



Evaluation of the Operational Excellence Programme 2014-2019

A Final Report by Hatch
November 2020

Invest Northern Ireland

Evaluation of the Operational Excellence Programme 2014-2019

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Executive Summary

- i. Hatch was commissioned by Invest Northern Ireland to evaluate the Operational Excellence Solutions Programme¹ (OPEX) covering the period 1st April 2014 to 31st March 2019. OPEX supports businesses to implement continuous improvements, become leaner enterprises, and develop and improve the capability of the business supply chain. Support is delivered through very light touch information provision and networking support, more targeted workshops or higher intensity one-to-one project support which focuses on specific operational improvements within businesses.

Strategic & Economic Rationale

- ii. The OPEX programme is well-aligned with key Northern Ireland strategy and policy including the Northern Ireland Innovation Strategy, the Draft Programme for Government Framework and the Industrial Strategy for Northern Ireland. Common themes in policy which OPEX directly supports include:
 - sustainable growth
 - competitiveness
 - increasing export potential.
- iii. The rationale for the programme remains robust with the programme designed to appropriately address the market failure arguments which include:
 - information failure driven by businesses not understanding the benefits of operational improvements
 - positive externalities through spill-over effects to other businesses through the knowledge and improvements gained.
- iv. This is further justified by more recent needs for businesses surrounding COVID-19 and Brexit which the programme has demonstrated it is well placed to meet.
- v. A best practice review of similar projects demonstrates that the programme stands out well in a number of areas including the intensity of support offered, targeting of businesses and flexibility of support and referral options on offer. The review also highlights some areas where the programme could learn from others including marketing of successes, networking, innovation and sector diversification.

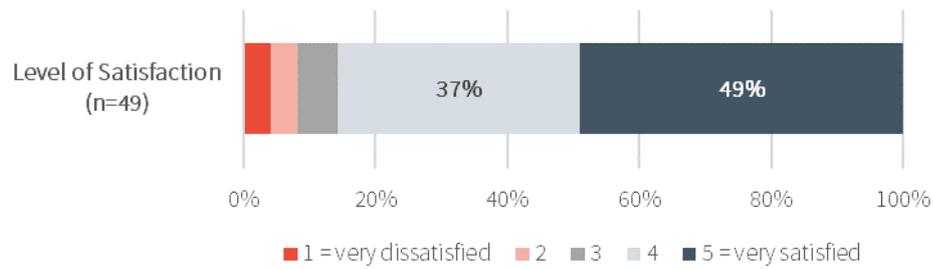
Delivery Review

- vi. In terms of governance and management, the OPEX team is streamlined and adaptable, making it easy to respond to issues with clear reporting lines. Programme administration is well-regarded by businesses and stakeholders and is not seen as a significant strain on resources. The Invest NI client business model also reduces the need for significant marketing and stakeholder engagement activity.

¹ Formerly known as the Productivity Improvement Service prior to a rebrand in April 2019

- vii. The main risk identified through the delivery review was in staff recruitment and retention. Currently 5 of the 8 delivery staff (OPEX coaches) are on fixed term contracts which makes recruitment and retention very difficult, particularly as the programme moves between delivery periods.
- viii. The support itself is regarded very highly by stakeholders and client businesses with a flexible model of delivery enabling the programme to filter out businesses that do not demonstrate the required level of engagement. The survey found that 86% of businesses were either satisfied or very satisfied with the support.

Overall Satisfaction with Support Received



Source: Hatch Beneficiary Survey, August – September 2020.

- ix. To date support has been focused within the manufacturing sector, however, the team has made some significant steps to branch out to other sectors where operational excellence is becoming increasingly relevant.

Performance Review

- x. The OPEX programme runs on a relatively small budget compared to other INI programmes but nevertheless has managed to achieve a significant underspend, largely due to a temporary but prolonged reduction in staff numbers.

OPEX Programme Spend against Target £k, 2014/15* to 2018/19



Source: OPEX Evaluation TOR; INI, PIS Phase III Economic Appraisal, 2015 *target figures for 2014/15 and 2015/16 are not available and as such target is set at outturn expenditure

- xi. In terms of the delivery of key activities, OPEX has generally performed well in the successful delivery of support to businesses. Over the 2016/17 to 2019/20 period, the programme has delivered:
- 157 events (including workshops)
 - 2 productivity improvement conferences
 - 7 online tutorials
 - 224 projects
- xii. On outcomes, the programme has hit its targets in terms of gross and net additional impact and return on investment ahead of schedule. The main area that the programme has struggled is in its aims to diversify the business base. This is largely due to unforeseen complications in the IT sector where staff turnover is very high so the team has struggled to engage with businesses over the longer period of time that is needed to achieve the benefits of operational improvement.

Assessing the Impact on the Northern Ireland Economy

- xiii. The evaluation surveyed 50 businesses alongside client business consultations to help understand the impact of the programme. The results should be treated with an appropriate degree of caution, due to self-reported survey evidence collected from the businesses on the estimates of gross and net additional business and economic impacts, as well as the 15% response rate which was achieved. This uncertainty is mitigated to some extent by careful checking of outliers and the case study evidence but the results should still be treated cautiously.
- xiv. The assessment finds that the programme has been successful in delivering significant impacts to businesses and is expected to bring a very good return on investment. Through impacts to date and expected impacts to 2025/26, **the programme is expected to generate £544 million in gross GVA and £61 in net additional GVA with a return on investment of £17.** The OPEX programme has met all outcomes targets.

Benefit Cost Calculations, current prices		
	To Date	To date and up to 2025/26
Net Additional GVA Benefits	£9.3m	£78m
Present Value of Net Benefits ²	£9.3m	£61m
Present Value of Full Economic Cost	£1.7m	£3.6m
Benefit Cost Ratio	5.5:1	17:1

Source: Hatch Regeneris; Note: figures may not sum due to rounding

- xv. It should also be noted that these results cannot be compared to the 2014 evaluation for various reasons including a different cost basis, time period and methodology in estimating the potential benefits.

Recommendations

- xvi. The analysis and findings of the report suggest a number of recommendations for the programme. These are as follows:
- 1) The findings of the evaluation provide justification for the programme to continue subject to an economic appraisal.
 - 2) The economic appraisal should review spend and output targets in light of delivery to date. A number of the targets are no longer relevant to the Programme in its current operation or need to be amended in line with past performance.
 - 3) The OPEX team should ensure that it is clear on the outputs and objectives that are being monitored for the programme and that they are collated and easy to access, particularly in terms of further alignment between the scorecard and the economic appraisal objectives.
 - 4) The programme and INI more widely should consider whether rolling out more of the support offered by the OPEX team to the wider non-client business base would be practical in light of the benefits it could bring to the NI economy, possibly through online activity and peer networking.
 - 5) Client case studies should be developed more responsively to changing economic and market conditions to evidence the ongoing relevance of the programme's support offer.
 - 6) OPEX and INI should review the staff resourcing for the OPEX team in light of the difficulties recruiting and retaining OPEX coaches. Specifically, all OPEX coaches should be moved from fixed term to permanent contracts as this is commonly cited as one of the main barriers to retention as well as sustainability and ongoing development of the programme.
 - 7) The team should build on the steps it has made to diversifying its client business base in non-manufacturing sectors and continue to review how its existing support could be adapted.
 - 8) OPEX should continue to build on its relationship with the SC21 programme and seek out similar initiatives in other sectors given the success in this area. It should

² Net present benefits are discounted at a rate of 10% in line with INI methodology a 10% discount rate is applied as projects are usually of a commercial or industrial nature. See 2.8.18 & 2.8.19 from the NIGEAE Guidance: <https://www.finance-ni.gov.uk/articles/step-eight-calculate-net-present-values-and-assess-uncertainties> Costs incurred to date are not discounted.

also look to monitor clients that have gone through the programme and the awards achieved to enable the team to market the successes appropriately.

- 9) The OPEX team should consider a role as a thought-leader in productivity improvements at the business level. Feeding in to national and regional policy makers where much of the evidence is currently theoretical and top-down.
- 10) OPEX and INI should explore options for making better use of INI's CRM system to ensure it is appropriate for the programme and reduces the need for separate monitoring arrangements.
- 11) OPEX and INI should explore whether annual business data from INI's CRM system could be used to support evaluation of the OPEX programme as well as looking for ways that evaluation activity can be better aligned to provide consistency across time periods and programmes.

1. Introduction

- 1.1 Hatch was commissioned by Invest Northern Ireland to evaluate the Operational Excellence Solutions Programme³ (OPEX) covering the period 1st April 2014 to 31st March 2019:
- For the period 1 April 2014 to 31 March 2016 (2 years) the evaluation focuses on headline performance indicators, given the time elapsed.
 - For the period 1 April 2016 to 31 March 2019⁴ (3 years), which falls within the current five year approval period⁵, the evaluation assesses the full range of evaluation objectives.
- 1.2 OPEX is delivered under Invest NI's support for businesses in Northern Ireland focused on helping businesses to operate more efficiently. The service is delivered by experienced practitioners who assist businesses to implement continuous improvements, become leaner enterprises, and develop and improve the capability of the business supply chain. Support can incorporate:
- Awareness-raising / Advice (Networking and Best Practice Events) which are open to the wider business base;
 - Online information, case studies and tutorials;
 - Training through workshops (Lean Fundamental Training, Practical Problem Solving, etc.);
 - On-site one-to-one support in the form of mentoring or coaching projects with a view to addressing key business constraints and delivering quantifiable business improvements and/or supply chain management improvements.
- 1.3 The main overarching objective of the OPEX programme is:

“Support NI businesses to identify and address the barriers that are inhibiting their sustainability, competitiveness and growth by supporting business to implement the productivity improvement tools and techniques to deliver sustainable productivity and supply-chain management improvement”

Evaluation Approach

Evaluation Strands

- 1.4 The evaluation covers six distinct areas:
- The Strategic & Economic Rationale
 - Programme Performance: Spend & Outputs
 - Delivery Review
 - Assessing the Impact on the Northern Ireland Economy
 - Key Findings & Recommendations

³ Formerly known as the Productivity Improvement Service prior to a rebrand in April 2019

⁴ We have also extended this to cover the 2019/20 period where appropriate

⁵ Current approval ends 31 March 2021.

1.5 The main research tools used are as follows:

Document & Data Review

1.6 This involved a review of available programme data on performance, outputs and outcomes as well as relevant policy documents. This enabled us to get quickly up to date with the overall performance of the programme and its context while the other research tools helped us to delve deeper into the outcomes and impacts of the programme's activities.

Consultation

1.7 We have consulted with a wide range of participants, delivery staff and wider stakeholders to inform the evaluation. The main groups are summarised as follows:

- OPEX Delivery consultation: covering the core OPEX team at Invest NI, including the Programme Manager, the administrative officer and a number of OPEX coaches.
- Wider Invest NI & other stakeholder consultation: covering a number of INI client executives and representatives of industry bodies and other stakeholders connected to the programme.
- Client Business Interviews: with 4 of the businesses supported to date, to inform case studies.

Client Survey

1.8 We also surveyed businesses that have received either project or workshop support from 2016 onwards to gain some broad insights into the impacts of the programme as well as views on satisfaction with the support received.

1.9 There were 67 responses to the survey. After accounting for those beneficiaries that had only partially completed it and those that were not aware of the support received, we were able to use 53 of the responses in our analysis. Most of the responses were from businesses that had received project support. The total response rate achieved was 15%. At the 95% confidence level there is a confidence interval of $\pm 12\%$ for the sample. The response rate is lower than expected which we believe to be in part a result of the COVID-19 crisis, given a number of potential respondents may have been furloughed during our survey period or indeed faced significant operational challenges which may have reduced their ability to respond to the survey. The breakdown is shown below:

	High Value Support ⁶	All Businesses
Population of Businesses Support	194	148
Responses (proportion of population)	30 (15%)	53 (15%)
Confidence Interval (95%)	16%	12%
Confidence Interval (90%)	14%	10%

Source: Hatch

⁶ High Value support refers to those businesses that received more intensive one-to-one support from the programme on a specific project or measure

- 1.10 The lower response rate means that the results of the survey must be treated with caution. As such, we have sought to check and challenge the results using our findings from delivery and case study consultations to ensure that findings are backed by multiple sources of evidence to mitigate against spurious conclusions.

