors which are 'quickest to respond'. Rather, this sectoral budgeting approach combined with sectoral monitoring will enable the provision of a more robust assessment of the value for money of the Suite of Trade Interventions, rather than the previous approach of focusing on the impact of an individual trade intervention and then seeking to aggregate these impacts.

A company/sector orientated approach to monitoring will be able to more robustly attribute the impact of each intervention along the export development process taken by beneficiaries before making a final assessment of the overall impact on the company/sector. However this can only be achieved through the collation of readily comparable 'baseline data'.

Intervention Objective/Targets/Performance and Management IV

Performance Management

4.91 We have been informed that the trade team reports against the following headline targets. For the period 2005-06 to 2007-08 these were:

Target	Outcome
The level of exports as a percentage of total sales by Invest NI client companies (excluding the top 25 exporting clients in 2003) to increase to 30%.	Exports as a percentage of total sales: 30.5% in 2005-06
1,000 companies to enter new export markets	1,095 companies have entered new markets
500 new exporters	611 companies have begun to export
500 key sales personnel to improve sales and marketing skills	719 personnel have improved their sales and marketing skills

4.92 The following headline targets were reported against for the period 2007/08-09/10

Target	Outcome
Encourage new first time exporters - 240	286
Support companies to diversity into new markets -500	542
Deliver export skills and knowledge workshops -650 participants	708
Support market visits - 100	100

4.93 The above targets have all been met and in most cases surpassed.

Intervention Objective/Targets/Performance and Management IV**Expenditure**

4.94 The following table highlights the total expenditure for each intervention and assesses any variances:

Export programmes analysis of actual spend against budget			
Intervention	Budget	Actual	Variance
BIS	1,142,000	1,132,000	(10,000)
Consultancy services			
DESS	365,000	397,000	32,000
EAS	445,000	566,000	121,000
Export workshops	480,000	455,000	(25,000)
Multi Sector Missions	1,645,000	1,982,000	337,000
Sectoral Trade Missions	545,000	664,000	119,000
Group Stands at Exhibitions	3,085,000	3,370,000	285,000
In-market support			
TAS	665,000	765,000	100,000
NITDCs	2,650,000	3,363,000	713,000
Going Dutch	430,000	399,000	(31,000)
Total	11,452,000	13,093,000	1,641,000

4.95 The variance in expenditure can be attributed to in year transfer into the Directorate from other teams within the same division (but outside of the Trade Team). Where there has been under spend most notably with regard to the Going Dutch and Export Workshop programmes this can be attributed to the cancellation of particular classes or cohorts down to operational reasons. However, participants were encouraged to re-register for subsequent classes.

4.96 The assessment of value for money is detailed in **Section V**.

Economic impact and value for money**V****Introduction**

5.1 In this Section we address the following objectives from the terms of reference:

- a) an assessment of the overall impact of the interventions in Northern Ireland, identifying the costs and benefits of this support both quantifiable and unquantifiable and assessing the wider and regional economic benefits which may have been delivered;
- b) benchmarking of the performance of the suite of interventions against other comparators in the UK, Republic of Ireland and European Union, establishing quantitative benchmarks where possible;
- c) a comparison of the costs actually incurred in delivering each intervention with those estimated at the outset, allowing an assessment of the economy efficiency and effectiveness with which public funds have been used;
- d) where relevant, conclude on the overall level of value for money offered individually and in totality, by the suite of interventions taking account of all available evidence from the evaluation. This should include quantified assessments of the level of additionality and displacement and relevant cost effectiveness indicators.

5.2 In response to the aforementioned questions, this Section identifies both the direct and indirect economic impacts of the suite of interventions before discussing wider (learning and strategic) benefits of the suite of interventions.

5.3 The section is set out as follows:

- a) Monetary & Employment Benefits and Economic Impact:
- b) Turnover Benefits;
- c) Employment Benefits;
- d) Gross Value Added;
- e) Value for Money;
- f) Benchmarking;
- g) Wider Non-Monetary Benefits; and
- h) Conclusions.

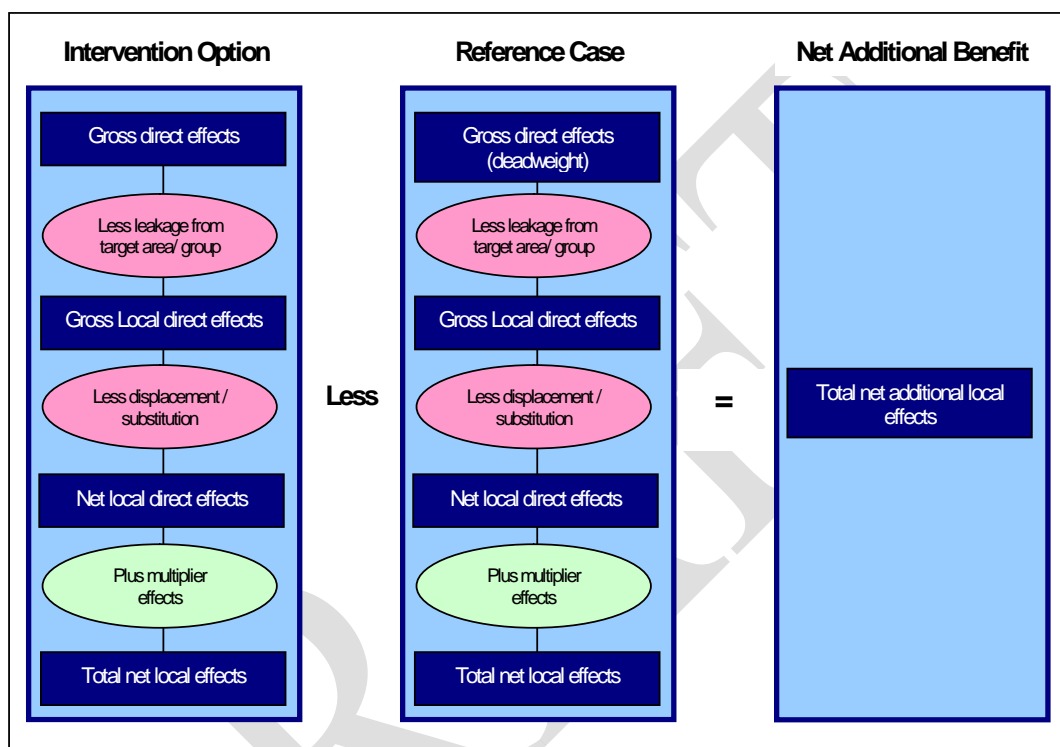
Monetary & Employment Benefits and Economic Impact

5.4 We examine three main benefits, which can be used to provide a monetary measure of economic benefit. These are Turnover, Employment and Gross Value Added. For each of these benefits we assess both the Gross benefit and the Net Additional benefit. The latter takes into account not just the benefit to the individual firm, but also the wider interaction with the local economy.

Economic impact and value for money

Approach to Assessing Additionality

5.5 Our approach to assessing additionality is set out in the figure below and is consistent with HM Treasury and DFP guidance. In summary, the Gross benefits are compared against a counterfactual (referred to as the reference case, or deadweight), both cases being adjusted for a number of secondary factors which reflect the interaction of the intervention with the Northern Ireland economy (these are: leakage, displacement, substitution, and economic multipliers). The counterfactual is established by the beneficiary, guided by series of detailed and standardised questions that form a core part of the beneficiary survey (see **Appendix B**).



5.6 The factors set out above have been combined, **for each individual respondent**, in the standard additionality model represented by the formula:

$$AI = [GI \times (1 - L) \times (1 - Dp) \times (1 - S) \times M] - [GI^* \times (1 - L^*) \times (1 - Dp^*) \times (1 - S^*) \times M^*]$$

Where: AI= Net additional impact; GI= Gross Impact; L= Leakage; Dp= Displacement; S= Substitution; M= Multipliers.

Economic impact and value for money**V**

5.7 For illustrative purposes, a sample calculation is presented below, based on a hypothetical set of employment benefits. The table shows that the original figure of 500 gross jobs is converted to an estimated 218 net additional jobs, after taking into account a range of factors.

		Intervention Option	Reference Case	Additionality
A	Gross Direct Jobs	500	80	
B = A x 10%	Estimated Leakage (low 10%)	50	8	
C = A-B	Gross Local Direct Effects	450	72	
D = C x (1-50%)	Displacement (medium 50%) + Substitution (0%)	225	36	
E = C-D	Net Local Direct Effects	225	36	
F = E x (1.15-1)	Multiplier (Low 1.15)	34	5	
G = E + F	Total Net Local Effects	259	41	
H = G (Intervention Option) – G (Reference Case)	Total Net Additional Local Effects			218

5.8 The factors used in calculating Net Additional Local Effects (Turnover and Employment benefits) for each respondent are set out for reference in **Appendix E**.

5.9 As noted, the data used to estimate Gross and Net Additional benefits, GVA, and value for money, have been derived from the survey of beneficiaries (**Appendix B**) and selected secondary data sources as summarised in the table below.

Factor	Survey source
Gross Turnover Benefits	Q 120, 121, 122
Turnover Deadweight	Q 123, 124, 125 126, 127, 128, 129
Turnover Displacement	Q 39, 133
Turnover Substitution	Q 146
Turnover Leakage	Not applicable
Economic Output and Employment Multipliers	Q 134, 135, plus secondary data (DETI economic multiplier data and proxy data)
Gross Employment Benefits	Q 137, 138
Employment Deadweight	Q 139, 140, 141, 142, 143, 144
Employment Displacement	Q 39, 133
Employment Substitution	Q 146
Employment Leakage	Q 145

5.10 The following assumptions and limitations should be noted:

- research design:** as is the norm in estimating additionality in regional development interventions, the research adopts a retrospective panel design, relying on careful and standardised questioning of beneficiaries about their past and current attributes, behaviour, attitudes, and beliefs. As such the findings are subject to the recall and accuracy of the beneficiary;
- area of benefit:** the analysis adopts Northern Ireland as the area of benefit. Net Additional impacts at local or UK level may vary;

Economic impact and value for money**V**

- c) **costs:** Programme budgets and Invest NI staff costs have been taken into account in the calculation of costs/benefits. However, insufficient data means that any cost contributed by the beneficiaries has not been assessed;
- d) **deadweight:** in the examination of turnover benefits, deadweight has been assessed in relation to total beneficiary turnover, which will tend to produce relatively high deadweight levels. Caution should be exercised in comparing turnover deadweight and Net Additional turnover benefits with other studies reporting additionality based on other measurement scales;
- e) **displacement & Substitution:** the setting of levels for displacement and substitution requires a number of assumptions. Relatively 'tough' tests of the possible displacement and substitution effects have been set and are discussed in the relevant sections below;
- f) **economic multipliers:** relatively broad, sector-level output multipliers are used in relation to the estimation of Net Additional turnover. No suitable Northern Ireland employment multipliers were made available to the study. Therefore, in the estimation of Net Additional employment, we have used a proxy set of data for employment multipliers. We have used recent sector-level, Scottish employment multipliers. We note that the level of multiplier effect introduced by the proxy figures are broadly in line with level of multiplier effect cited in a wide range of related economic impact studies (see paragraph 5.74 later in this section). The development of sector specific employment multipliers would enhance the accuracy of the findings; and
- g) **gross Value Added:** The method of estimation is based on regional average GVA per employee and is a relatively broad measure in comparison with sector specific averages (not available) or firm level estimates of GVA (not practical within the study parameters). Again, sector specific GVA data would enhance the accuracy of the findings.