2. The Strategic & Economic Rationale

Key Findings & Recommendations

- OPEX is well aligned with key Northern Ireland strategy and policy. Sustainable growth, competitiveness and increasing export potential are all consistent themes which OPEX can directly support.
- Taking into account other publicly (invest NI and other) available services, the market failure and rationale for the programme is clear and is further justified by the growing economic need and challenges to the business operating environment relating to Brexit and COVID-19.
- The best practice review of similar projects is very positive for the OPEX programme. It has identified a clear need for the support offered and positioned itself well to meet the demands of beneficiaries. The successes of the programme and its flexibility make it an ideal package to build on for client businesses.

2.1 In this section we set out:

- the areas of NI strategy that the OPEX is set to secure progress against
- the underpinning rationale and need for public investment in the programme
- a summary of findings from a review of the best practice and lessons learned from other productivity programmes, based on UK and international case studies and wider literature and evidence.

Programme Objectives

2.2 As noted in the introduction, the overarching aim of the OPEX Programme is to:

“Support NI businesses to identify and address the barriers that are inhibiting their sustainability, competitiveness and growth by supporting business to implement the productivity improvement tools and techniques to deliver sustainable productivity and supply-chain management improvement”

2.3 This is underpinned by a number of specific goals that cover the period 2016/17 to 2025/26⁷, aimed at generating a measurable economic impact at the level of Northern Ireland:

Regional Economic Impacts

- £118m gross & £61m net GVA
- Job creation and safeguarding
- Increased regional productivity

Wider Impacts

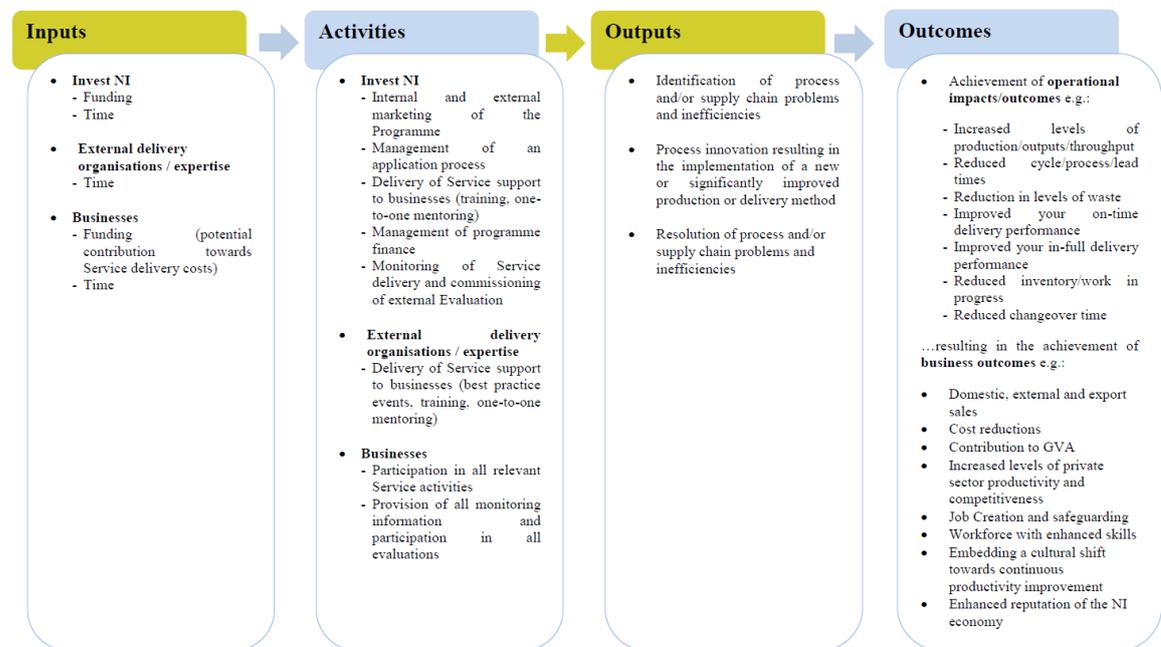
- Enhanced reputation of the NI economy
- Cultural shift towards continuous productivity improvements.

⁷ This is the impact period used in the 2015 Economic Appraisal for the programme

The Programme Logic Model

- 2.4 The logic model shown below provides an overview of the OPEX (formerly PIS) programme inputs, activities, outputs and outcomes that were originally agreed in the economic appraisal. This has been used to build on for the Theory of Change in the Figure 2.2.

Figure 2.1 Original PIS (Now OPEX) Logic Chain

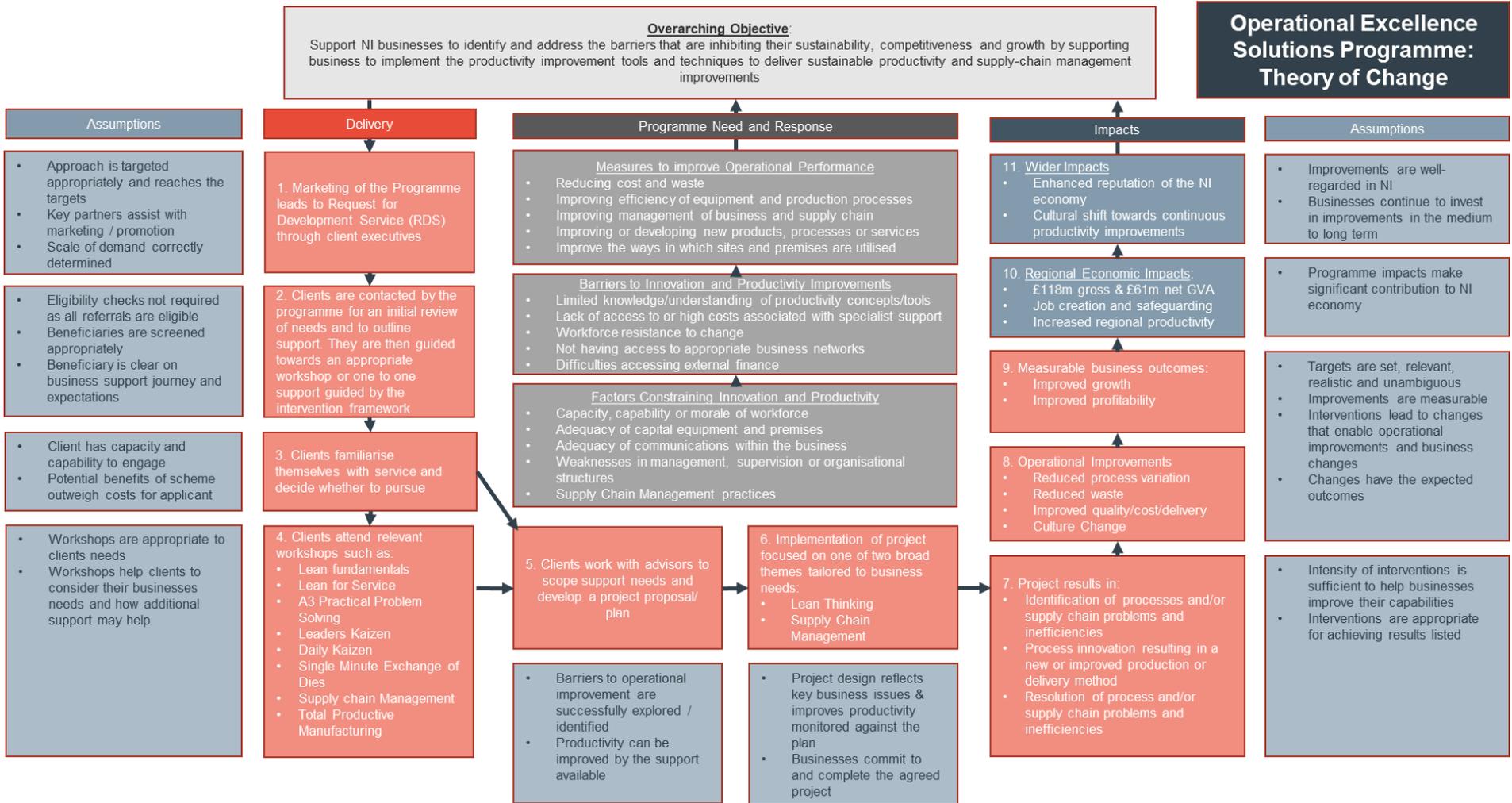


Source: INI, PIS Phase III Economic Appraisal, 2015

Theory of Change

- 2.5 The Theory of Change has been developed with the OPEX team. This sets out the journey of support for the beneficiaries and how this flows through from activities, to outputs, to intermediate outcomes, final business outcomes and impacts and then, finally, impacts on the Northern Ireland economy, all within the context of the business need and rationale for the programme. The Theory of Change lays the foundation for interrogating and challenging the delivery approaches deployed and the outcomes which are expected, as part of the evaluation approach.

Figure 2.2 OPEX Theory of Change



Source: Hatch

Strategic & Policy Context

2.6 The following is a review of OPEX’s alignment with relevant policy and strategy in Northern Ireland. The review shows that OPEX is well aligned with key Northern Ireland strategy and policy. Key areas such as sustainable growth, competitiveness and increasing export potential are all consistent themes which OPEX can directly support.

Invest Northern Ireland’s Business Strategy for 2017-21⁸

2.7 The Invest NI Business Strategy calls for Invest NI to “*emerge as a strategic partner and catalyst for sustainable regional growth*” in Northern Ireland with ambitions to:

- 1) support the development of local infrastructure, to enable export-led businesses to grow and attract inward investment
- 2) become a leader in entrepreneurship and facilitate engagement with partner organisations and wider stakeholders
- 3) and, reduce the complexity of the business landscape and help to progress businesses in their journey.

2.8 OPEX aligns very well with the overarching business strategy. Examples of alignment with the specific ambitions include:

- 1) A review of the businesses supported evidences that a large proportion are export-focused with some almost wholly reliant on export sales.
- 2) OPEX’s engagement with the aerospace focused SC21 initiative is a strong example of wider stakeholder engagement, with Northern Ireland businesses now leading the way on this national programme.
- 3) A large part of OPEX’s support is focused on LEAN production which specifically addresses complexity in the workplace. The team has also been working on a number of initiatives to react to incoming issues such as COVID-19 through webinars and workshops that help implement operational adjustments to meet COVID-19 restrictions imposed by Government.

The Northern Ireland Innovation Strategy 2014-2025⁹

2.9 Innovation and productivity are firmly intertwined. As noted in the Terms of Reference for the evaluation, the importance of productivity improvement is under-pinned in the Innovation Strategy which states that “*We will also work with businesses to apply the use of Productivity Improvement Tools and Techniques (PIT) in order to leverage competitive advantage from the innovation process. It is envisaged that the range of support will be extended to include high growth and export potential start up businesses*”.

Key Links with Northern Ireland Innovation Strategy		
Key Strategy Areas	Key Relevant Strategy Aims	Links with OPEX Support
Culture Change <i>“changed attitudes and behaviour towards</i>	Strong leadership highlighting the importance of innovation for growth	Supporting business leaders to implement and learn lessons from productivity

⁸ secure.investni.com/static/library/invest-ni/documents/invest-northern-ireland-business-strategy-2017-2021.pdf

⁹ economy-ni.gov.uk/sites/default/files/publications/deti/Innovation-Strategy-2014-2025_2_0.pdf

<i>collaboration, and openness towards the use of new ideas, innovation and risk taking</i>		improvements and openness with their teams.
	Improve the culture of leadership within organisations	OPEX has a key focus on improving business culture and attitudes towards operational improvements.
Knowledge Exploitation <i>“transformation of knowledge into products and services which can add value and be exported”</i>	Support businesses with high growth and export potential	INI and OPEX targets high growth businesses and has had a number of successes in increasing export potential and sales within businesses.