Turnover Benefits

5.11 Within this section we identify the turnover (sales) benefits.

Gross Annual Benefits

5.12 For 2009/10, the estimated Gross turnover for all firms assisted by the Trade Programme was £6,796m increasing from £5,083m in 2005/06, as illustrated in the table below.

	2005/06 (n=182)	2009/10 (n= 186)
Gross Turnover (sample)	£628.9m	£859.3m
Gross Turnover (population)	£5,083.4m*	£6,796.1m **
Note: * Margin of error +/- 6.80%. **Margin of error +/- 6.72%		

Turnover Deadweight (2009/10)

5.13 A number of survey questions assessed the level of turnover deadweight for the latest financial year 2009/10 (i.e. sales that would have been generated without Invest NI Trade Programme assistance). Only a small number of respondents indicated that no turnover activity would have occurred without Invest NI assistance (commonly referred to as 'absolute additionality').

Economic impact and value for money**V**

5.14 Rather, the majority of respondents received partial benefits (53%), increasing the beneficiary sales levels to varying degrees, over and above what respondents believed would have occurred anyway. Estimated levels of deadweight were available for some 168 respondents, and the distribution of deadweight findings are indicated in the table below:

Comment	Percent Deadweight	% Respondents (n=168)
Negative impact	Over 100	7.1
No scale impact	100	38.1
Relatively low scale impact	91 to 99	8.9
	81 to 90	21.4
	71 to 80	8.3
Relatively moderate scale impact	61 to 70	8.3
	51 to 60	3.6
	41 to 50	0.6
	31 to 40	0.0
Relatively high scale impact	21 to 30	1.2
	11 to 20	0.6
	1 to 10	0.0
Absolute scale additionality	0	1.8
	Total	100.0
Descriptive Statistics		
Mean		89.0
Median		50.0
Mode		100.0

5.15 Nonetheless, some 38% of respondents indicated that the scale of turnover was not increased as a result of the Invest NI Trade Programme (plus 7.1% reported that the overall affect was negative). These findings suggest a relatively long tail of intended beneficiaries with low or no benefits in terms of turnover scale increases.

5.16 Two issues are noted in this regard:

- a) the appropriateness of intervention targeting and effectiveness; and
- b) the extent to which these 'non-performing' participants are on a 'learning journey' and able to improve over time.

Displacement

5.17 As indicated in the introduction to the Section, the deadweight findings must be further adjusted to take into account wider interactions within the local economy. The first of these considers displacement, which is a measure of the extent to which a beneficiary is likely to simply capture business from another existing local competitor and thereby not add overall value to the local economy.

5.18 The survey undertaken with the Trade Programme beneficiaries assessed the potential level of product market displacement associated with the intervention. This was assessed by examining the level of competition within the main business market of the respondents, and by taking account of the prevailing market conditions (as categorised by the respondent).

5.19 Some 63% of respondents indicated that 'a minority or no competitors' were based in Northern Ireland, suggesting relatively limited scope for displacement. Nonetheless, for the remaining respondents, relatively high levels of local competition indicate that displacement issues may be a consideration.

Economic impact and value for money**V**

5.20 Further, when asked about market conditions over the prevailing period, over two-thirds of respondents indicated that market conditions had declined moderately or strongly. This may serve to intensify the likelihood of displacement.

5.21 Consistent with formal guidance and recent practice, the factors relating to displacement have been combined (product market competition and market conditions), and a score has been computed for overall displacement for each individual respondent, as indicated in the table below. The scales set by the authors to compute the score are also described in the table below. The displacement score, following this approach, averaged 56%.

5.22 As noted in the benchmarking section, this is a relatively high level of potential displacement in comparison with other studies of economic development interventions, but does fall within the range of average scores for previous studies. Further, a relatively high score may be expected given the relatively difficult prevailing market conditions in the period under examination, although it is noted that the beginning of the period was also one of a particularly buoyant NI economy.

5.23 In our judgment the displacement score is merited and proportionate in relation to available evidence and market conditions. It is also noted that no account has been taken of possible factor market displacement in relation to, for example, property, equipment or skills. Further detailed investigation, beyond the scope of this study, would shed further light on the extent of product and factor market displacement.

5.24 The effect of the displacement score is to substantially reduce the level of reported benefits. **The operational implications of this are to avoid further displacement and to further target assistance at those firms or sectors where scope for product market displacement is relatively low, i.e., relatively low market concentrations and/or relatively buoyant product markets.** This may be less easily achieved for relatively high volume programmes such as the Trade Programme and more effective for targeted low volume/high value interventions.

Economic impact and value for money**V**

5.25 The table below illustrates the combined impact of product market competition and market conditions on the calculation of displacement:


		Market Conditions Score					
		Declining				Growing	
		0.5000	0.7500	1.0000	1.2500	1.5000	
Product Market Competition Score	High	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
		0.2500	0.1250	0.1875	0.2500	0.3125	0.3750
		0.5000	0.2500	0.3750	0.5000	0.6250	0.7500
		0.7500	0.3750	0.5625	0.5625	0.7500	0.9375
	Low	1.0000	0.5000	0.7500	1.0000	1.2500	1.5000
Source: Authors							

Substitution

5.26 A question examining the potential effect of the substitution of benefits was included in the survey. This assesses the extent to which a beneficiary has substituted existing activity (in this case sales), to take advantage of a subsidised benefit. For example, switching the focus of sales activity from one market to another to take advantage of subsidised trade missions or exhibitions, or in the case of employment benefits, substituting subsidised employees for existing staff.

5.27 Responses to the survey indicated that a small number of beneficiaries (12%) agreed that substitution, of some form, had occurred.

5.28 In order to factor this into the additionality calculation a score was assigned to each respondent indicating the presence of substitution as set out in the table below. As noted in the benchmarking section, a low to moderate adjustment has been made to the benefit levels in keeping with suggested evidence from other sources.

Answer		Response	%	Score
Strongly Disagree		30	24%	1.0
Disagree		41	33%	1.0
Agree		13	10%	1.1
Strongly Agree		3	2%	1.2
Don't know		37	30%	
Total		124	100%	

Economic impact and value for money**V****Leakage**

5.29 Leakage is a measure of the extent to which benefits are received from the target group or area, rather than an unintended group or area. This factor is not considered relevant to estimation of Net Additional turnover benefits as all beneficiaries are NI located establishments.

Economic Multiplier

5.30 Economic output multipliers have been applied to the turnover findings to estimate the wider effects of business sales on the Northern Ireland economy. The multipliers used follow D'Elia (2008)¹, and as such, each firm in the sample has been categorised to one of nine broad industry groupings as indicated below.

Sector	NI Output Multipliers
1. Agriculture, forestry & fishing, Mining and Quarrying	1.499
2. Manufacturing	1.353
3. Electricity, gas & water supply	2.225
4. Construction	2.162
5. Distribution, hotels and restaurants	2.519
6. Transport and communications	1.630
7. Banking, Finance and insurance, and business services	1.299
8. Public administration and Defence, Education & Health	1.647
9. Other services	1.449

5.31 The multipliers used provide a 'best fit' estimate of the knock on expenditure of assisted firms, through spending along the supply chain and expenditure of the incomes derived from the assisted firm.

Additional Turnover Benefits

5.32 The table below provides a summary of turnover additionality:

	Sample	Population	Error +/- %
Total Turnover	£859,335,519	£6,796,142,734	6.72
Gross Local Direct Effects	£34,487,088	£309,332,356	7.22
Net Additional Local Effects	£28,543,440	£272,645,456	7.47

5.33 The adjustment of the Gross turnover figure entails a number of discrete steps, and these are outlined above. Following these adjustments for 2009/10, Net Additional turnover is estimated at £273m. In other words approximately four percent of turnover generated can be considered additional.

¹ D'Elia, José Luis Isparraguire (2008) Northern Ireland's Input-Output Table. An application of Kronenberg's Derivative Approach, ESRI: Belfast.

Economic impact and value for money**V**

5.34 The distribution of net additional turnover benefit is indicated in the table below (NB: it is noted that the number of beneficiaries, for which additional benefits are reported, is lower than for deadweight alone. This is because a number of factors are required to estimate the additional benefits, and a lower proportion of respondents provide this complete information in comparison with the number providing information provided for deadweight).

Net Additional Local Benefit	% (n=154)
Negative Effect	4.5
No Benefit	39.0
< £60k	19.5
< £120k	12.3
< £180k	4.5
< £240k	4.5
£240k ≥	15.6
Total	100.0
Descriptive Statistics	
Mean	£185,347
Median	£15,638
Mode	£0
Sum (Net Additional Local Turnover)	£28,543,440
Net Additional Local Turnover Estimates for Population	£272,645,456*
Note: * Margin of error +/- 7.47%	

5.35 On average each respondent is attributed a benefit of £185,347 in Net Additional turnover. However, the benefits are not evenly distributed, and it is noted that 43.5% of firms assisted are estimated to provide no additional benefit (in terms of Net Additional turnover at least).

5.36 Also, for the majority of firms displaying Net Additional turnover benefits (54.5%), the level of benefit varies widely. A small number of firms contribute a large Net Additional benefit (15.6% providing £240K or over of benefits for the latest financial year).

5.37 A further 21.3% gain moderate benefits (between £121K and £239K). However, a long tail of just under two-thirds contributes low or no benefit in terms of Net Additional turnover.

Economic impact and value for money**V****Other Forms of Turnover Additionality****Time Additionality**

5.38 As well as assessing the scale or total amount of Net Additional turnover added by the Invest NI Trade Programme, the survey considered the extent to which that support had a positive effect on the timing of business activity.

Answer		Response	%
Delayed by over 2 years		1	0%
Delayed by between 1 and 2 years		3	1%
Delayed by up to 1 year		6	3%
No Difference		97	47%
Brought forward by up to 1 year		46	22%
Brought forward by between 1 and 2 years		16	8%
Brought forward by over 2 years		4	2%
Don't know		34	16%
Total		207	100%

5.39 Just under half of respondents indicated that the support made no difference to the timing. However, just under a third indicated that turnover gains had been brought forward and had acted as a catalyst to entering new markets.

Economic impact and value for money**V****Persistence & Decay**

5.40 Similarly, the survey questioned respondents on the likely persistence of the turnover benefits gained via the Trade Programme. The views expressed provide a positive picture of the long-term influence of the Trade Programme activities, with substantial proportions of beneficiaries expecting benefits to be sustained over multiple years, e.g. a quarter of respondents thought the turnover benefits would recur for a period of 5 years or more.

Thinking about any benefits to your turnover performance that come from Invest Northern Ireland's export support, how long do you expect these benefits to continue?