Source: Innovation Strategy 2014-2025; Hatch

The Draft Programme for Government Framework 2016-21¹⁰

- 2.10 The OPEX Programme directly delivers against a number of measures in the Draft Programme for Government. The table below shows the most relevant and their links with the OPEX Programme:

Table 2.1 NI Programme for Government: Direct Outcomes, Indicators & Measures for the OPEX Programme			
Outcomes	Indicators	Measures	Links with OPEX
O1: A strong, competitive, regionally balanced economy	I20: Increase the size of the economy	Private Sector Northern Ireland Composite Economic Index (NICEI)	Supporting businesses to be more competitive in domestic and international markets.
	I21: Increase the competitiveness of the economy	External sales	Supporting businesses to capitalise on new, emerging markets and making links between key businesses.
O12: A place where people want to live and work, to visit and invest	I40: Improve our international reputation	National brand index	Increasing export development and encouraging more sustainable economic growth in Northern Ireland.

Source: Draft Programme for Government Framework 2016-21; Hatch Regeneris.

Economy 2030: An Industrial Strategy for Northern Ireland¹¹

- 2.11 Although this 2017 strategy post-dates OPEX’s inception, it demonstrates the programme’s continued relevance with national economic policy. The Industrial Strategy proposes a Framework for Growth based on five pillars. This is closely related, and in response to, the UK Government’s Industrial Strategy White Paper. The pillars cover overarching themes include inclusivity, prosperity and achieving economic rebalance. The OPEX will help to underpin progress against:
- **Pillar 1 – Accelerating Innovation and Research:** by encouraging innovation through its support for continuous improvement.
 - **Pillar 2 – Education, Skills and Employability:** by upskilling individuals and providing them with the tools to improve productivity within businesses.

¹⁰ www.northernireland.gov.uk/sites/default/files/consultations/newnigov/draft-pfg-framework-2016-21.pdf

¹¹ economy-ni.gov.uk/sites/default/files/consultations/economy/industrial-strategy-ni-consultation-document.pdf

- **Pillar 3 – Driving Inclusive, Sustainable Growth:** by providing businesses with support focused on creating sustainable improvements to business culture and attitudes towards operational excellence.
- **Pillar 4 – Succeeding in Global Markets:** by raising business competitiveness and contributing to export success in international markets.

The Rationale for the OPEX Programme

Market Failure

2.12 The economic appraisal is clear that there are substantial market failures that justify the need for intervention, and this is echoed in our review of the programme and its context. The OPEX programme is designed to address two core market failures in the provision of support for businesses:

1) Information Failure

2.13 There are two key information failures identified that are relevant to the OPEX programme:

- **Asymmetric Information:** businesses do not have ready access to all the information or resources that demonstrate the benefits of implementing productivity improvements in their operations. This was clear from case study consultations. This can often act as a barrier to engagement and prevent businesses from building knowledge and implementing improvements. OPEX addresses this directly through both its workshops and one-to-one support by reiterating the benefits of productivity improvements to businesses throughout the support journey using real-world examples and implementing monitoring systems that enable businesses to record the improvements that have been made.
- **Risk Aversion:** The lack of knowledge of the benefits of productivity improvements can lead to businesses becoming more risk averse in terms of investment in improvements. This is also true in terms of them accessing external support. OPEX de-risks the first step in terms of accessing external support by removing the financial barrier.

2) Positive Externalities

2.14 Innovation more generally is known to generate positive spill-over effects for other businesses and individuals. This is also true of productivity improvements. An example of this is where businesses make investment in the capabilities to implement productivity improvements of an individual and that individual then changes employer and the new business gains the benefits of that investment. Given all of these benefits do not materialise directly to the businesses investing in the improvements, they may be unwilling to pay for them. Public investment can be justified to help secure these wider outcomes which may not otherwise occur.

The Need for the OPEX Programme

2.15 Northern Ireland continues to lag behind on a number of key economic indicators. The OPEX programme is able to boost economic performance, and also address the changing economic landscape:

- **Growth and Productivity:** in 2017, GVA in NI was £3.97 bn, and grew by 7.1% during 2015-17, slightly behind the UK average (7.8%)¹². GVA per job in Northern Ireland is £50,646, which falls 10% below the UK¹³. The key aim of the OPEX Programme is to improve business competitiveness and increase productivity.
- **Exports:** Survey evidence shows that 56% of NI businesses are exporters, compared with 33% across the UK.¹⁴ A higher export rate is unsurprising for an economy with a smaller internal market and large land border to its south. Through improving business competitiveness and supply chain capabilities OPEX is increasing NI's export potential.
- **EU Exit:** since the 2016 UK referendum on EU membership, the agenda has created an uncertain climate for businesses with respect to the future status of a range of trade, employee and other considerations. As NI prepares to leave the EU, there are a number of challenges facing NI businesses such as supply chain capabilities, logistics and new legislation. OPEX is embedded in NI's supply chain landscape and plays an important role in helping businesses to navigate the changing environment, helping them to adapt and become more agile.
- **Covid-19:** more recently, the Covid-19 crisis has brought significant challenges to businesses in terms of supply chain capabilities and the ability to focus on and invest time and resources in productivity improvements. The OPEX Programme is directly supporting businesses through the crisis using webinars and project support to help businesses innovate and manage new production processes as well as cut costs.

A Review of Best Practice

- 2.16 The evaluation is supported by a review of best practice from other relevant business support programmes. This provides a benchmark on which to assess the delivery model for the programme and lessons that can be learnt for the future. The review draws on a wide range of programmes, some that the evaluators have been closely involved with, the most relevant of which include:
- Enterprise Ireland, Lean Business Offer: designed to encourage clients to adopt Lean business principles in their organisation to increase performance and competitiveness.
 - BEIS, PEER Networks: a peer-to-peer networking programme for SMEs that creates diverse cohort groups of individuals to collaboratively work through common business issues.
 - Manufacturing Advisory Service: a service focused on Manufacturing businesses providing diagnostics, events, consultancy (with 50% match) and referrals.
 - LCR 4.0: an innovation focused programme in the Liverpool City Region supporting businesses to adopt new technologies to gain a competitive advantage and enhance productivity by providing business with access to state of the art facilities, equipment and expertise.
- 2.17 Benchmarked against the programmes within the review, OPEX stands out as a leader in a number of areas:

¹² ONS Regional Gross Value Added (Income Approach): December 2018

¹³ ONS Subregional Productivity in the UK: February 2020

¹⁴ Department for International Trade, National Survey of UK Registered Businesses' Exporting Behaviours, Attitudes and Needs 2018

- 1) The depth and intensity of support offered by the OPEX Team goes over and above that provided by other support programmes that tend to offer lighter touch support with less opportunity for follow on support where needed.
- 2) The targeting of clients through the client business relationship is seen mostly to successfully ensure that support is provided to the right businesses. Where this is not the case, the initial routing of businesses to lighter touch support works as a useful filtering mechanism. Other support programmes have struggled with ensuring that the support is targeted appropriately and have had varying levels of success with implementing eligibility rules and screening processes.
- 3) The wider INI support offer allows businesses to receive a variety of support types through their client executive. This gives OPEX beneficiaries a clear referral route for complementary support to address business needs that are not covered by the programme. Establishing a clear cycle for beneficiaries with referrals to other support is a common challenge for other programmes, particularly where business support networks are less well-established or there are gaps in support locally.
- 4) OPEX's flexible approach has enabled it to react and adapt quickly to changing market conditions and external shocks such as Brexit and COVID-19, filling a gap that other support programmes have struggled to move quickly enough on.

2.18 The review has also highlighted some helpful learning points that the OPEX programme could benefit from:

- **Marketing successes:** Marketing activity is a much bigger part of the other programmes' remits. This is mainly as a result of a bigger requirement in terms of stakeholder and client engagement, however, the OPEX programme appears to have a lot of successes and as such could make more of it.
- **Networking:** Although OPEX is involved in some networking both formally and informally, it has formed a much bigger part of some of the other programme's reviewed. As well as learning about potential productivity improvements, it could also lead to new supplier relationships. There is some evidence of this being successful informally for the OPEX programme so it may be helpful to formalise it, particularly where direct competition between businesses is not an issue.
- **Innovation:** Innovation is a key element of productivity and operational excellence. The OPEX programme provides businesses with a strong platform for testing and implementing process innovations. Where the programme's reviewed have been most successful in advancing innovation, there has been a clear forward-looking message and focus for the support. OPEX could look to develop further specific strands of support that align with future innovation policy. It is our understanding that this is a key aspiration for the programme with themes such as Industry 4.0.
- **Sector Diversification:** Some past programmes have struggled to remain relevant through economic cycles as certain industries move towards decline or no longer require the support on offer. Where programmes are reliant on demand from beneficiaries in certain sectors this presents a significant risk. OPEX has demonstrated its ability to adapt successfully and should continue to look at ways it can diversify its beneficiary base and offer services to other sectors to secure demand going forward.

2.19 The overarching message of the review is very positive for the OPEX programme. It has identified a clear need for the support and positioned itself well to meet the demands of beneficiaries. The successes of the programme and its flexibility make it an ideal package to build on for client businesses.

3. Delivery Review

Key Findings & Recommendations

Governance & Management:

- The programme team is streamlined and adaptable making it easy to respond to issues with clear reporting lines.
- The main risk to the programme is in terms of staff recruitment and retention due to the need for significant industry experience and the salary gap between the OPEX team and the private sector. This is further complicated by the number of coaches on fixed term contracts, making it more difficult to recruit and retain, particularly as the programme moves between delivery periods.
- Programme administration is well-regarded by businesses and stakeholders and is not seen as a significant strain on their time or resources.
- There is good infrastructure for internal monitoring of progress and information is collected and reported regularly. However, it is more difficult to track progress over the whole period of support, particularly against the objectives in the economic appraisal.
- The analysis of data highlighted an opportunity in terms of monitoring of client businesses across INI. A centralised system monitoring annual employment and turnover would provide a useful resource for future evaluation activity.
- Marketing and client engagement are relatively light touch areas, helped by the client business model operated by Invest NI. This also reduces the need for significant wider stakeholder engagement.

Support Offer:

- Onboarding of client businesses is flexible and the different tiers of support provides a useful mechanism for filtering businesses that may not be able to engage fully with the programme.
- The programme has primarily engaged with small and medium sized businesses which is appropriate given the focus of the support on making operational improvements, rather than on start-up and enterprise activity.
- Most businesses were from the manufacturing sector, which is unsurprising given the LEAN and supply chain focus of the support, however, OPEX are looking to expand into other sectors and have had some successes to build on.
- One-to-one projects are seen as the more impactful support mechanism with workshops seen as either a stepping stone to project support or a way of embedding knowledge within the wider workforce.
- Support is well-regarded by both businesses and wider stakeholders. Most clients were keen to carry on engaging with the programme and value continued interaction with OPEX coaches.

Governance & Management

- 3.1 This chapter provides an overview of governance, management arrangements and systems in place within the team.

distancing guidelines/restrictions etc. The programme has reacted to this by increasing activity in the development of online delivery.

Continuous Improvement

- 3.8 As with the client businesses, the OPEX team has to ensure that it is up to date with the latest innovations in operational excellence. Consultations with businesses and client executives showed that the many years of industry experience that the coaches have is a key selling point for the support, however, it was also raised that ensuring they are up to date with the latest knowledge of the industry is also very important.