Years	Frequency	% (n = 164)
Less than a year	10	6.1%
1	26	15.9%
2	38	23.2%
3	39	23.8%
4	10	6.1%
5 years or more	41	25.0%
Total	164	100.0

Descriptive Statistics

Mean	2.8
Median	3.0
Mode	5

5.41 The table below identifies that some 37% of beneficiaries thought the level of benefits would continue to grow for the next three years at least.

Thinking about the export benefits you get just now, resulting from Invest Northern Ireland export support, how different do you think this level of benefit will be in the 3 years time?

Answer	Response	%
Much Less	3	2%
Less	23	12%
The Same	71	36%
More	48	24%
Much More	26	13%
Don't know	28	14%
Total	199	100%

5.42 In summary, the suite of interventions has not only acted as a catalyst but has had long-term impacts on export activity, which we believe can be attributed to the embedding of export expertise through its range of support.

Economic impact and value for money**V****The influence of Intervention Type on Turnover Benefits**

5.43 The aim of this section is to identify the turnover benefits that can be attributed to each individual project element of the suite of interventions. However, the analysis of the influence of intervention type on turnover benefits is limited due to the low numbers of responses within many project types.

5.44 It must also be noted that there is substantial overlap in participation between the intervention types, with beneficiaries often participating in one or more interventions. This overlap may disguise the relative effects of the different projects, making any conclusions on the relative influence interventions hard to draw (on the basis of turnover benefits). More detailed multivariate analysis which may reveal the links between project type and performance, but is beyond the scope of this study.

5.45 The table below highlights additionality factors and findings for each project type, but following from the points above, caution should be exercised in attaching significance to differences between the projects.

5.46 Turnover Additionality Factors by Intervention (Note: Respondents may participate in one or more interventions; figures relate to sample only):

Intervention	Gross Direct Turnover (£million)	Reference Case (£million)	Deadweight (Average %)	Average Substitution Score	Average Output Multiplier	Average Displacement Score	Total Net Additional Local Effects (£million)	Net Additional Local Effects (Average %)	n=
All	766	732	88	0.9	1.51	0.57	28	10	154
Trade Missions	544	519	89	0.9	1.50	0.63	22	10	92
Northern Ireland Trade Development Centres	97	83	87	1.0	1.48	0.64	13	10	35
Going Dutch	77	71	83	0.9	1.39	0.58	3	10	24
Business Information Centre	196	172	85	0.9	1.51	0.58	16	11	72
Export Workshops	234	214	85	0.9	1.51	0.55	14	11	72
Trade Advisory Service	408	380	87	0.9	1.51	0.59	22	11	82
Export Advisory and/or Research Services	234	215	83	0.9	1.54	0.58	14	13	65
Trade Exhibitions	337	314	84	0.9	1.50	0.63	18	13	81
Developing Export Sales Strategy	134	121	81	0.9	1.51	0.52	9	14	41

5.47 More revealing is the influence of the number of intervention types participated in. The table below suggests that participating in a higher number of different types of Trade Programme assistance is associated with better results (in terms of business turnover).

Economic impact and value for money**V**

5.48 Statistical analysis supports this observation, demonstrating a significant positive correlation between the average Net Additional Local Effects (or additionality) and the number of different project types². **In other words, there is an association between combining different elements of the Trade Programme and better turnover results** (see test details below). From an operational perspective, this supports the continuation of Invest NI's delivery of the suite of interventions.

5.49 However, while the link is statistically significant to a high degree of certainty (and not likely to be down to chance), it is not particularly strong. This may suggest that benefits are not only, or even mainly, down to joining up projects: as can be seen from the table below, many beneficiaries report relatively high gains from a participating in a single project type. Nonetheless there could be further benefits associated with multiple reinforcing interventions, which is indeed an intended outcome. These points require further investigation.

5.50 It is noted that analysis by project type has not been carried out for employment benefits, as the low levels of reported employments benefits limits the value of this analysis.

5.51 Turnover Additionality Factors by Number of Different Project Types Participated In (Note: Respondents may receive more than one assist per projects; figures relate to sample only):

Number of Project Types	Gross Direct Turnover (£ million)	Reference Case (£ million)	Deadweight (Average %)	Average Substitution Score	Average Output Multiplier	Average Displacement Score	Total Net Additional Local Effects (£ million)	Net Additional Local Effects (Average %)	n=
1	190	187	86	1.0	1.59	0.52	3	17	20
2	37	35	94	1.0	1.41	0.47	1	3	21
3	212	208	93	0.9	1.51	0.55	5	6	34
4	48	46	86	1.0	1.66	0.64	2	13	24
5	79	70	91	0.9	1.42	0.63	4	5	15
6	71	64	82	0.8	1.47	0.54	2	7	21
7+	45	38	73	0.9	1.47	0.68	8	28	14

² Spearman's rho correlation test of 'number of project types' by 'net additional local effects': correlation coefficient = 0.266, significant at the 0.01 confidence level (1-tailed).

Economic impact and value for money**V****Employment Benefits**

5.52 Within this Section we identify the employment benefits of the Trade Programme

Gross Benefits

5.53 Employment within the Trade Programme participant companies is estimated at 60,842 FTEs, increasing from 46,545 in 2006. As for turnover benefits, these gross figures require to be adjusted to derive a Net Additional benefit.

	2006	2010
	Percent (n= 162)	Percent (n= 180)
Employees	5,126	10,486 (7,445 FTE†)
Employment Estimates for Population	46,545*	85,694** (60,842 FTE†)
Note: * Margin of error +/- 7.27%. Margin of error ** +/- 6.85%. † Two part time equals one FTE.		

Employment Deadweight

5.54 A number of survey questions assessed the level of employment deadweight for the Programme evaluation period (employment that would have been generated without Invest NI Trade Programme assistance).

5.55 No respondents indicated that all employment activity was attributable to Invest NI assistance (absolute additionality). Rather, the majority of respondents received partial employment benefits (48.4%), increasing employment levels to varying degrees, over and above what respondents believed would have occurred anyway.

5.56 Nonetheless, some 51.6% of respondents indicated that the scale of employment was not increased at all as a result of the Invest NI Trade Programme (and a small number reported that the overall affect was negative). These findings suggest a relatively long tail of intended beneficiaries with low or no benefits in terms of employment increases.

5.57 It is noted that substantial increases in employment have occurred over the evaluation period; it is just that this growth is not generally attributed to the Invest NI Trade Programme.

Economic impact and value for money**V**

5.58 Estimated levels of deadweight were available for some 155 respondents, and these are indicated in the table below:

Comment	Percent Deadweight	% Respondents (n=155)
Negative impact	Over 100	2.6
No scale impact	100	49.0
Relatively low scale impact	91 to 99	5.8
	81 to 90	25.2
	71 to 80	5.2
Relatively moderate scale impact	61 to 70	3.2
	51 to 60	3.2
	41 to 50	3.2
	31 to 40	0.6
Relatively high scale impact	21 to 30	1.3
	11 to 20	0.0
	1 to 10	0.6
Absolute scale additionality	0	0.0
	Total	100.0
Descriptive Statistics		
Mean		90.8
Median		100.0
Mode		100.0

Displacement

5.59 Displacement has been treated as for turnover benefits (see above).

Substitution

5.60 Substitution has been treated as for turnover benefits (see above).

Employment Leakage

5.61 Leakage is a measure of the extent to which benefits are received from the target group or area, rather than an unintended group or area. Employment leakage assesses the extent to which benefits have accrued to workers resident outside of Northern Ireland. As may be expected the majority of employees are resident in Northern Ireland. However, for some employers, substantial numbers of employees are non-resident (most often in the Republic of Ireland). The results are illustrated in the table below:

Percent Leakage	Percent Respondents (n=216)
None	73.1
1 to 5	11.1
6 to 10	5.6
11 to 50	7.9
51 to 100	2.3
Total	100.0

5.62 For each individual respondent the number of FTE employees has been adjusted to take account of number of non-resident employees.

Economic impact and value for money**V****Economic Multipliers**

5.63 Employment multipliers have been applied to the findings to estimate the wider effects of employment on the Northern Ireland economy. Detailed employment multipliers for Northern Ireland were not available; therefore, proxy figures for Northern Ireland Type II employment multipliers have been used in this instance, making use of the most recent Scottish employment multipliers.

5.64 It is noted that development of bespoke multipliers was beyond the scope of this study and caution should be exercised in interpreting the results as they may not fully reflect the make-up of the respective sectors in Northern Ireland. The following table has used Proxy Type II Employment Multipliers for Scotland (2008) (the limitations of this approach are noted in the section introduction):

Sector	
1. Agriculture, forestry & fishing, Mining and Quarrying	2.03
2. Manufacturing	1.92
3. Electricity, gas & water supply	2.96
4. Construction	2.08
5. Distribution, hotels and restaurants	1.45
6. Transport and communications	1.75
7. Banking, Finance and insurance, and business services	1.77
8. Public administration and Defence, Education & Health	1.56
9. Other services	1.59

Additional Employment Benefits

5.65 The figure for Net Additional employment over the Programme period, as recorded at the time of the survey in 2010, is 922 FTEs.

	Sample	Population	Error +/- %
Total Employment	7,445 FTE	60,842 FTE	6.85
Gross Local Direct Effects	266 FTE	2,756 FTE	7.82
Net Additional Local Effects	89 FTEs	922 FTEs	7.82

5.66 The distribution of employment gains within the 142 beneficiary companies is indicated in the table below. Over three-quarters of beneficiaries reported no Net Additional benefit in terms of employment growth. Some, 17.5% reported between one and four net additional FTEs and a further 4.2% over four FTEs.

Economic impact and value for money**V**

5.67 These findings contrast with the more substantive turnover additionality results and the wider benefits reported by beneficiaries (reported later in this section). It appears that the nature of the economic gains received by beneficiaries has in many cases, created growth and increased business activity, but this does not necessarily translate in large increases in employment, or at least, employment growth that is attributed to the Invest NI Trade Programme (NB: it is noted that the number of beneficiaries, for which additional benefits are reported, is lower than for deadweight alone. This is because a number of factors are required to estimate the additional benefits, and a lower proportion of respondents provide this complete information in comparison with the number providing information provided for deadweight).

Net Additional Local Benefit	% (n=142)
Negative Effect	0.7
No Benefit	77.5
≤ 1 FTE	7.7
≤ 2 FTE	4.9
≤ 3 FTE	2.8
≤ 4 FTE	2.1
4 FTE >	4.2
Total	100.0
Descriptive Statistics	
Mean	0.6
Median	0.0
Mode	0.0
Sum (Net Additional Local Employment)	89 FTEs
Net Additional Local Employment Estimates for Population	922 FTEs*
Note: * Margin of error +/- 7.82%	

Gross Value Added

5.68 Gross Value Added (GVA) is a measure of the contribution to the economy of each individual producer, industry or sector. It can be thought of in general terms as a measure of the total output from a business less the costs of raw materials and other inputs used in production. GVA is generally regarded as the best measure of the sum of economic activity within an area.

5.69 For the purposes of this evaluation, we have estimated the GVA contribution of the Trade Programme based on average GVA per filled job for Northern Ireland in 2009 (data supplied by DETI).

5.70 The figure presented is the annual GVA at the evaluation period (for latest financial year 2009/10). Gross direct employment and Net Additional Employment for each respondent are multiplied by the average GVA per filled job.

Economic impact and value for money**V**

5.71 We note that a breakdown by sector is not available at the current time and that a regional average has been used (£30,760). As neither company level financials, nor sector level GVA averages are available, the estimates presented are relatively broad indicators of Gross and Net Additional GVA. The figures presented below for all Trade Programme beneficiaries (grossed up from the sample).

Gross Value Added 2009/10	
Gross GVA (employment based)	£1,871,499,920*
Net Additional GVA (employment based)	£28,360,720**
Note: * Margin of error +/- 6.85%, ** +/- 7.82%	

5.72 In the table below, we have pro-rated the 2009/10 employment-based GVA, assuming an even increase in the underlying employment gains, to provide an estimated cumulative total for 2006/7 – 2009/10.

	2006/7	2007/8	2008/9	2009/10	Cumulative Total
Gross GVA (employment based)	£467,874,980	£935,749,960	£1,403,624,940	£1,871,499,920	£4,678,749,800
Net Additional GVA (employment based)	£7,090,180	£14,180,360	£21,270,540	£28,360,720	£70,901,800

Value for Money

5.73 In this section we examine the value for money of the Trade Programme. The public sector costs of the Programme are set out in the table below. Other Invest NI staff costs and overheads have not been included in this analysis.

5.74 In assessing the value for money of the Trade Programme we have presented findings both with and without the Business Information Centre costs, as the service is available to both Invest NI client firms and the wider business community, so only a portion of the costs should be attributed to the Trade Programme benefits.

Economic impact and value for money**V**

5.75 A total of £13,093,000 (£11,961,000 excluding the BIC) in project costs has been identified for the period 2006/07 to 2009/10. The table below illustrates the costs per project:

Project	2006/07	2007/08	2008/09	2009/10	Total
	£	£	£	£	£
Business Information Centre	278,000	214,000	258,000	382,000	£1,132,000
Developing Export Sales Strategy	0	146,000	165,000	86,000	£397,000
Export Advisory and/or Research Services	95,000	16,000	257,000	198,000	£566,000
Export Workshops	110,000	146,000	106,000	93,000	£455,000
Multi Sector Missions	447,000	288,000	589,000	658,000	£1,982,000
Sectoral Trade Missions	149,000	126,000	205,000	184,000	£664,000
Trade Exhibitions	660,000	660,000	1,012,000	1,038,000	£3,370,000
Trade Advisory Service	181,000	134,000	216,000	234,000	£765,000
Northern Ireland Trade Development Centres	532,000	619,000	925,000	1,287,000	£3,363,000
Going Dutch	47,000	87,000	29,000	236,000	£399,000
Total Excluding BIC	£2,221,000	£2,222,000	£3,504,000	£4,014,000	£11,961,000
TOTAL	£2,499,000	£2,436,000	£3,762,000	£4,396,000	£13,093,000

Source: Invest NI

Economic impact and value for money**V**

5.76 The table set out below identifies costs and benefits in relation to turnover, employment and GVA. Turnover benefits are presented for the latest financial year (2009/10) at the evaluation point. Costs and benefits for employment and GVA are estimated as cumulative benefits over the whole programme period (2006/7 to 2009/10) (NB: the benefits in terms of employment and GVA are based on the levels of employment identified at the evaluation point which have been pro-rated over the period).

5.77 We refer the reader to assumptions and limitations associated with these figures as identified in the section (5.10), and note that the figures should be interpreted in light of these.

	Excluding BIC cost	Including BIC cost
Annual Turnover Benefits (2009/10)		
Total Invest NI Inputs (Project Costs Only)	£4,014,000	£4,396,000
Gross Turnover		£6,796,142,734
Net Additional Turnover		£272,645,456
Gross Turnover per £100k Public Spend	£169,223,954	£154,612,247
Net Additional Turnover per £100k Public Spend	£6,788,872	£6,202,684
Cumulative Employment Benefits (2006/07 – 2009/10)**		
Total Invest NI Inputs (Project Costs Only)	£11,961,000	£13,093,000
Gross Total Jobs (FTEs)		60,842
Net Additional Jobs (FTEs)		922
Gross Total Jobs (FTEs) per £100k Public Spend	509	465
Net Additional Jobs (FTEs) per £100k Public Spend	8	7
Cost per Net Additional Job	£12,973	£14,201
Estimated Cumulative GVA Benefits (2006/07- 2009/10) **		
Total Invest NI Inputs (Project Costs Only)	£11,961,000	£13,093,000
Total Invest NI Inputs (Project & Staff Costs)	£17,735,766	£18,867,766
Gross GVA (employment based)		£4,678,749,800
Net Additional GVA (employment based)		£70,901,800
Gross GVA per £100k Public Spend (Project Costs Only)	£39,114,348	£35,745,648
Net Additional GVA per £100k Public Spend (Project Costs Only)	£592,739	£541,690
Gross GVA per £100k Public Spend (Project Costs & Staff Costs)	£26,380,309	£24,797,582
Net Additional GVA per £100k Public Spend (Project Costs & Staff Costs)	£399,767	£375,782
Cost-Benefit Ratio (Project Costs Only)	1: 5.9	1:5.4
Cost-Benefit Ratio (Project Costs & Staff Costs)	1: 4.0	1:3.8
Note: for margins of error, see individual tables. *including total spend 2006/07 to 2009/10.		
**Employment & GVA benefits pro-rated.		

Economic impact and value for money**V**

5.78 The evaluation estimates Net Additional Turnover per £100k Public Spend of £6,788,872 (£6,202,684 including BIC costs) (per year at evaluation point).

5.79 Net Additional Jobs (FTEs) per £100k Public Spend of 8 (7 including BIC costs) are estimated (over Programme period).

5.80 Net Additional GVA per £100k Public Spend of £592,739 (£541,690 including BIC costs) are estimated (over Programme period). This reduces to £399,767 and £375,782 respectively, if both direct projects costs and staff costs are included. This represents a cost: benefit ratio of 1:5.9 (1:5.4 including BIC), or 1:4.0 (1:3.8 including BIC) if staff costs are included.

DRAFT

Economic impact and value for money

V

Benchmarking Lessons

5.81 A summary of comparator benefits for a range of (the former) English Regional Development Agency interventions is noted in the table below. These are predominantly based on employment estimates and including both Programme and Project interventions.

5.82 However, we **emphasise caution** in making like-for like comparisons between the studies in the table below and the present study due to: high margins of error in many of the reported studies; non-standardised and widely varying methods of estimation; and differences in the period under examination.

Theme/Sub-theme	Number of Observations	Lower end of range %	Upper end of range %	Mean	Median	+/- at 95% Conf Level
Deadweight at the Regional Level						
Attraction of inward investment	6	0.0	62.0	45.2	51.0	20.3
Support for internationalisation of business	7	0.0	54.0	9.9	0.0	16.2
Displacement at the Regional Level						
Attraction of inward investment	24	0.0	95.0	32.0	28.0	11.9
Support for internationalisation of business	20	0.0	57.9	20.4	22.5	7.6
Leakage at the Regional Level						
Attraction of inward investment	9	0.0	23.0	5.7	2.5	5.4
Support for internationalisation of business	6	0.0	5.0	2.2	1.5	2.2
Substitution at the Regional Level						
Attraction of inward investment	6	0.0	5.0	0.8	0.0	1.8
Support for internationalisation of business	3	0.0	10.0	3.3	0.0	8.0
Multipliers at the Regional Level						
Attraction of inward investment	20	1.00	3.25	1.48	1.41	20.4
Support for internationalisation of business	19	1.00	1.82	1.45	1.44	8.5
Net Additionality Ratios at the Regional Level						
Attraction of inward investment	14	16.5	81.0	49.9	51.7	12.4
Support for internationalisation of business	12	23.6	89.8	59.3	63.4	10.9
Source: Adapted from Depart for Business Innovation & Skills (2009) Research to improve the assessment of additionality, October, BIS Occasional Paper No.1, BIS: London.						

5.83 **Of greater value as a benchmarking tool are a small number of relatively recent studies which adopt comparable methods of benefits measurement and estimation of impacts.** These include evaluations of Scottish Development International's internationalisation programme (2010), and Account & Client Management Programme (2009). (See **Appendix C** for details)

Economic impact and value for money**V**

5.84 Comparisons must still take into account minor variations in methods (including the costs assessed), but also different time periods covered, and of course, the nature of the Programmes themselves. However, in terms of Net Additional GVA and Cost-Benefit ratio, the Invest NI Trade Programme and SDI Internationalisation Programme display similar impacts. The Net Additional GVA reported for the SE Account & Client managed Programme is less comparable as it reflects a much wider range of interventions.

5.85 The overall level of turnover additionality reported for the Invest NI Trade Programme is 4% versus 5% for the SE Account & Client Managed Programme. Both of these studies considered the difference made to the total turnover of the businesses assisted. For this measure, it should not be unexpected that the Net Additional effect represents a relatively low proportion of the overall business activity of the assisted firm.

5.86 The SDI study does not explicitly report the Net Additional Turnover additionality as a proportion, but inferring from the wider report discussion, it appears that it is significantly higher than in the other two studies, perhaps approaching 40% additionality. This would also be expected as the influence of a Trade Programme on the export activity of a firm is likely to be much more pronounced than on that of its overall sales, particularly as exports may constitute a varying proportion of total sales.

5.87 Cost per Net additional job are broadly similar between the Invest and SDI Programmes, although the SE Account & Client Managed Programme appears somewhat better value for money, especially given that costs include staffing and overhead costs, which are not sated in either the Invest NI or SDI Programmes.

	Invest NI Trade Programme	SDI Internationalisation Programme	SE Account & Client Managed Programme
Programme Period Evaluated	2006/07 – 2009/10 (4 years)	2005/06 – mid 2009 (between 4 and 5 years)	2004/05- 2006/07 (3 years)
Net Additional Turnover	£273m (annual)	£58m (annual, average exports only)	£1,450m (cumulative)
Turnover Additionality	4%	Not reported	5%
Net Additional Jobs (FTEs)	922 (cumulative)	1,100 (cumulative)	12,875 (cumulative)
Cost per Net Additional Job	£12,973*	£11,000	c£10,000
Net additional GVA	£71m (cumulative)	£75m (cumulative)	£613m (cumulative)
Cost-Benefit Ratio (Cost: annual net GVA)	1:6* (projects costs only) 1:4* (project and staff costs)	1:7†	1: between 4 and 6 (range given) ‡
Note: * excluding BIC costs, †treatment of costs not specified, ‡includes staffing and overheads			

Assessment of Non Financial Benefits

5.88 The following section identifies the attributable non financial benefits of the Suite of Trade Interventions.

5.89 When asked whether Invest NI played a positive role in motivating their business to export 57% of respondents either agreed or strongly agreed.