Staff Resource

- 3.9 Figure 3.1 above shows the team structure. Support is delivered to businesses through the 8 OPEX coaches. This model works well despite large workloads with coaches communicating and sharing knowledge regularly.
- 3.10 As shown in the diagram above, half of the coaches are on fixed term contracts. Consultations have shown that this can make recruitment and retention difficult particularly given that the role requires coaches to have significant industry experience. There is also a significant gap between the salaries on offer through the OPEX programme and that available in the private sector. Throughout the period, the programme has seen high levels of churn in staff which presents a real issue in terms of ongoing delivery and development of the services, which is particularly acute when moving between delivery periods.

Programme Administration

- 3.11 Programme administration is run by the admin officer who oversees initial engagement with client businesses, general communications and monitoring and reporting. Consultation with delivery team members and client executives revealed that there are no issues in terms of administration. Furthermore, client businesses noted the ease and lack of significant burden in terms of administrative requirements compared with other support programmes. The OPEX support is relatively light touch in terms of admin requirements on businesses and client executives, in part, due to the lack of grant finance involved.

Monitoring & Reporting

- 3.12 The main forms of monitoring & reporting are:
- Recording of attendance at workshops
 - Workshop feedback
 - Recording of projects and project outcomes
 - Post Project Evaluations
- 3.13 As noted above, the administrative burden on client businesses and client executives is fairly light touch, however, the team have been ambitious in their attempts to record project outcomes. The workshop feedback and PPE forms allow the OPEX team to record and report on client satisfaction as well as some of the gross impacts of the support. Furthermore, reporting in the main is done on a monthly basis, allowing the team to stay up to date and react quickly to performance issues.
- 3.14 The data collected cannot be used to make a full assessment of the programme's impact as there are some issues with the consistency of reporting in terms of time periods and measures, particularly with the value added metric, nevertheless, the information is very

useful and allows the team to track overall performance on a regular basis. These are reported in the scorecard which provides an easy to access overview of the programme's performance. The team has endeavoured to track progress against the objectives set out in the economic appraisal and to some extent this enables easy monitoring of the programme, however it would be useful to have a more formal link between the scorecards and the economic appraisal objectives.

- 3.15 One issue raised with the monitoring data is the difficulty of tracking businesses or individuals in some of the datasets and records used. As the support is often given to multiple individuals from one organisation and organisations often change names or report slightly different business names within the data, it can make analysis of data difficult for example when attempting to obtain an overview of the total level of support provided to each client business. We understand there is a CRM system used across INI with unique reference numbers and would recommend that steps are taken to allow the OPEX team to make better use of this.
- 3.16 A further recommendation that is not a criticism of the programme but more of an opportunity to capitalise on the client business relationships. Given client businesses are often in regular contact with Invest NI, it would be helpful to collect some longitudinal data from the businesses at regular intervals. This could be limited to a key set of indicators such as employment and turnover reported annually which would allow impacts to be tracked and provide the building blocks for more robust evaluation techniques such as counterfactual impact evaluation. It is our understanding that there is a process in place that would enable this but that INI is not currently able to share the data with external organisations. This is something that could be addressed in future through amendments to data sharing agreements to support evaluation work.

Marketing

- 3.17 Invest NI's client business model negates the need for significant external marketing activities. The main channels for marketing are the Invest NI website, social media content and some targeted events, including the SC21 related activity. The fact that referrals rely largely on the client executives demonstrates the need for internal marketing. Client executive consultees were complimentary of the case study examples and the opportunities to attend workshops themselves to learn more about the programme but made the point that they would like to see a lot more and some more reactive case studies that enabled them to show the programme's successes to challenges such as COVID-19 and BREXIT announcements more quickly.
- 3.18 Video case studies and programme animation can be helpful to ensure clients and other stakeholders are aware of the potential benefits of the programme and can be used at events and alongside other marketing activity.
- 3.19 Although there are no concrete plans to do so in the short term, if the programme intended to significantly expand support to non-client businesses, more action on external marketing and engagement with wider stakeholders would be required.
- 3.20 Expanding networking activity could also be a way to further marketing efforts without a significant resource. The best practice review identified more formal approaches to networking such as peer networks which could help to promote more business to business networking and learning.

Stakeholder Engagement

- 3.21 As with marketing, the referral model limits the benefit of wider stakeholder engagement, particular as a route to stimulating demand. However, the OPEX programme has a number

of success stories that would be relevant to a range of wider stakeholders including national policy makers. Although the direct benefits to the OPEX team are fairly limited, this could result in significant benefits to the wider Northern Ireland economy, particularly as there is limited evidence on the impact and delivery of business-level interventions that improve productivity from both public or private providers.

- 3.22 Although stakeholder engagement has been limited, there are some specific areas where the programme has done well in terms of its engagement with wider stakeholders. The most successful of which is the work around SC21 in which the OPEX team and Invest NI has marketed itself well as a key support provider for the aerospace industry.

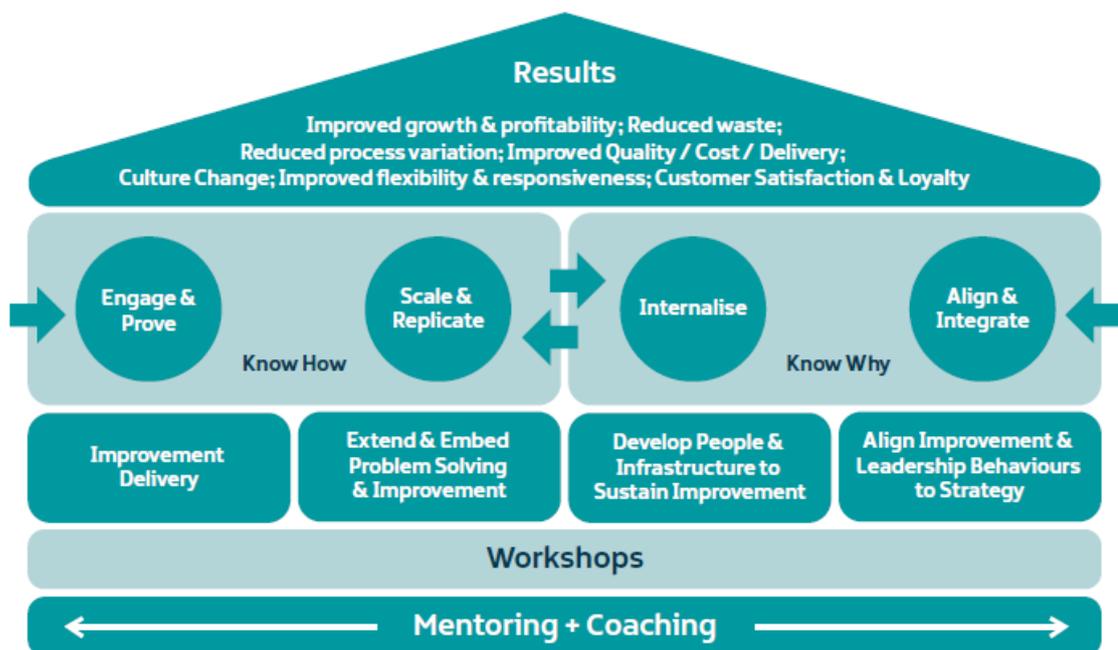
The OPEX Support Offer

- 3.23 The key objective of OPEX support is to:

“Support NI businesses to identify and address the barriers that are inhibiting their sustainability, competitiveness and growth by supporting business to implement the productivity improvement tools and techniques to deliver sustainable productivity and supply-chain management improvement”

- 3.24 This objective is underpinned by an intervention framework which is shown in the diagram below:

Figure 3.2 House of Lean Framework



Source: INI, Operational Excellence Solutions Brochure

- 3.25 OPEX support consists of four key elements which include:

- **Awareness-raising / Advice:** This is the provision of networking and best practice events which are open to client businesses as well as the wider business base. This tends to be lighter touch generic support delivered on a one-to-many basis. The events provide an opportunity for businesses to learn and share ideas with the wider business base as well as networking. They also serve to boost Invest NI’s profile and evidence the benefits of the other forms of support from the OPEX team.

- **Online information, case studies and tutorials:** As with the networking and best practice events, the online information, case studies and tutorials are available to a wider business base, providing more generic support to businesses. These are a key source of sharing the benefits of operational improvement to businesses and stakeholders and engaging businesses with the OPEX team.
- **Training through workshops:** The OPEX team has run a variety of workshops that have developed over the evaluation period, reacting to business demand and economic conditions. Although the scope is wide-reaching they are broadly based around the following themes:
 - Lean Principles, Tools & Techniques
 - Supply Chain Management & Development

These are run in a variety of sizes, both to individual businesses and as open sessions with individuals from multiple organisations attending. The workshops provide an overview of the tools and techniques but also help attendees to focus in on plans and projects for implementing change within their individual context.
- **On-site one-to-one support:** This is in the form of mentoring or coaching projects with a view to addressing key business constraints and delivering quantifiable business improvements and/or supply chain management improvements. These often involve multiple site visits and follow-ups on a one-to-one basis with client businesses.

3.26 The breadth of support on offer is deemed appropriate and provides client businesses with a flexible range of options to meet their specific needs. Although there are clear workshop types and focuses, clients businesses see the support as bespoke, particularly when embarking on projects. Client Executives noted that the main source of improvement and impacts for businesses is from the project support and that they see the workshop support as a stepping stone or a way to disseminate learning across the workforce, which aligns with messages from delivery consultations.

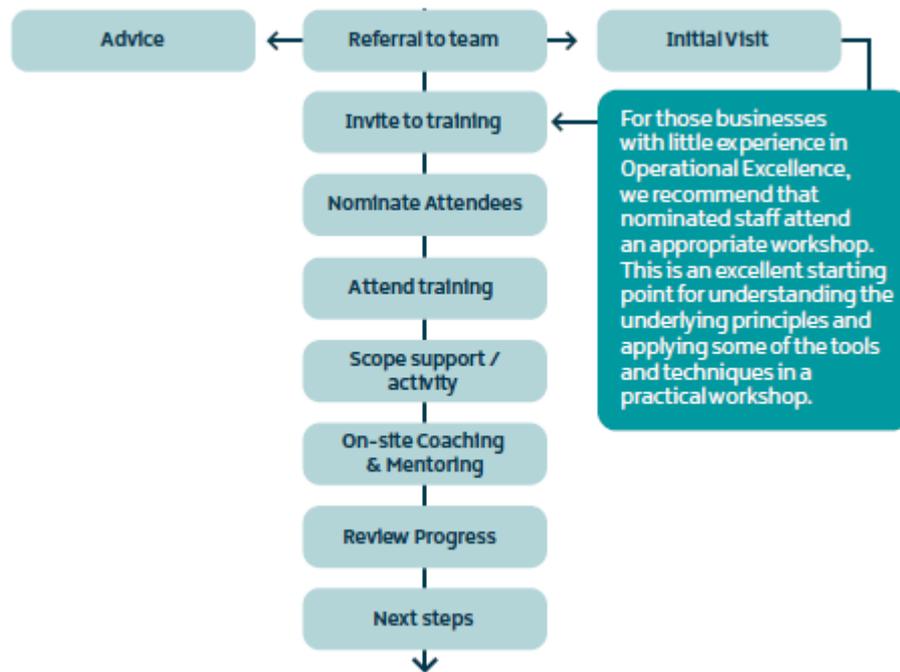
3.27 In terms of additional support that can be offered, the consultations with businesses did not reveal much. Most businesses were keen to carry on engaging with OPEX and valued the continuous interaction and follow up contact that was provided by the coaches. Wider stakeholders noted the potential for the OPEX team to play a thought leader role in terms of sharing knowledge with policy makers on how productivity improvement works at a business level.

Client Engagement

3.28 As noted earlier, marketing activities are relatively light touch. Given the Invest NI client relationship with businesses, the OPEX team itself mainly focuses on internal marketing of the support to ensure that client executives are aware of the benefits of the support and communicate that to businesses to make referrals.