Economic impact and value for money**V**

5.90 Respondents were asked to identify any changes they had made in the last four years as a result of Invest NI's export support or advice:

Answer	Response	%
Other (please specify)	5	2%
Don't know	11	5%
No changes	37	17%
Collaborations, partnerships or acquisition	54	25%
Organisational	62	28%
Products or production	87	40%
Marketing	131	60%

5.91 Given the nature of the Suite of Trade Interventions it is not surprising that some 60% stated that it had led to changes in their marketing strategy. However, the survey has also highlighted that the suite of interventions has also brought perceived benefits in the areas of organisational change, products or production and enhanced collaboration and/or acquisition.

Enhancements to products and/or production

5.92 Respondents also considered that as a result of working with Invest NI they had achieved the following:

Question	Yes	No	Don't know	Response
Raised new investment funds	11%	71%	18%	191
Achievement of new quality standards (ISO, industry standards)	13%	70%	17%	192
Increased income from intellectual property	15%	60%	25%	189
Improved ability to attract skilled staff	26%	51%	23%	192
Improved output per employee	28%	48%	24%	193
Cost savings	30%	53%	17%	197
Increased domestic sales	39%	47%	14%	194
Increase in the overall value of the company	46%	33%	21%	198
Increased sales in existing overseas markets	55%	30%	15%	202
Sales in new overseas market	57%	32%	11%	206

5.93 45% of respondents stated that the majority of the export related benefits they have achieved would not have happened without Invest NI support.

Economic impact and value for money**V**

5.94 Respondents also commented that they expected to achieve the following benefits:

Question	Definitely Yes	Probably Yes	Maybe	Probably Not	Definitely Not	Don't Know	Responses
Achievement of new quality standards (ISO, industry standards)	8%	11%	22%	28%	19%	12%	196
Improved output per employee	8%	26%	29%	18%	9%	10%	194
Raised new investment funds	8%	15%	23%	22%	20%	12%	193
Cost savings	8%	26%	28%	22%	9%	7%	195
Increased income from intellectual property	9%	13%	19%	24%	18%	17%	193
Improved ability to attract skilled staff	11%	26%	26%	21%	8%	8%	197
Increased domestic sales	12%	35%	22%	17%	8%	6%	198
Increase in the overall value of the company	25%	35%	23%	8%	4%	5%	199

5.95 In summary, there is a clear implication that the trade interventions have had a positive impact on market penetration and increase in sales.

The benefits and impact on performance

5.96 The following section assesses the strategic and learning benefits associated with the implementation of the suite of interventions.

5.97 Organisational change has happened in the following areas:

Answer	Response	%
Other (please specify)	1	2%
Specialist training	23	37%
Hired external expertise	26	42%
Participation in networks	28	45%
Recruited specialist staff	29	47%
Management changes	38	61%
International strategy/action plan	40	65%
Improved gathering of information	40	65%
Don't know	0	0%

Economic impact and value for money**V**

5.98 The following product/production changes have been made as a result of Invest NI export support or advice:

Answer		Response	%
Other (please specify)		1	1%
New overseas suppliers		17	20%
New packaging		19	22%
New production methods		22	26%
Adapted products for new markets		43	50%
New products		51	59%
Don't know		5	6%

5.99 In terms of learning benefits 71% of respondents agree that Invest NI's export support or advice has exposed their business to new ideas or knowledge, with 88% of responses stating that these have been adopted by their business.

5.100 80% of respondents state that the new ideas and knowledge have made their business become more competitive, with the following being the main reasons for that improvement:

- a) 79% state that new sales and marketing techniques have enhanced competitiveness;
- b) 48% state that it permitted new ideas for products;
- c) 45% state that it enhanced existing management techniques; and
- d) 34% state it led to better use of capacity.

5.101 In summary, there is strong evidence to suggest that the suite of interventions has led to the development and embedding of new and innovative ways of working amongst beneficiary companies which in the longer terms will continue to enhance productivity. As shown in the discussion on time additionality, and the persistence and decay of benefits, there are also significant medium to long terms benefits identified by respondents.

Opportunities for collaboration and/or acquisition

5.102 Respondents were asked to identify any changes they had made in the last four years as a result of Invest NI's export support or advice:

Answer		Response	%
Other (please specify)		5	2%
Don't know		11	5%
No changes		37	17%
Collaborations, partnerships or acquisition		54	25%
Organisational		62	28%
Products or production		87	40%
Marketing		131	60%

Economic impact and value for money**V**

5.103 Enhanced opportunities for collaboration and/or acquisition can be attributed to the suite of interventions through two mechanisms:

- a) opportunities to network with other participating companies (particularly those in the same sector or linked through the supply chain); and
- b) recognition of opportunities to expand through acquisition brought about through enhanced market awareness.

5.104 Although the reason why the Suite of Trade Interventions led to enhanced collaboration and/or acquisition is uncertain, we believe that the enhanced opportunities to network and training in market awareness must have played a significant role.

Conclusion

5.105 In terms of the strength and reliability of the findings, we have presented a thorough and detailed application of the relevant impact assessment methods. In doing so, we highlight a number of assumptions and limitations on the availability of data. However, where judgment has been required on the setting of the various factors that underlie the estimates (e.g. displacement and substitution) we believe we have been relatively conservative. Other factors such as deadweight and leakage are well supported by survey evidence and are consistent with other comparable studies. Economic multipliers are a limiting factor on the accuracy of the findings, but are nonetheless broadly consistent with levels expected from other available evidence.

5.106 Overall, our view is that the level of benefits reported, in terms of Net Additional turnover, employment and GVA are relatively cautious and that the Invest NI Trade Programme exhibits positive economic benefits in terms of turnover, employment and GVA. In particular, estimates of the net contribution of the Trade Programme highlight strong performance in supporting Net Additional turnover gains amongst the participating firms.

5.107 In contrast, while employment levels have increased significantly amongst participating firms, relatively little of this is attributed to the Trade Programme. Nonetheless, the broad estimates of the additional Gross Value Added contributed to the Northern Ireland economy, based on the Net Additional employment contribution, constitutes £71m over the evaluation period, at a ratio of six pounds of Gross Value Added for every public sector pound spent on delivering the Trade Programme (excluding public sector staff costs and other overheads) and a ratio of four pounds of Gross Value Added for every public sector pound if staff costs are included.

5.108 Despite this positive overall monetary contribution in absolute terms, the distribution of gains varies widely amongst participating firms. The biggest benefits are bunched amongst a minority of firms, and there are a long tail of participants experiencing low or no benefits.

5.109 These findings raise important tactical issues in targeting of support, with a balance required between trying to identify and concentrate resources on supporting those firms with the greatest potential for benefits, and encouraging a broad base of participation in recognition that 'picking winners' is far from straightforward and also that many participants are on a 'learning journey' and expect participation to bear fruit well into the coming months and years.

5.110 This Evaluation study is limited in the extent to which it can analyse the detailed nature of when and in what circumstances participating firms gain the most benefit; other sections of this report touch upon these issues. However, we note that participation in multiple Trade Programme interventions is significantly associated with greater additional turnover benefits, which support the goal of providing a co-ordinated and comprehensive suite of interventions rather than isolated elements of support.

5.111 In terms of benchmarking, comparisons of the Trade Programme with related interventions from other areas are not straightforward as the nature of the interventions varies as well as the nature of the evidence on performance.

Economic impact and value for money**V**

5.112 Nonetheless, comparisons with a number of recent studies, including Scottish Development International's internationalisation programme and Scottish Enterprise's Account & Client managed Programme, demonstrates broadly similar levels of benefits in terms of Net Additional turnover, Net Additionality ratios, Net Additional Employment benefits (in the case of SDI study), cost per Net Additional job, Net Additional GVA (in the case of SDI study), and cost-benefit ratios.

5.113 A focus on turnover, employment and GVA is a core concern of this study. However, it must also be recognised that a range of wider less tangible outcomes are anticipated from the Trade Programme.

5.114 These less tangible outcomes relate more to the embedding of expertise and enhanced business confidence. They have also manifested themselves in an increased desire to work collaboratively and/or expand through acquisition and also to utilise new ways of working through the use of new production techniques and new products. These findings are in keeping with international best practice, which states that trade interventions can and do embed good practice which manifests itself in enhanced productivity, greater collaboration and more expansive growth strategies.

5.115 In conclusion, in examining the evidence presented for the monetary and wider, non-monetary, benefits of the Programme and taking into account the multiple limitations of the data available for the study, described above, we nonetheless consider that the Programme has provided overall value for money.

Equality considerations**VI**

6.1 In response to the increasing diversity of the Northern Ireland population and its responsibilities under Section 75 of the Northern Ireland Act 1998, Invest NI aims to promote equality of opportunity between persons of different religious belief, political opinion, racial group, age, marital status, sexual orientation and also between men and women, persons with or without a disability and persons with or without dependents.

6.2 In November 2003 Invest NI published its first Equality Scheme, approved by the Equality Commission, to set out how it would meet its obligations under Section 75 and Schedule 9 of the Northern Ireland Act 1998. This Act requires Invest NI to have due regard to the need to promote equality of opportunity between the nine designated categories.

6.3 The agency is fully committed to its Equality and Lifetime Opportunity responsibilities and has made this aspect of its operations a priority. As a result Invest NI has:

- a) established a dedicated Equality Unit;
- b) fully implemented the Equality Scheme and reports on it annually;
- c) provided training to its entire staff on Section 75, equality and diversity issues and disability awareness;
- d) appointed a network of Equality Co-ordinators throughout the organisation in order to fully mainstream the equality agenda into Invest NI;
- e) produced a five year review report on all of its activities under Section 75. Equality and Good Relations; and
- f) undertaken a series of Equality Impact Assessments ("EQIAs") which have been through a public consultation process.

6.4 After consultation with the Equality Unit of Invest NI, we have been informed that the Suite of Trade Interventions have been subject to an equality impact assessment within the last five years.

6.5 In consultation with the Trade Team we reviewed each of the interventions against the following criteria:

- a) that the recruitment process into each intervention was open to all sections of the community and that decision making was transparent.;
- b) that the delivery of each intervention was mindful of the accessibility needs of all Section 75 categories;and
- c) that there were adequate opportunities for feedback/complaints if any element of the intervention was deemed inappropriate and that this information was itself accessible to all.

6.6 We found that the Suite of Interventions met the three criteria cited above and it is our opinion that the suite complies with the relevant equality guidelines.

Conclusions and Recommendations

VII

Introduction

7.1 In this Section we will draw reliance on the findings from the various aspects of the consultative exercise and develop a number of robust conclusions and recommendations.

Conclusion

Rationale and Market Failure

7.2 HM Treasury, DETI and Invest NI strategies clearly identify a need to expand and diversify exports. Northern Ireland as a region currently lags the UK average of exports as a percentage of GDP at 21% compared to a UK average of 28%. Northern Ireland further lags behind the Republic of Ireland which had a figure for exports at 80% as a percentage of GDP (Source: Independent Review of Economic Policy).

7.3 In addition, the export market in Northern Ireland is dominated by approximately 25 large scale companies, most of which are foreign owned.

7.4 Our review of research and surveys in **Section III** identified that:

- a) there are significant advantages to be obtained from exporting, both at a micro and macro economic level;
- b) there are real and perceived barriers to exporting which have been identified at both a UK wide level through UKTI and at a Northern Ireland level; and
- c) Northern Ireland as a region underperforms in comparison to the UK as a whole and to the Republic of Ireland in terms of export activity.

7.5 Invest NI's export support activities clearly fall within its economic development remit as set out in the Programme for Government and its historic and current strategic plans. It is noted, however, as the strategic remit for economic development becomes more blurred, through the involvement of District Councils and others, there is potential for duplication of services. In summary the following themes have been identified:

- a) need to continue to support the export activities of indigenous SMEs within Northern Ireland;
- b) enhanced export activity not only brings financial rewards, but that there is also increased capacity and learning for the companies involved;
- c) a number of organisations across Northern Ireland, including Invest NI, the local Councils, Northern Ireland Chamber of Commerce and Industry ("NICCI") and *IntertradeIreland* currently provide support for companies wishing to engage in export activities;
- d) there is currently a degree of under-performance by Northern Ireland based companies in the emerging markets of the Far East, Middle East and within key sectors in the USA. There is a strategic need for Northern Ireland companies to engage with these economies, which are amongst the world's largest and fastest growing;
- e) it is recognised that large scale (experienced exporters) companies have the capacity to exploit the emerging markets without additional export assistance from Invest NI. However, it is our contention that their continued involvement is to be supported:
 - (i) as it provides a demonstration effect of potential benefits to other Northern Ireland based companies;
 - (ii) there are opportunities for networking and supply chain linkages; and
 - (iii) particularly on trade missions, their presence is critical to attract the 'overseas interest' and so adds credibility to the particular intervention.

Conclusions and Recommendations**VII**

- f) some companies may not require, or benefit from, participating in the complete continuum of services and that some companies may require a more tailored service. During the period of the evaluation, the Trade Team did provide such a flexible approach and it is recommended that this is continued;
- g) there is clearly a recognition that in order to compete, Northern Ireland as a region must export more in total, diversify existing markets and encourage non exporting companies to take the leap of faith and learn to export. Export strategies for Northern Ireland seek solutions to these three issues. However there are still ongoing coordination problems between various agencies in the delivery of export support to the wider business community in Northern Ireland.

7.6 The interventions have been developed to overcome the market failure of asymmetric information, i.e. companies do not have sufficient information/experience to enter target markets. Invest NI interventions are designed to overcome this market failure through the provision of information, the embedding of expertise and the demonstration of good practice.

7.7 The suite of interventions works best when it is considered as a programme of interventions that has been designed to promote company learning through a structured yet flexible development path.

Appropriateness of the Suite of Interventions

7.8 The following table provides a summary of the findings of the surveys against each intervention:

Intervention	% who view intervention as important for improving performance	% who view intervention as representing good value for money	% who were satisfied with the service offered under the intervention	% who viewed the intervention as encouraging further use of Invest NI services
Business Information Centre	62%	69%	81%	36%
Developing Export Sales Strategy	65%	76%	71%	66%
Export Advisory and/or Research Services	60%	65%	70%	53%
Export Workshops	62%	76%	82%	61%
Trade Missions	70%	78%	83%	59%
Trade Exhibitions	75%	77%	79%	59%
Trade Advisory Service	59%	63%	52%	64%
Northern Ireland Trade Development Centres	41%	38%	59%	45%
Going Dutch	78%	78%	75%	69%

Conclusions and Recommendations

VII

7.9 The majority of respondents across each of the interventions (barring the Northern Ireland Trade Development Centres) considered them to be good value for money. There was also a high degree of satisfaction from the beneficiaries with regard to each intervention. We therefore conclude that the interventions are both fit for purpose and generally providing good value for money to clients.

7.10 The above table illustrates that the intervention which was viewed as being the most important in achieving performance improvement was the Going Dutch programme. The Northern Ireland Trade Development Centres were viewed as being important by only 41%. We are not surprised that Going Dutch has scored so highly as it is an integrated programme of training, in market support and post market support which aims to embed practical knowledge with direct experience. The Programme itself is expensive to run, but it does involve an extensive resource commitment from the beneficiary, something we believe illustrates the real value of the approach.

7.11 The results in the table above indicate that companies place more importance on interventions which are closer to the point of selling (such as Trade Missions and Trade Exhibitions). We believe that this is largely down to the profile of Invest NI's client group, who tend to have previous export assistance and so largely discount the importance of the earlier stage interventions which are aimed at embedding expertise amongst inexperienced exporters. The beneficiary interviews highlighted a number of concerns regarding the operation of the suite, including:

- a) confusion over the range and remit of services offered; and
- b) a preference by some experienced 'Client managed' companies to use GAP rather than interventions from the suite.

7.12 When we reviewed the original constraints facing the companies, we identified that these could be addressed by Invest NI's existing Suite of Trade Interventions. In most cases the use of one intervention acted as an incentive by the company to use further export support activities. This is certainly the case with the results illustrated in the table above, except for the Northern Ireland Trade Development Centres and the Business Information Centre interventions. It is our belief that there is a degree of disconnect between these two interventions and the rest of the suite. (During the Evaluation period, the NITDC incubation units were used by over 40 companies. However, an additional 958 companies received in depth market research and other trade related interventions to enable them to enter a particular market. The NITDC also provided dedicated support to Invest NI in the delivery of more than 50 major in market events. To this end the results of the survey need to be caveated.) This disconnect is particularly evident with the case of the Business Information Centre, which is usually the first access point to Invest NI for non client managed companies. Although it is marketed as an Invest NI service and can be accessed from the Trade site on the Invest NI website, staff within the Business Information Centre at present do not sign post the other services offered under the Suite of Trade Interventions. The Business Information Centre also provides separate services under the European Enterprise Network, which may place limitations on its ability to be integrated into the wider trade team provision.

7.13 In addition to signposting relevant opportunities within the Trade Team, we believe that there is an opportunity for the Business Information Centre to produce more value add through the provision of market intelligence and relevant sectoral data, thereby offsetting (to a degree) a current reliance on UKTI's OMIS reports. This would provide an opportunity to combine the data sets contained within the Business Information Centre with the sectoral and market knowledge of the wider Trade Team. However this would necessitate staff training in both the Business Information Centre and the wider Trade Team to ensure that potential publications are sufficiently robust for public scrutiny.

7.14 We believe that both actions are essential if Invest NI (and its partner organisations) are to engage with a wider section of the Northern Ireland business community and to add greater value to the services they offer.

Conclusions and Recommendations**VII**

7.15 The Benchmarking exercise identified that there seemed to be a shared rationale for intervention across all of the development agencies. Export development is rarely delivered by one body, it is mostly delivered by a range of organisations and the present Scottish model could provide a very useful example for future engagement in Northern Ireland. Finally, it was viewed as essential to have good performance management and an integrated customer relationship management tool, as this not only identifies and measures the 'qualitative/learning aspects' of the project but can also maintain the appropriateness of the suite of interventions.

Management of the Suite of Interventions

7.16 During the period of the Evaluation, the Suite of Trade Interventions was managed by the Trade Directorate within Invest Northern Ireland. There was a named member of staff responsible for the administration and reporting of activities for each intervention and budgets were apportioned to each intervention.

7.17 There was not previously a programme approach to the management of the Suite of Trade Interventions, rather they were treated as separate project headings operated by the Trade Directorate. The resourcing for the Suite of Trade Interventions was therefore a reactive process, dependent upon the anticipated demand for services by each of the Sector and Geography managers. Reporting was carried out against each of these functions.

7.18 Until recently trade interventions were not recorded on Invest NI's performance management tool (CCMS). Beneficiary information was formerly kept in a number of excel spreadsheets meaning it was difficult to identify the range of interventions each company had attended. This situation was highlighted in the preparation of the survey, where we had to draw reliance on at least six different excel spreadsheets. Subsequent to the period of the Evaluation, CCMS has been adapted to permit the capture of Trade Directorate information.

7.19 However since April 2010 the Trade Team has reformed its allocation and management of budgets and has sought to integrate its performance monitoring within Invest NI's wider performance management tool (CCMS).

Impact of the Suite of Interventions and Value for Money

7.20 In this Section we examine the value for money of the Trade Programme. The public sector costs of the Programme are set out in the table below. Other Invest NI staff costs and overheads have not been included in this analysis.

7.21 In assessing the value for money of the Trade Programme we have presented findings both with and without the Business Information Centre costs, as the service is available to both Invest NI client firms and the wider business community, so only a portion of the costs should be attributed to the Trade Programme benefits.

Conclusions and Recommendations**VII**

7.22 A total of £13,093,000 (£11,961,000 excluding the BIC) in project costs has been identified for the period 2006/07 to 2009/10. The table below illustrates the costs per project:

Project	2006/07	2007/08	2008/09	2009/10	Total
	£	£	£	£	£
Business Information Centre	278,000	214,000	258,000	382,000	1,132,000
Developing Export Sales Strategy	0	146,000	165,000	86,000	397,000
Export Advisory and/or Research Services	95,000	16,000	257,000	198,000	566,000
Export Workshops	110,000	146,000	106,000	93,000	455,000
Multi Sector Missions	447,000	288,000	589,000	658,000	1,982,000
Sectoral Trade Missions	149,000	126,000	205,000	184,000	664,000
Trade Exhibitions	660,000	660,000	1,012,000	1,038,000	3,370,000
Trade Advisory Service	181,000	134,000	216,000	234,000	765,000
Northern Ireland Trade Development Centres	532,000	619,000	925,000	1,287,000	3,363,000
Going Dutch	47,000	87,000	29,000	236,000	399,000
Total Excluding BIC	2,221,000	2,222,000	3,504,000	4,014,000	11,961,000
TOTAL	2,499,000	2,436,000	3,762,000	4,396,000	13,093,000

Source: Invest NI

7.23 The table set out below identifies costs and benefits in relation to turnover, employment and GVA. Turnover benefits are presented for the latest financial year (2009/10) at the evaluation point. Costs and benefits for employment and GVA are estimated as cumulative benefits over the whole programme period (2006/7 to 2009/10) (NB: the benefits in terms of employment and GVA are based on the levels of employment identified at the evaluation point which have been pro-rated over the period).

Conclusions and Recommendations

VII

7.24 We refer the reader to assumptions and limitations associated with these figures as identified in paragraph 5.10, and note that the figures should be interpreted in light of these.