3.29 Once a referral is made, the OPEX team then makes contact with the business and guides them towards the most sensible first step. The approach means there is no formal routing of businesses, but this allows flexibility in the team's approach. The routing acts as a filtering process, where businesses with the most potential to engage with the project being moved more quickly towards one-to-one support and the workshops acting as a test to ensure businesses are engaged and committed to putting resource to projects before they are given one-to-one support. The general path of businesses post-referral is as follows:

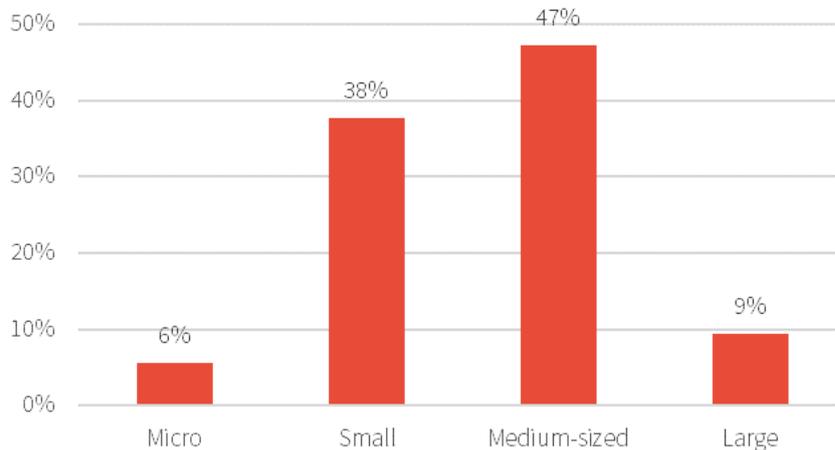
Figure 3.3 Client Business Journey



Source: INI, Operational Excellence Solutions Brochure

3.30 The client businesses responding to the survey give an indication of the types of businesses, in terms of sector and size that the OPEX team have been primarily engaging with. Almost half of businesses are medium-sized, while a large majority of the remainder are small businesses.

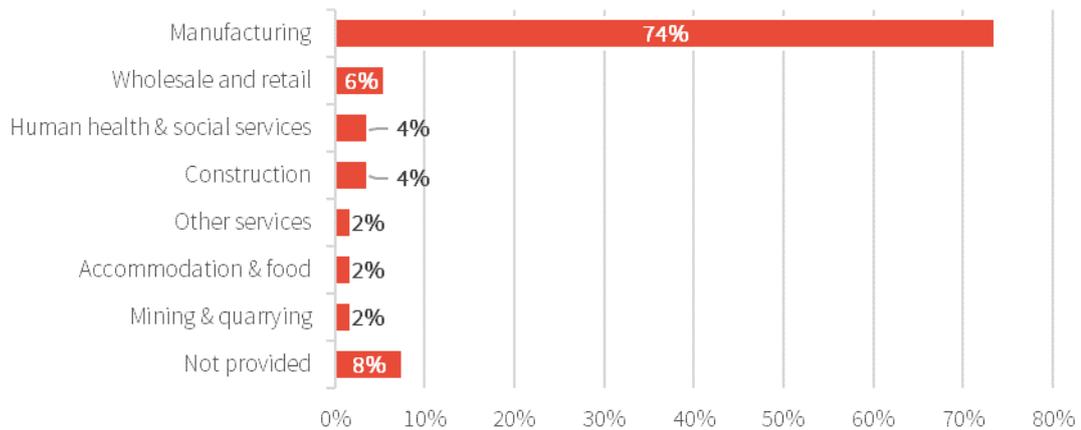
Figure 3.4 Breakdown of Businesses by Employment Size Band



Source: Hatch Beneficiary Survey, August – September 2020, n=53; and INI OPEX Monitoring Data.

3.31 About three quarters of supported businesses are in the manufacturing sector while the remainder of businesses are mainly in wholesale and retail, human health and social services or construction.

Figure 3.5 Breakdown of Businesses Sector



Source: Hatch Beneficiary Survey, August – September 2020, n=53.

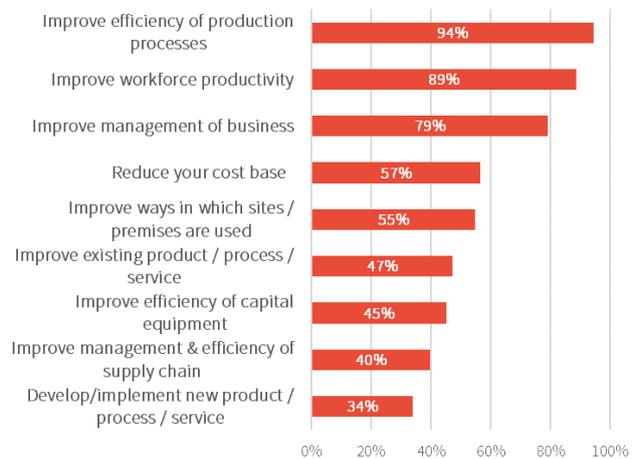
The View from Participants

- 3.32 The following analysis presents the beneficiary’s views on the support received, specifically in terms of satisfaction with the support.

Motivations for Support

- 3.33 Businesses were asked what they were looking to achieve when they first got in touch with the OPEX programme. Almost all respondents (94%) stated that they were aiming to improve the efficiency of their production processes. This is reflective of the sector breakdown of the survey sample, as most respondents operate in manufacturing. The following two most common goals were improving workforce productivity and improving the management of the business, with 89% and 79% of respondents, respectively, citing these as key aims.

Figure 3.6 Motivations for Seeking Support

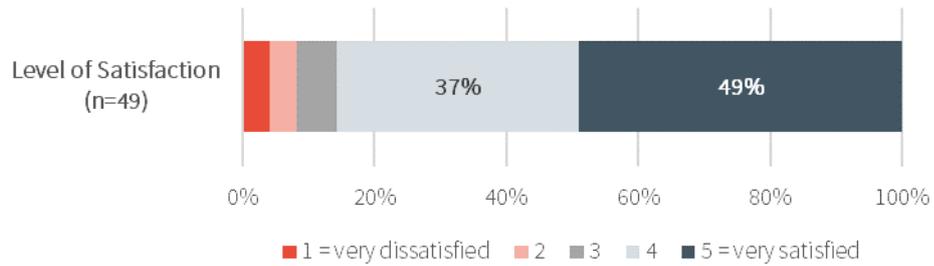


Source: Hatch Beneficiary Survey, August – September 2020, n = 53.

Overall Satisfaction

- 3.34 Survey findings indicate that 86% of respondents were either satisfied or very satisfied with the support received overall.

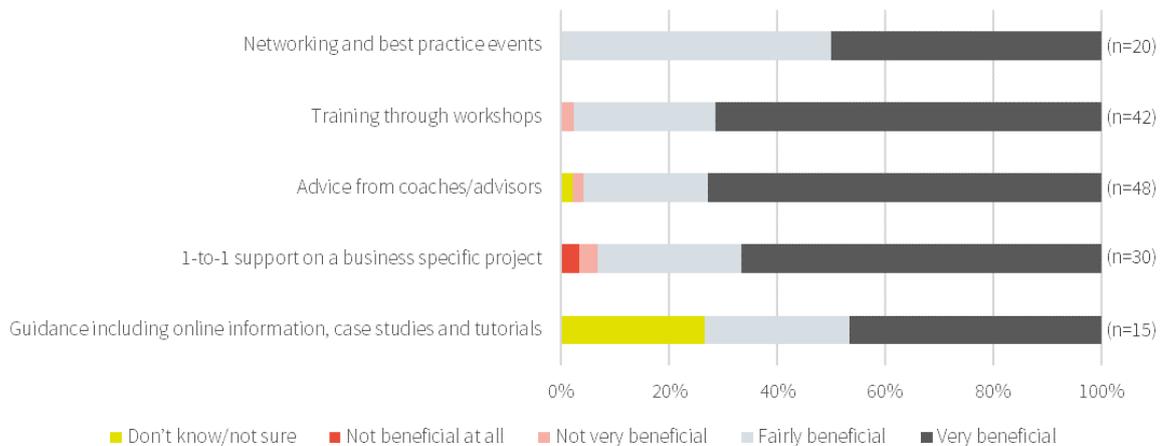
Figure 3.7 Overall Satisfaction with Support Received



Source: Hatch Beneficiary Survey, August – September 2020.

3.35 Respondents were also asked how beneficial they found each strand of support received, the results of which are shown in Figure 3.8 below. The findings for each type of support were very positive, with over 70% of respondents deeming each type of support to be fairly or very beneficial. The survey results suggest that workshops, advice from coaches/advisors and 1-to-1 support on a specific project are the strands of support that provide the most benefit to clients – roughly 70% of respondents found these types of support to be very beneficial. This is echoed by the case study evidence which showed that beneficiaries were overwhelmingly positive about the support they had received from the programme, particularly through the one-to-one project support. They were also very positive about the follow-on support that was available through the programme and the fact that it did not end after a specific threshold was met or project was completed.

Figure 3.8 How beneficial was each strand of support you received?



Source: Hatch Beneficiary Survey, August – September 2020.

4. Performance Review

Key Findings & Recommendations

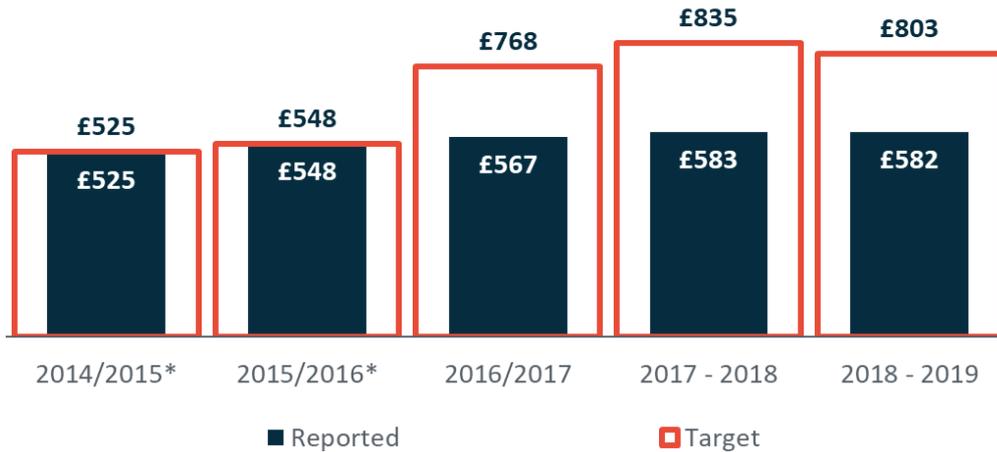
- The Programme budget is relatively small compared to other INI programmes. Spend is significantly below budget and has been consistently throughout the 2016/17 to 2019/20 period. A temporary but prolonged reduction in staff numbers was one of the primary factors, however, this should be considered in the appraisal.
- There is a mixed picture in terms of the delivery of key activities but it is generally positive. The OPEX team has been successful in delivering its key support in terms of projects and workshops, however some of the targets on diversifying its client base have faced challenges.
- Some of the output targets from the 2015 economic appraisal are tracked monthly and presented at team meetings. As such it is not possible to comment on them across the period. On the value-added measure, the programme is significantly overperforming and this is echoed in the consultations where businesses are seeing significant improvements as a result of support.
- On the outcome measures, the programme has hit its end of period targets ahead of schedule in terms of net additional impact and return on investment.

- 4.1 This section covers the performance of the OPEX programme based mainly on internally collected monitoring data against the targets set in the 2015 economic appraisal and internally by the team. The economic appraisal covers the period 2016 onwards and as such, the analysis of performance for the 2014 to 2016 is limited to internal OPEX team targets.

Programme Spend

- 4.2 Compared to other programmes across INI, the OPEX Programme has a relatively small budget, largely down to the fact that it does not provide financial support to businesses. To date (2020) the programme has operated within budget with a significant underspend in the 2016/17 to 2018/19 period. This is partly due to staff vacancies amounting to 2 FTE jobs for a period of 12 months as well as the INI Communications team absorbing the costs for events held by the OPEX team.