	Excluding BIC cost	Including BIC cost
Annual Turnover Benefits (2009/10)		
Total Invest NI Inputs (Project Costs Only)	£4,014,000	£4,396,000
Gross Turnover		£6,796,142,734
Net Additional Turnover		£272,645,456
Gross Turnover per £100k Public Spend	£169,223,954	£154,612,247
Net Additional Turnover per £100k Public Spend	£6,788,872	£6,202,684
Cumulative Employment Benefits (2006/07 – 2009/10)**		
Total Invest NI Inputs (Project Costs Only)	£11,961,000	£13,093,000
Gross Total Jobs (FTEs)		60,842
Net Additional Jobs (FTEs)		922
Gross Total Jobs (FTEs) per £100k Public Spend	509	465
Net Additional Jobs (FTEs) per £100k Public Spend	8	7
Cost per Net Additional Job	£12,973	£14,201
Estimated Cumulative GVA Benefits (2006/07- 2009/10) **		
Total Invest NI Inputs (Project Costs Only)	£11,961,000	£13,093,000
Total Invest NI Inputs (Project & Staff Costs)	£17,735,766	£18,867,766
Gross GVA (employment based)		£4,678,749,800
Net Additional GVA (employment based)		£70,901,800
Gross GVA per £100k Public Spend (Project Costs Only)	£39,114,348	£35,745,648
Net Additional GVA per £100k Public Spend (Project Costs Only)	£592,739	£541,690
Gross GVA per £100k Public Spend (Project Costs & Staff Costs)	£26,380,309	£24,797,582
Net Additional GVA per £100k Public Spend (Project Costs & Staff Costs)	£399,767	£375,782
Cost-Benefit Ratio (Project Costs Only)	1: 5.9	1:5.4
Cost-Benefit Ratio (Project Costs & Staff Costs)	1: 4.0	1:3.8
Note: for margins of error, see individual tables. *including total spend 2006/07 to 2009/10. **Employment & GVA benefits pro-rated.		

7.25 The evaluation estimates Net Additional Turnover per £100k Public Spend of £6,788,872 (£6,202,684 including BIC costs) (per year at evaluation point).

7.26 Net Additional Jobs (FTEs) per £100k Public Spend of 8 (7 including BIC costs) are estimated (over Programme period).

Conclusions and Recommendations

VII

7.27 Net Additional GVA per £100k Public Spend of £592,739 (£541,690 including BIC costs) are estimated (over Programme period). This reduces to £399,767 and £375,782 respectively, if both direct projects costs and staff costs are included. This represents a cost: benefit ratio of 1:5.9 (1:5.4 including BIC), or 1:4.0 (1:3.8 including BIC) if staff costs are included.

7.28 The overall level of turnover additionality reported for the Invest NI Trade programme is 4% versus 5% for the Scottish Enterprise Account and Client Managed Programmes. Both of these studies considered the difference made to the total turnover of the business assisted. For this measure, it should not be unexpected that the Net Additional effect represents a relatively low proportion of the overall business activity of the assisted firm.

Benchmarking Lessons

7.29 Of value as a benchmarking tool are a small number of relatively recent studies which adopt comparable methods of benefits measurement and estimation of impacts. These include evaluations of Scottish Development International's ("SDI") internationalisation programme (2010), and Scottish Enterprise's ("SE") Account & Client Management Programme (2009).

7.30 Comparisons must still take into account minor variations in methods (including the costs assessed), but also different time periods covered, and of course, the nature of the Programmes themselves. However, in terms of Net Additional GVA and Cost-Benefit ratio, the Invest NI Trade Programme and SDI Internationalisation Programme display similar impacts. The Net Additional GVA reported for the SE Account & Client managed Programme is less comparable as it reflects a much wider range of interventions.

7.31 Cost per Net additional job are broadly similar between the Invest and SDI Programmes, although the SE Account & Client Managed Programme appears somewhat better value for money, especially given that costs include staffing and overhead costs, which are not stated in either the Invest NI or SDI Programmes.

	Invest NI Trade Programme	SDI Internationalisation Programme	SE Account & Client Managed Programme
Programme Period Evaluated	2006/07 – 2009/10 (4 years)	2005/06 – mid 2009 (between 4 and 5 years)	2004/05- 2006/07 (3 years)
Net Additional Turnover	£273m (annual)	£58m (annual, average exports only)	£1,450m (cumulative)
Turnover Additionality	4%	Not reported	5%
Net Additional Jobs (FTEs)	922 (cumulative)	1,100 (cumulative)	12,875 (cumulative)
Cost per Net Additional Job	£12,973*	£11,000	c£10,000
Net additional GVA	£71m (cumulative)	£75m (cumulative)	£613m (cumulative)
Cost-Benefit Ratio (Cost: annual net GVA)	1:6* (projects costs only) 1:4* (project and staff costs)	1:7†	1: between 4 and 6 (range given) ‡
Note: * excluding BIC costs, †treatment of costs not specified, ‡includes staffing and overheads			

Assessment of Non Financial Benefits

7.32 The Survey gathered responses in respect of a number of non financial benefits. The findings can be summarised as follows:

- a) 57% of respondents considered that Invest NI played a positive role in motivating them to export;

Conclusions and Recommendations**VII**

- b) there is a clear implication that the Suite of Trade Interventions has had a positive impact on such factors as market penetration, cost savings and ability to attract staff; and
- c) there is strong evidence to suggest that the Suite of Interventions has led to the development and embedding of new and innovative ways of working amongst beneficiary companies which in the longer term has the potential to further enhance productivity.

7.33 These findings are in keeping with international best practice, which states that trade interventions can and do embed good practice which in turn manifests itself in enhanced productivity, greater collaboration and more expansive growth strategies.

Conclusion

7.34 In terms of the strength and reliability of the findings, we have presented a thorough and detailed application of the relevant impact assessment methods. In doing so, we highlight a number of assumptions and limitations on the availability of data. However, where judgment has been required on the setting of the various factors that underlie the estimates (e.g. displacement and substitution) we believe we have been relatively conservative. Other factors such as deadweight and leakage are well supported by survey evidence and are consistent with other comparable studies. Economic multipliers are a limiting factor on the accuracy of the findings, but are nonetheless broadly consistent with levels expected from other available evidence.

7.35 Overall, our view is that the level of benefits reported, in terms of Net Additional turnover, employment and GVA are relatively cautious and that the Invest NI Trade Programme exhibits positive economic benefits in terms of turnover, employment and GVA. In particular, estimates of the net contribution of the Trade Programme highlight strong performance in supporting Net Additional turnover gains amongst the participating firms.

7.36 In contrast, while employment levels have increased significantly amongst participating firms, relatively little of this is attributed to the Trade Programme. Nonetheless, the broad estimates of the additional Gross Value Added contributed to the Northern Ireland economy, based on the Net Additional employment contribution, constitutes £71m over the evaluation period, at a ratio of six pounds of Gross Value Added for every public sector pound spent on delivering the Trade Programme (excluding public sector staff costs and other overheads) and four pounds of Gross Value Added for every public sector pound if staff costs are included.

7.37 Despite this positive overall monetary contribution in absolute terms, the distribution of gains varies widely amongst participating firms. The biggest benefits are bunched amongst a minority of firms, and there are is a long tail of participants experiencing low or no benefits.

7.38 These findings raise important tactical issues in targeting of support, with a balance required between trying to identify and concentrate resources on supporting those firms with the greatest potential for benefits, and encouraging a broad base of participation in recognition that 'picking winners' is far from straightforward and also that many participants are on a 'learning journey' and expect participation to bear fruit well into the coming months and years.

7.39 This Evaluation is limited in the extent to which it can analyse the detailed nature of when and in what circumstances participating firms gain the most benefit, other sections of this report touch upon these issues. However, we note that participation in multiple Trade Programme interventions is significantly associated with greater additional turnover benefits, which support the goal of providing a co-ordinated and comprehensive suite of interventions rather than isolated elements of support.

Conclusions and Recommendations

VII

7.40 In terms of benchmarking, comparisons of the Trade Programme with related interventions from other areas are not straightforward as the nature of the interventions varies as well as the nature of the evidence on performance. Nonetheless, comparisons with a number of recent studies, including Scottish Development International's internationalisation programme and Scottish Enterprise' Account & Client managed Programme, demonstrates broadly similar levels of benefits in terms of Net Additional turnover, Net Additionality ratios, Net Additional Employment benefits (in the case of SDI study), cost per Net Additional job, Net Additional GVA (in the case of SDI study), and cost-benefit ratios.

7.41 A focus on turnover, employment and GVA is a core concern of this study. However, it must also be recognised that a range of wider less tangible outcomes are anticipated from the Trade Programme.

7.42 These less tangible outcomes relate more to the embedding of expertise and enhanced business confidence. They have also manifested themselves in an increased desire to work collaboratively and/or expand through acquisition and also to utilise new ways of working through the use of new production techniques and new products. These findings are in keeping with international best practice, which states that trade interventions can and do embed good practice which manifests itself in enhanced productivity, greater collaboration and more expansive growth strategies.

7.43 In conclusion, in examining the evidence presented for the monetary and wider, non-monetary, benefits of the Suite of Interventions and taking into account the multiple limitations of the data available for the study described above, we nonetheless consider that the Suite of Interventions has provided overall value for money.

Next Steps

7.44 The consultation exercise identified a number of issues which we believe should be addressed to ensure the continuing validity of the Suite of Interventions:

- a) a need to expand the take up of exporting;
- b) a need to enhance support to emerging sectors and markets;
- c) a need to utilise the skills of Invest NI clients and the expatriate community to form advice networks;
- d) need to improve the targeting and effectiveness of the Suite of Interventions; and
- e) a need to raise additional revenue.

7.45 Although Invest NI is meeting its targets and is addressing the concerns of its client base, a still larger constituency of non exporters is not benefiting from the Programme. Invest NI clients account for approximately 5% of all Northern Ireland based companies and deliver approximately 90% of exports, however, 95% of that business base is not using Invest NI services. With exports currently being seen as the main driver for the economy moving out of recession, this lack of provision must be seen as a negative. However the solution of this problem is not just a matter of consideration for Invest NI, but has impacts on the delivery of export interventions by a range of other economic development organisations operating in Northern Ireland.

7.46 The consultation exercise identified a number of key markets and sectors in which Invest NI should have an enhanced presence. In a situation of finite resources, there is a need to rationalise and prioritise activities in order to address new challenges, such as recent initiatives in Brazil and Kurdistan and new markets like professional services and convergent technologies.

Conclusions and Recommendations

VII

7.47 Enhanced networking within Northern Ireland based sectors and with the wider expatriate community were seen by Stakeholders as ways for addressing concerns over lack of critical mass, asymmetric information and access to key decision makers both in Northern Ireland and abroad.

7.48 Although it is important to expand the overall number of companies participating in export training and development, it is also essential that finite resources are targeted for best results. Therefore Invest NI and other development agencies should ensure that all potential beneficiaries are assessed for export skills prior to registration on any scheme.

7.49 In a time of recession it is recognised that there is a need to raise additional revenue. This is compounded by a belief that the present interventions, although representing value for money, are under priced. The Trade Directorate has moved some way to addressing the issue of under pricing through increased contributions to Trade Missions by beneficiaries and the removal of travel and accommodation assistance to companies seeking exhibition support in the UK and Republic of Ireland. Pricing Policy should be a central consideration of any subsequent economic appraisal.

7.50 Although Invest NI is the Northern Ireland Executive's economic development agency and is the largest provider of export support in Northern Ireland, it is not the sole provider. Currently a range of public bodies, including InterTradeIreland, Enterprise NI and at least five local authorities, as well as the Chamber of Commerce provide export support interventions, which in many situations duplicate one another. There is thus a need for Invest NI to work in conjunction with these bodies to develop complementary interventions.