Figure 4.1 OPEX Programme Spend against Target £k, 2014/15* to 2018/19

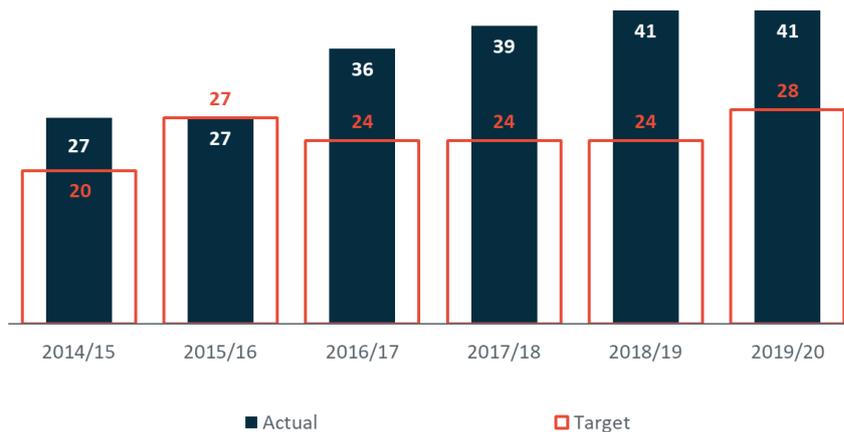


Source: OPEX Evaluation TOR; INI, PIS Phase III Economic Appraisal, 2015 *target figures for 2014/15 and 2015/16 are not available and as such target is set at outturn expenditure

Programme Activities, Outputs and Outcomes

- 4.3 As noted in the delivery review, the OPEX team has an internal reporting system for recording progress and setting targets on a Scorecard, where progress is reported monthly. Given the changes to the programme between 2014 to 2016 and 2016 onwards, the measures have changed, however there are some measures that remained consistent throughout which are shown below.
- 4.4 As shown in the chart below, the OPEX team has consistently overperformed in terms of the number of workshops and events delivered, particularly over the 2016/17 to 2019/20 period where 157 events were delivered in total.

Figure 4.2 Number of Events (including workshops) 2014/15 to 2019/20



Source: INI, OPEX Scorecard

- 4.5 Customer satisfaction with workshops and events is tracked through post-workshop feedback forms. Over both periods, customer satisfaction has been consistently very high, substantially overperforming against targets. This is echoed in the client business case study consultations and consultations with client executives who regard the support very highly, noting that businesses are generally very grateful for the support received and keen for follow on engagement from the OPEX team.

Figure 4.3 Customer Satisfaction, 2014/15 to 2019/20



Source: INI, OPEX Scorecard

Performance Against Economic Appraisal Targets

- 4.6 The 2015 economic appraisal set a number of objectives for the programme over the period in terms of the activities delivered.

Table 4.1 Summary of Performance Against Programme Activity Targets, 31/03/2016 to 31/03/2020

Output Target	Summary of Performance to Date
Awareness & Training Support	
Deliver a minimum of 20 benchmarking/best practice networking events	The OPEX team have delivered 157 events so far including workshops and other events, well in excess of the overall target.
Deliver 110 training workshops by March 2021	
Deliver 2 Productivity Improvement Conferences by March 2020	
Create a minimum of 5 online productivity improvement tutorials by March 2021	To date the team have created 7 online tutorials
One to One Mentoring Projects (non-IT/software)	
A minimum of 40% of projects commenced in Year 5 (at latest) should be with service/non ICT businesses	The team has significantly increased participation with service businesses but has struggled to substantially hit the 40% target. This is partially linked to the issues with the IT mentoring pilot covered below.
Commence and complete the delivery of a minimum of 284 one – to one mentoring projects by September 2022	Currently the OPEX team has delivered and closed 224 projects with a further 66 currently being delivered, putting them firmly on track to meet the September 2022 target.
Lean IT Mentoring Pilot (non-IT/software)	
Delivery of 10 pre-mentoring ICT workshops by March 2021	The team initially started with the IT Lean Pilot but found that it was difficult to continue. The main barrier was the rapid turnover of key employees within IT companies. This made it very difficult to embark on the longer-term projects that typically bring about significant impacts.
Attract a minimum of 100 businesses to participate in the pre mentoring ICT workshops	
Delivery of 10 post mentoring ICT workshops by March 2022	
Commence and complete the delivery of a minimum of 100 one-to-one mentoring	

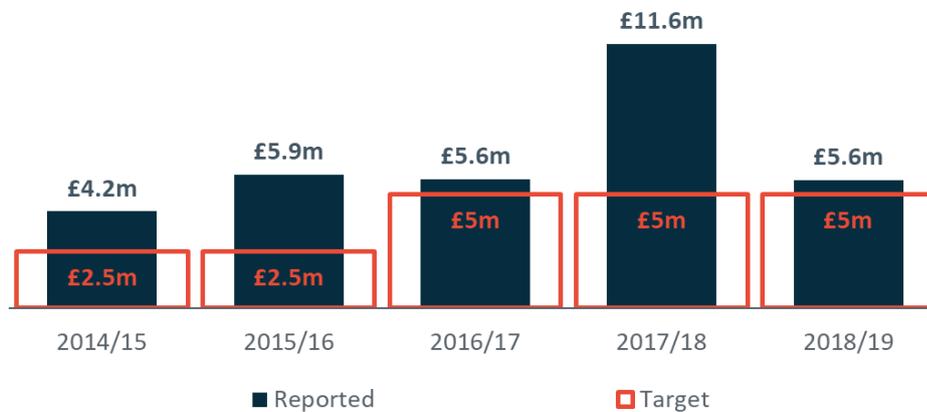
projects with ICT businesses by September 2022	
Supplier Development Support	
Provide ongoing facilitation support to the SC21 Programme	Although this objective is not tracked directly by the OPEX team in terms of data, the feedback from delivery, stakeholder and case study consultations is wholly positive, with the OPEX team's involvement in the SC21 programme seen as a major success.
Delivery of supplier development support to the non-aerospace industry	

Source: Invest NI monitoring data; Hatch Regeneris Business Interviews; Note: it should be noted that it has not been possible to analyse performance against all of the measures from the economic appraisal as they are not tracked cumulatively across the period but reported on in team meetings

Value Added

- 4.7 The OPEX team tracks the value added of project support delivered to business. This is recorded through the Post Project Evaluations and is a self-reported impact measure that asks businesses to record the financial impact that the project has had on their business. This could be in the form of a cost reduction or an increase in sales over a given period of time. Although it does present some measurement issues, it is a useful measure for tracking the beneficiaries' self-reported perceptions of the financial value of the projects to them and in a number of cases, the team have noted that the figures reported are likely a conservative estimate of the financial benefits achieved.
- 4.8 As shown in the chart below, the programme has significantly outperformed on this target measure:

Figure 4.4 Value Added Against Target, 2014/15 to 2018/19



Source: INI, OPEX Evaluation TORs

- 4.9 Some examples of how these outcomes occur are shown below with further information in Appendix A:

A **precision engineering business** supplying the aerospace and defence sector engaged the OPEX team to help achieve an SC21 Gold Award which is highly regarded in the industry. Once this was achieved it opened the door to a number of high-profile clients, one of which resulted in a £25m contract over 5 years which would not have been possible without the award.

A large **poultry producer** saved £55m last year through cost saving projects, many, if not all, of which used elements of the LEAN and A3 workshops attended by employees across the company hierarchy. To cite a particular example, a project on poultry fillet yield

generated £1m in cost savings using the principles from the A3 workshop that was attended by the production manager, operational team leaders, engineers and production line employees.

Another business in the **dairy sector** sent some staff members on the LEAN workshops and then began applying these through a series of projects focused on their pasteurising process which resulted in annual savings of £760k across between 2015 and 2019. They also managed to improve their output by 4% through better planning and application of LEAN tools.

A tubing company reported that the improvements they were able to implement with support from the OPEX team had led to a 3 percentage point improvement in utilisation across the company freeing up additional capacity equivalent to a saving of around £300k per year.

Programme Outcomes

- 4.10 The economic Impacts for the programme are drawn from Section 5 below. These are presented here as they were listed as objectives for the programme in the Economic Appraisal, further detail is provided in Section 5.

Table 4.2 Summary of Performance Against Programme Outcomes

Outcome Target	Performance to Date
Generate a minimum of £118m in gross GVA within 3.5 years of the final one-to-one mentoring project being completed	The results of the survey show a gross GVA impact of £544 million . This is well in excess of the target, however it should be treated with caution due to the limitations outlined in Section 5.
Generate a minimum of £61m in net additional GVA71 within 3.5 years of the final one-to-one mentoring project being completed	The survey estimates net additional GVA for the programme of £61 million . This is in line with the target value.
Generate a minimum return on investment of £13.95 in undiscounted net additional GVA for every £1 of full economic costs within 3.5 years of the final one-to-one mentoring project being completed.	Using the undiscounted net GVA figure alongside the full economic costs, gives a return on investment of £17:£1 which is in excess of the target noted. Consultations showed that this was seen as a very ambitious target for the programme and was contentious when set as it represented a 25% uplift on an already high level of achievement.

Source: Invest NI monitoring data; Hatch Regeneris Client Survey and Interviews.

Assessment of Equality Impacts

- 4.11 Equality Impact assessment have been completed for the programme and are reviewed on a regular basis, as with other assessments (eg Section 75). The OPEX team also reviews feedback from evaluation surveys and other sources to identify any new requirements. Consultations noted that there were no issues relating to equality. The programme is seen to have responded to the requirements of Section 75 of the Northern Ireland Act 1998 and Disability Discrimination Act 1995.

5. Assessing the Impact on the Northern Ireland Economy

Key Findings & Recommendations

- The results should be treated with an appropriate degree of caution, due to self-reported survey evidence collected from the businesses on the estimates of gross and net additional business and economic impacts, as well as the 15% response rates which was achieved. This uncertainty is mitigated to some extent by careful checking of outliers and the case study evidence, but the results should still be treated cautiously.
- Our assessment finds that the programme has delivered a significant impact to businesses and is expected to bring a very good return on investment.
- Through impacts to date and expected impacts to 2025/26, the programme is expected to generate £544 million in gross GVA and £61 in net additional GVA with a return on investment of £17. The OPEX programme has met all outcomes targets.
- It should be noted that these results cannot be compared to the 2014 evaluation for various reasons including a different cost basis, time period and methodology in estimating the potential benefits.

- 5.1 This section provides a summary of gross and net additional economic impacts, in addition to an assessment of the value for money that the programme has provided during the 2016-19 period and an indication of potential future impact.
- 5.2 The assessment of the OPEX programme's impacts draws on evidence gathered through a web survey undertaken August – September 2020. All of the OPEX clients receiving support post-2016 whose contact details were provided by Invest NI were invited to participate in the survey and 53 beneficiaries responded. 50 of these responses were usable for the impact modelling. Significant steps were also taken by the evaluators and the OPEX team to help improve the response rate which was adversely affected by the COVID-19 pandemic. This included multiple reminder emails sent out to respondents and follow up phone calls from the OPEX team to improve take up of the survey.
- 5.3 The survey covered OPEX clients that received both high value support (projects alone or in conjunction with other support) as well as other light touch support (non-project) after 2016. Based on these 342 potential respondents, those surveyed, represents a response rate of 15%, and indicates a $\pm 13\%$ margin of error at the 95% confidence level.
- 5.4 It is important to note that the impact estimates are based on self-reported perceptions of firms on how the support is enabling them to change business practices, and how this has influenced their business performance to date and expectations of future improvements. It should be noted that given the timing of the survey at the initial stages of the COVID-19 pandemic and the greater levels of uncertainty around this, we asked respondents, where possible, to answer the survey with a view of their businesses prior to March 2020 which may have added further uncertainty to some of the estimates provided. Other factors such as the impending EU exit will have also added further uncertainty to any future facing lines of questioning. The results are therefore subject to several limitations explored later in this section.
- 5.5 Therefore, the impact and value for money estimates provided should be treated with caution and considered as indicative. As such, we have provided sensitivity analysis to demonstrate the sensitivity of the results to changes in the impact figures.

- 5.6 The survey analysis has been supplemented by case studies (see Appendix A) providing qualitative insight into the manner in which the support has enabled businesses to generate impacts.

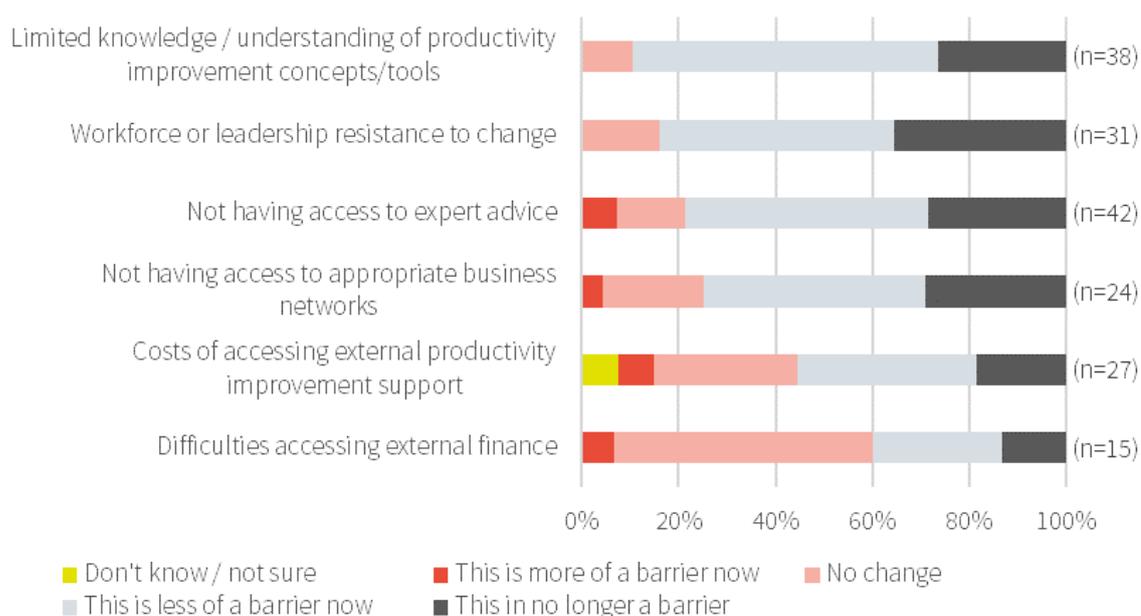
Intermediate Impacts

- 5.7 Survey respondents were asked about the extent to which they have made progress in overcoming their barriers to productivity improvement and achieving the goals they had when they first joined the OPEX programme.

Progress in Overcoming Barriers and Achieving Goals

- 5.8 The survey findings indicate that a significant proportion of respondents have made progress towards overcoming significant barriers to improving productivity in their business. The support was most impactful in addressing barriers around knowledge of productivity improvement and culture change. At least three quarters of respondents reported that limited knowledge/understanding of productivity improvement tools, workforce or leadership resistance to change, not having access to expert advice and lack of access to appropriate business networks were less of a barrier or no longer a barrier since receiving support.

Figure 5.1 Overcoming Barriers to Improving Productivity



Source: Hatch Beneficiary Survey, August – September 2020.

- 5.9 Respondents also made significant progress across the range of aims they had when they first became involved with the OPEX programme. For each goal, 90% or more of respondents made at least some progress. The responses suggest that the OPEX support has been most helpful in improving the efficiency of production processes, improving management of the business, and improving or developing a product/process/service; for these goals, over 50% of respondents reported that they had made a lot of progress or already achieved their goal.

Figure 5.2 Progress Towards Business Goals



Source: Hatch Beneficiary Survey, August – September 2020.

- 5.10 Case study businesses highlighted that a key benefit of the OPEX support was its structured nature – client businesses were led through the steps of problem solving, setting targets and measuring progress through data collection. This has led to a number of positive outcomes, including reductions in non-value adding activities and improved inventory practices and warehouse layout, all of which have improved productivity.
- 5.11 Several respondents also underlined the benefits related to OPEX’s support around management capability, communication and culture change. Supported businesses found that as a result of the support, collaboration between teams had improved, increased manager capability has brought about new ideas and the mindset change to one of continuous improvement has yielded significant productivity benefits.

Limitations of the Impact Assessment

- 5.12 It is important to recognise that there are a range of limitations in undertaking an impact assessment of this nature, which need to be borne in mind when considering the findings of the assessment.

Challenges in Self-Reporting Survey Approaches

- 5.13 A robust counterfactual assessment was not feasible within the current scope and budget for this study, therefore an evaluation scoping exercise concluded that self-reported impact assessment would be the most appropriate impact assessment approach.
- 5.14 It is important to note that the robustness of an impact assessment using self-reported beneficiary survey data would be considered low on the Maryland Scientific Methods Scale (an objective means of scoring the robustness of different approaches to counterfactual impact evaluation). Although this method has some limitations, it offers a pragmatic solution to:
 - capture timely and insightful evidence on outcomes and impacts from the businesses themselves
 - cover all relevant aspects of the outcome and impact indicator framework
 - explore additionality quantitatively and qualitatively.

- 5.15 The impact estimates are based on self-reported perceptions of firms on how the support is enabling them to change business practices and how this influences bottom line business performance.
- 5.16 One of the key limitations in the survey approach is around businesses' willingness to provide information required for business and economic impact modelling. A key challenge is around business turnover data, where businesses can often be sensitive about revealing this information.
- 5.17 To reduce this risk, the survey asks businesses to estimate turnover either through an indicative approximation or within given brackets, which tends to increase the response rate. With less specific information on turnover pre and post support however, simplifying assumptions have to be used to estimate gross turnover change.
- 5.18 A second, related limitation is that in order to model factors such as deadweight and displacement, beneficiaries are asked a series of questions which enable an approximation to these factors (such as what they believe would have happened had the support not been available). There are inherent difficulties that businesses will face in attempting to answer such questions, which again affect the quality of the data produced.
- 5.19 We have also reviewed the results to check and challenge any outliers and remove or amend these as necessary, particularly where survey answers are contradictory, indicating a mistake may have been made.

Survey Confidence Intervals

- 5.20 In grossing up from the data in the survey sample to all beneficiaries supported from 2016 onwards, we make the assumption that the information provided by sample beneficiaries is representative of information that would be provided by the broader population of beneficiaries. To ensure this is more representative of the type of support received, beneficiaries have been broken down into two groups: those that received high value support and those that received lighter touch support and have been grossed up accordingly. Note however that the analysis uses type of support data from the survey responses, which may not always align with the support type listed for each respondent in the programme's monitoring data.
- 5.21 In order to assess the extent of certainty of these estimates, we can assess the confidence intervals of the sample, which helps to provide further understanding of the robustness of the final data.
- 5.22 Overall, there were 50 respondents to the survey, which represents a 15% response rate (on the basis of 342 beneficiaries in total supported from 2016 to present). At the 95% confidence level, the confidence interval for the sample as a whole is $\pm 13\%$. The confidence intervals by type of support are summarised in the table below.

	Sample Size (Response Rate)	Grossing Up Level	Population Size	Confidence Interval
High value support	30 (15%)	Beneficiaries supported 2016-present	194	$\pm 16\%$
Other support	20 (14%)		148	$\pm 20\%$

Source: Hatch Regeneris

- 5.23 Fewer beneficiaries that had received lighter touch (non-project) support responded to the survey and therefore these estimates are subject to a larger margin of error. Again, this points to the important caveat outlined above that the impact assessment figures presented should only be considered as indicative.

Timing of the Analysis

- 5.24 Due to the timing of the Evaluation, many of the businesses surveyed may have only recently received support, with some receiving ongoing support and therefore may have not yet fully realised the benefits associated with the programme support.
- 5.25 The survey approach addresses this by asking businesses for both turnover and employment growth they have created since receiving support through OPEX and any growth they foresee over the next three years. This is then trended forward over the economic appraisal period. However, future growth can be difficult to estimate for businesses that have not yet fully implemented changes in the business.
- 5.26 To mitigate this, we have applied an increasing decay factor to each year of the net additional benefits. This is partially to account for the decreasing attribution that the support has on future benefits but also to ensure results are conservative to help account for any optimism bias in the self-reported impacts.
- 5.27 As noted earlier, the timing of the survey with the COVID-19 pandemic as well as uncertainties surrounding BREXIT have impacted on both the response rate and the certainty surrounding future estimates. As the short term outlook at the time of surveying was fairly bleak given the peak in the COVID-19 pandemic and lots of businesses having employees on furlough or already making redundancies, the survey asked respondents to answer with their view as of March 2020.

Assessing Gross GVA Impacts

- 5.28 We have asked businesses what turnover and employment growth they have created since receiving support through the OPEX programme, which determine the impacts to date. We have also asked them what growth they foresee over the next three years, thinking beyond the immediate impacts of COVID-19, to determine future impacts.
- 5.29 To convert estimates of gross turnover into GVA, a ratio of turnover to GVA at a sector level for each respondent has been used, based on the sector in which they operate. This is based on the latest data from the ONS Annual Business Survey (2018).
- 5.30 Future impacts are then based on the respondents' self-reported expected change in business performance over the next three years. We apply linear growth over this period towards the gross annual estimate in the third year. This aligns with government guidance on the persistence of impacts that can be associated with public interventions.

Estimated Gross GVA Impacts

- 5.31 Based on the approach outlined above we estimate that the gross benefits generated as a result of the OPEX programme total almost **£63 million** to date, rising to **£544 million** by 2025/26.
- 5.32 The impacts can be broken down into high value support (project alone or in conjunction with other support) and other lighter touch support (non-project) as follows:

Figure 5.3 Estimated Gross Benefits of the OPEX Programme, current prices

		Gross Benefits		
		To Date	Future	Total
Employment	High value support	-170*	2,000	1,825
	Other support	55	3,285	3,340
	Total	-115*	5,285	5,170
GVA	High value support	£106m	£260m	£366m
	Other support	-£44m*	£222m	£178m
	Total	£62m	£481m	£544m

Source: Hatch Beneficiary Survey, August – September 2020, n=50. Note: sample size varied by support type (high value and other) and the margin of error is larger for beneficiaries that received lighter touch support due to a smaller sample size. Impacts to date are to Q3 2020

*negative impacts are due to businesses reporting reductions in income and staffing. Once adjusted for attribution as described below it is clear that these are not deemed to be a result of the support and are a result of external factors that would likely have occurred whether the business received support or not.