7.51 Invest NI has already commenced this exercise but it needs first to address a number of auxiliary points. Invest NI needs to:

- a) **strategically align itself with other service providers.** There is evidence of duplication of activities both within Invest NI and amongst partner bodies. There is a need to use resources where they will have the biggest impact. The survey clearly states that beneficiaries see Invest NI as the deliverer of choice for "high end" interventions, mainly for experienced exporters. However, this does not mean that "low end" services should not be offered, rather Invest NI needs to identify its strengths and signpost other delivery partners. In addition, there are potential opportunities to expand existing collaborations between other regional tier export agencies (UK and ROI) in the provision of in market support, particularly in regions where Northern Ireland business does not have a significant strategic interest. Greater partnership working should also be encouraged with the private sector, developing opportunities for collaborative networks to advise on strategy and operational issues and also for individual mentoring between experienced and inexperienced exporters. This mentoring brings with it the dual advantages of demonstrating good applied practice and for large companies an opportunity to 'give something back', a key recommendation of the IREP. However, to be successful these mentoring programmes need official sanction, both to coordinate activities and ensure quality of output. Therefore Invest NI should formalise much of the mentoring activity currently undertaken on an ad hoc basis within its existing interventions;
- b) **Ensure that its advice is robust and pertinent.** This can only be done by having a clear rationale of the sectors and markets Invest NI believes are important and investing sufficient time and resources to develop supporting information and contacts which can provide companies with the necessary support to give them a comparative advantage. We believe that Invest NI cannot do this in isolation, rather it should enhance its existing working relationships with key representatives of industry and the Matrix sectors to develop sectoral trade/expatriate networks to provide that advice;

Conclusions and Recommendations

VII

- c) **consider the structure of the suite of interventions.** We believe that the current Suite of Interventions is a confusing concept to companies and its major use is for internal management purposes. However, through the Transform process we believe that there is an opportunity to simplify the front facing aspects of the Suite of Interventions and address company confusion.
- d) **Develop new ways of delivering interventions.** Interventions should become more accessible, potentially using new communication methods such as webinars and online communities of practice. In addition, good practice highlighted the benefits of 'inward market visits' particularly for sectors in which Invest NI had critical mass and for the same sectors, adequately resourcing of sector exhibits at strategically important trade exhibitions. Internal consultation has highlighted some dissatisfaction with UKTI products, in particular OMIS, therefore greater reliance shall be placed on augmenting Invest NI's internal research capability through developing the services currently delivered by the Business Information Centre. This should be considered within any subsequent economic appraisal.

We have also reviewed PIMS and have found this to be expensive and rigid in what is measured. The consultation exercise has identified a desire on the part of SDI to coordinate performance measurement; and

- e) **Create value.** At a time of financial cutbacks Invest NI needs to ensure that it is delivering interventions that are cost effective. Respondents have stated that the existing interventions are good value for money, whilst feedback from Programme Staff and the telephone interviews has identified that the interventions are heavily subsidised. We believe that there is an opportunity for Invest NI to recoup some of its delivery costs through increased charging and generate a virtuous cycle of investing those additional funds in further enhancing a consolidated service offering; and
- f) **Measure impact.** During the period of the Evaluation, Invest NI did not adequately capture the full benefit of its interventions and had significant gaps in the presentation of its management information, most notably in the tracking of beneficiary activities and the assessment of impact.

The Evaluation identified that entrants to any of the Suite of Interventions have to complete an 'intervention specific' application form regardless of whether or not they are an existing Client managed company. This information is then assessed by the relevant Trade and Client Executives to determine suitability for support. We recognise that the current system of assessment is constrained as it does not provide an opportunity to assess export skill-sets, to baseline information and assess the comparative impact of each intervention on the export capability of the company. Therefore a significant proportion of Invest NI Trade support is going unmonitored and impact is only being assessed once a company has secured an export related sale. In short, developing a company skills baseline and measuring a company's subsequent progress against agreed milestones would ensure that Invest NI's impact could be more accurately monitored.

In addition, the inability to consistently assess export skill sets through the use of an agreed baseline and key milestones may mean that companies opt for interventions which are not 'best fit' with their needs. These is the potential for 'savvy client managed companies' to apply for more expensive consultancy/mentoring support programmes, which are perceived as adding more value, rather than using cheaper alternatives such as workshops.

We are cognisant of the existing arrangements for capturing client data, through individual application forms and Invest NI's CCMS system. We recommend that both these mechanisms are augmented to facilitate the development of an export skills baseline statement for each company and

Conclusions and Recommendations**VII**

agreed milestones (from an indicative list) which would chart company development across all interventions and reduce the duplication of data collected under separate applications.

We have also reviewed PIMS and have found this to be expensive and rigid in what is measured. The consultation exercise has identified a desire on the part of SDI to coordinate performance measurement.

Recommendations

7.52 There is a clear leadership role for Invest NI in addressing the issues mentioned above. However, our recommendations have been developed to not only augment Invest NI's existing delivery mechanisms, but also to facilitate the development of new ways of working. They have been tiered into a number of operational and strategic deliverables:

Economic Appraisal

7.53 **Recommendation 1:** We recommend that Invest NI should continue to support the entire Suite of Trade Interventions subject to the satisfactory completion of both the following recommendations and of an independent economic appraisal embracing the entire suite of interventions (see paragraphs 4.80, 7.12, 7.49 & 7.51). Any terms of reference for the economic appraisal should consider the following:

- a) the future role of the Business Information Centre and Trade Development Centres;
- b) the extent of potential duplication of activities with other economic development bodies;
- c) a progressive pricing structure; and
- d) rationalisation of the number of interventions (directly delivered by Invest NI) to provide a clear and defined structure.

Monitoring and evaluation**Short Term/Operational Goals**

7.54 **Recommendation 2:** We recommend that the existing mechanisms for capturing company data; individual application forms and Invest NI's CCMS are augmented to facilitate the development of an export skills baseline statement for each company and agreed milestones (from an indicative list) which would chart companies development across all interventions and reduce the duplication of data collected under separate applications (see paragraph 7.51f).

7.55 **Recommendation 3:** We recommend that the Trade Team nominate a Senior Responsible Officer who will ensure the routine coordination of the following information onto the CCMS. The information to be routinely collated will include (see paragraphs 4.74):

- a) all applications for each intervention (e.g. employee size, SIC 2 digit code, post code etc);
- b) total financial contribution to date from Trade interventions to the specific company (to ensure compliance with State Aid guidelines);
- c) collation of individual export skills questionnaire;
- d) all routine monitoring information in line with proposed key milestones; and
- e) the development and collation of impact assessment forms for all beneficiaries of interventions at 2 intervals (on completion and 12 months post completion).

Conclusions and Recommendations**VII**

7.56 **Recommendation 4:** We recommend that the Trade Team integrate the augmented performance monitoring system into their standard quarterly Board reports. Information to be reported on quarterly will include (see paragraphs 4.74):

- a) number of applications for each intervention broken down by sector, geography and company scale;
- b) number of successful completions for each intervention broken down by sector, geography and company scale;
- c) variance analysis of spend and key milestones broken down by intervention and for each sector; and
- d) an assessment of all attributable key impacts carried out on a cohort basis (at six month and 12 month basis).

Medium Term/Strategic Goals

7.57 **Recommendation 5:** We recommend that DETI, in conjunction with Invest NI should consult with other bodies charged with the delivery of export support in the development of common performance indicators which would chart the embedding of expertise within beneficiary companies and permit greater inter-agency cooperation (see paragraph 4.74).

7.58 **Recommendation 6:** We recommend that in order to ensure the continued fitness for purpose of the Northern Ireland export assistance provision, DETI, in conjunction with Invest NI should review the possibilities of a common performance monitoring framework between Scotland (Scottish Development International has expressed a wish to cooperate on performance monitoring) and Republic of Ireland based economic development agencies. This will ultimately lead to more robust benchmarking (see paragraphs 4.74 & 7.51f).

Improvement to delivery**Short Term/Operational Goals**

7.59 **Recommendation 7:** We recommend that Invest NI should review its existing delivery mechanisms for workshops and where possible develop online delivery options for the lower value added elements through the medium of, for example, webinars. However, for more generic information the NI Business Information site should be the initial focus for update (see paragraph 4.70).

7.60 **Recommendation 8:** Invest NI should continue to review its current costing structure and ensure that it is maximising the potential for revenue generation whilst at the same time ensuring value for money. However, cognisance should be paid to the parlous state of many SMEs in Northern Ireland in any recommendation related to beneficiary contributions for specific interventions (see paragraphs 4.80 and 4.82h).

7.61 **Recommendation 9:** – We recommend that Invest NI should continue to promote opportunities for experienced private sector exporters to mentor less experienced companies, however to be successful these mentoring programmes need official sanction, both to coordinate activities and ensure quality of output. Therefore Invest NI should formalise much of the mentoring activity currently undertaken on an ad hoc basis within its existing interventions (see paragraph 4.80b).

Medium Term/Strategic Goals

7.62 **Recommendation 10:** – We recommend that action is taken to address the ongoing coordination problems between various agencies in the delivery of export support to the wider business community in Northern Ireland. As a first stage, DETI in conjunction with Invest NI should continue to develop linkages with other local export promotion bodies to scope out the potential scale of export assistance needed in Northern Ireland and provide an assessment of existing provision. The second stage is development of a more integrated approach to export promotion (see paragraph 4.80d).

Conclusions and Recommendations

VII

7.63 **Recommendation 11:** – We recommend that Invest NI should have an increased focus on delivering the higher ‘added value’ interventions such as; trade missions, trade exhibitions and export advisory and research services and work in conjunction with other ‘export delivery bodies’ to coordinate the common delivery of export workshops and developing export sector strategies (see paragraphs 4.80d & 7.51).

7.64 **Recommendation 12:** – We recommend that there is a need for greater presence in key markets in the Far East and Latin America. These have been recognised as significant not only by Invest NI but also by UKTI. However, this may have resource implications and we recommend that options should be investigated to develop local partnering arrangements through greater coordination with other British and Irish trade representations, NI university collaborations and a direct Invest NI resource. However we are aware that changing trading patterns means that other markets have become less strategically important, i.e. Western Europe. We recognise that other developing agencies may still see the benefit of a continued presence in these markets, so we recommend that Invest NI seek to develop arrangements with these bodies for ad hoc representation (see paragraph 4.82).

Learning and Embedding Expertise

Short Term/Operational Goals

7.65 **Recommendation 13:** – We recommend that the Business Information Centre identify options for the greater utilisation of its resources by the Trade Team in the subsequent development of sectoral/geographical research reports (see paragraphs 7.12 & 7.13).

7.66 **Recommendation 14:** – We recommend that Invest NI should formalise its existing mechanisms for consulting with industry through the continued assessment of monitoring forms and undertaking at least one central workshop with industry representatives over the operating period of the Corporate Plan. In addition Invest NI should ensure that the trade team provide an operational prospective to the emerging Matrix sectors and relevant Collaborative Networks (see paragraphs 4.80 & 7.51).

Questionnaire

A

A1.

A2.

A3.

Online Survey Responses

B

B1.

B2.

B3.

Benchmarking Evidence

C

C1.

C2.

C3.

Background information for each intervention

D

D1.

D2.

D3.

D4.

Background information for each intervention

D

Data tables

E

DRAFT