Assessing Net Additional Impacts¹⁵

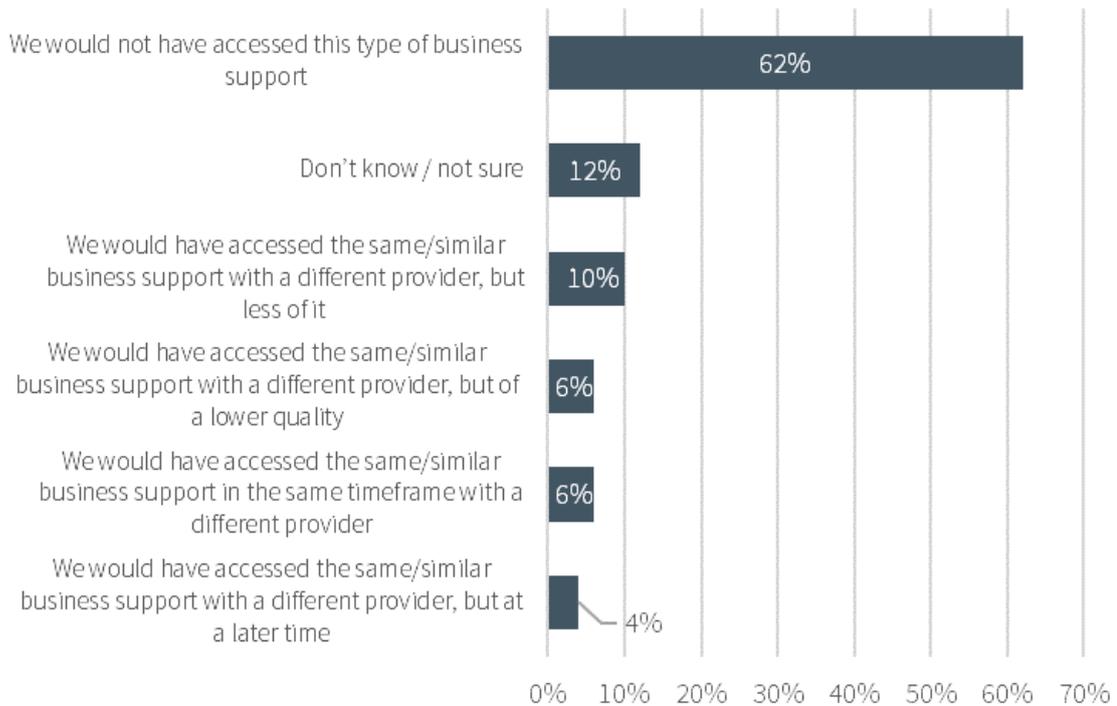
Deadweight & Attribution

- 5.33 The adjustment for deadweight and attribution is made in recognition that some businesses would have seen an improvement or a downturn in their business performance whether they received the support or not. Deadweight and attribution refers to the extent to which the change that businesses have seen in their performance would have occurred without taking part in the OPEX programme and what role the support had in bringing about these benefits.
- 5.34 Our estimates of deadweight drew on business' assessment of two types of outcomes:
- 1) Firstly, we assessed the proportion of gross change in performance that beneficiaries felt was directly attributable to the support from OPEX. This was analysed individually for employment and turnover and for changes experienced to date and those expected in the future. Overall, survey respondents indicated that:
 - 17% of the gross changes in GVA to date was reported to be attributable to the programme
 - 45% of the gross changes in GVA expected in future was reported to be attributable to the programme
 - 8% of the total gross changes in employment to date was reported to be attributable to the programme
 - 31% of the gross changes in employment expected over the next three years was reported to be attributable to the programme
 - 2) Secondly, we assessed what beneficiaries reported they might have done if the support from the OPEX programme was not available – in particular, whether they

¹⁵ Multiplier effects have not been applied. This follows NIGEAE guidance, that second round multipliers should not be applied as alternative uses for public funding would also generate indirect (supply-chain) and induced (expenditure) effects. Leakage has been accounted for in terms of businesses relocating outside of NI (see para. **Error! Reference source not found.**) but is expected to be negligible in terms of NI-based company employees living outside of NI.

would have received similar support from another business support provider. The findings of this are summarised in the chart below.

Figure 5.4 Beneficiaries' expected actions in the absence of the OPEX programme



Source: Hatch Beneficiary Survey, August – September 2020, n=50.

5.35 Where beneficiaries indicated they would have received the same support in the same timeframe, this is removed as deadweight. For those responses indicating beneficiaries would have received support but it would have been of lower quality / less in amount / occurring later, a proportion of the impacts are removed as deadweight. Overall, the findings show:

- 7% of the attributable increase in GVA since receiving the support would have been secured through other business support provision and is treated as deadweight
- 4% of the attributable increase in GVA expected over the next three years in deadweight
- 30% of the attributable increase in employment since receiving support would have been secured through other business support provision and is deadweight
- 2% of the attributable increase in employment expected over the next three years is deadweight

5.36 The levels of deadweight and attributable impacts reported in the survey were reflected in the case study evidence where businesses reported a significant amount of the impacts they had made to date would not have happened without support.

A tubing company reported that pre-COVID-19 they were growing in revenue by around £1m per year and that the measures and projects implemented with support from the OPEX team accounted for around 20% of that increase, representing a significant additional benefit brought about by support from the team.

Displacement

- 5.37 Businesses supported through the OPEX programme may have been given an advantage over their competitors through the support received. This means economic impacts generated through the OPEX programme will displace some activity from elsewhere. As the programme is focused on improving the Northern Ireland economy, the level of adjustment made for displacement depends in part on what proportion of their competitors are based in Northern Ireland.
- 5.38 A proxy for this was used, asking beneficiaries to individually estimate the proportion of their direct competitors that operate within Northern Ireland, which was then applied to the individual changes in business performance reported, after adjusting for attribution and deadweight. The findings of this, overall, are that displacement accounted for:
- 16% of the increase in GVA since receiving the support
 - 10% of the expected increase in GVA over the next three years
 - 21% of the increase in employment since receiving the support
 - 13% of the expected increase in employment over the next three years

Decay

- 5.39 As noted earlier, we have also applied a decay factor to the future benefits as the additionality of the support in future benefits gained by businesses is expected to decrease over time. Although not formally, this conservative approach also helps to mitigate the impacts of optimism bias from businesses in estimating future impacts. The factors applied are as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Decay Factor	100%	80%	60%	40%	20%	10%

Source: Hatch

Net Additional GVA Impacts

- 5.40 After accounting for attribution, deadweight and displacement, we estimate that **£9.3 million** in net additional GVA has been created to date.
- 5.41 Drawing on the achievements to date and the future growth expected by businesses surveyed, we estimate that the business growth among beneficiaries supported to date could lead to **£61 million** in net additional GVA benefits for the Northern Ireland economy by 2025/26.

Figure 5.5 Estimated Net Additional Impacts of the OPEX Programme, current prices

		Net Additional Benefits		
		To Date	Future	Total
		Net	Net	Net
Employment	High value support	50	150	200
	Other support	30	595	625
	Total	80	745	825
GVA	High value support	£7.4m	£21m	£28m
	Other support	£1.9m	£30m	£32m
	Total	£9.3m	£51m	£61m

Source: Hatch Beneficiary Survey, August – September 2020, n=50. Note: sample size varied by support type (high value and other) and the margin of error is larger for beneficiaries that received lighter touch support due to a smaller sample size; figures may not sum due to rounding

- 5.42 This net additional GVA impact is in line with the undiscounted target of £61m in GVA, showing that the programme has performed well in terms of impacts generated.

Calculating the Benefit-Cost Ratio

- 5.43 The Benefit-Cost Ratio (BCR) shows the estimated return on public investment. A BCR of 2:1 indicates a £2 return in terms of economic value for the Northern Ireland economy for every £1 of public money contributed to the project.
- 5.44 As outlined in the economic appraisal, the budget for the full economic cost of the programme is £4.4 million. To date, the team has spent £1.7m which represents a significant underspend. Adding this to the budget in the remaining years and applying a discount rate of 10%, in line with the INI Economic Appraisal Methodology on the application of the NI Guide to Expenditure Appraisal and Evaluation (NIGEAE),¹⁶ to the future costs results in a total full economic cost of £3.6m in present value terms.
- 5.45 We estimate that this spend has, so far, generated £9.3 million in net additional GVA and could by 2026 (subject to businesses continuing to make the progress planned) rise to £78 million. Discounting future benefits at 10%, in line with the INI Economic Appraisal Methodology on the application of the NI Guide to Expenditure Appraisal and Evaluation (NIGEAE),¹⁷ the NPV of benefits by 2025/26 is £61 million.
- 5.46 Considering the full economic cost, this would result in £5.50 generated for every £1 invested to date, rising to around £17 by 2025/26.

Table 5.3 Benefit Cost Calculations, current prices

	To Date	To date and up to 2025/26
Net Additional GVA Benefits	£9.3m	£78m
Present Value of Net Benefits ¹⁸	£9.3m	£61m

¹⁶ The standard discount rate as per NIGEAE is 3.5%. However, as per INI Economic Appraisal Methodology a 10% discount rate is applied as projects are usually of a commercial or industrial nature. See 2.8.18 & 2.8.19 in the link: <https://www.finance-ni.gov.uk/articles/step-eight-calculate-net-present-values-and-assess-uncertainties>

¹⁷ The standard discount rate as per NIGEAE is 3.5%. However, as per INI Economic Appraisal Methodology, a 10% discount rate is applied as projects are usually of a commercial or industrial nature. See 2.8.18 & 2.8.19 in the link: <https://www.finance-ni.gov.uk/articles/step-eight-calculate-net-present-values-and-assess-uncertainties>

¹⁸ Net present benefits are discounted at a rate of 10% in line with INI Economic Appraisal Methodology and NIGEAE guidance as outlined above. Costs incurred to date are not discounted.

Present Value of Full Economic Cost	£1.7m	£3.6m
Benefit Cost Ratio	5.5:1	17:1

Source: Hatch Regeneris; Note: figures may not sum due to rounding

- 5.47 The 2016 DCLG Appraisal Guide suggests that anything exceeding a £2 return on public investment represents high value for money. On this basis, **the estimates of return on investment to date (£5.50) and to 2025/26 (£17), on a full economic cost basis, can be judged as very good.**
- 5.48 It should be noted that the return on investment is based on the public sector costs rather than societal costs. This excludes costs to the businesses themselves which are likely to be significant in some cases.

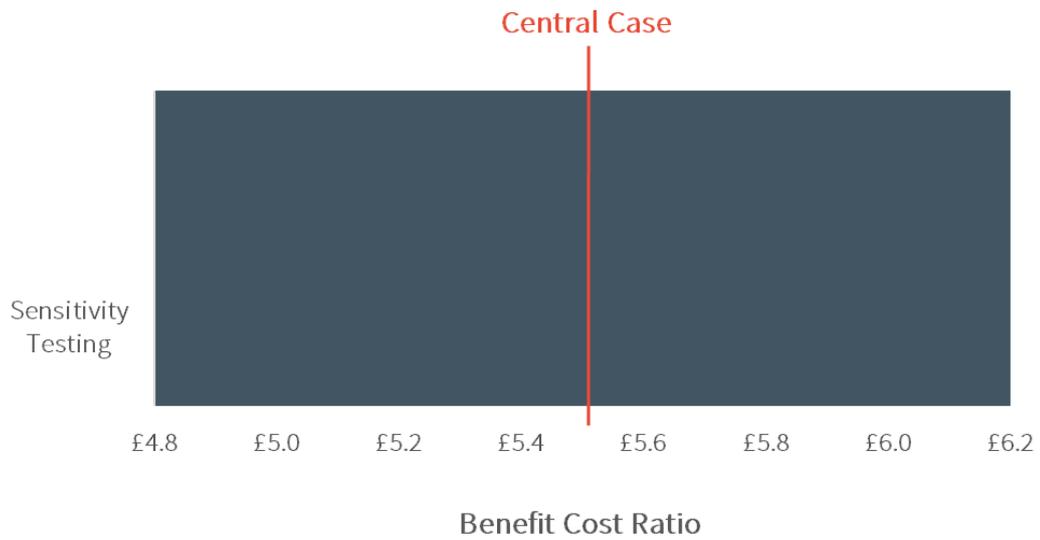
Results from the 2014 Evaluation

- 5.49 The 2014 evaluation also reviewed the project's impact and value for money. It should be noted that there were significant differences in the methodology for assessing impacts of the PIS programme and the environment in which the programme operated and, as such, **results of the 2014 evaluation are not comparable to those of this evaluation.** Most notably these were:
- The time period for the impacts was 2011-2014 which was over a period of economic recovery versus the current period which runs into significant uncertainties driven by Brexit and COVID-19.
 - The cost basis for the value for money was on salary costs only rather than the full economic costs which are used for this evaluation.
 - The 2014 evaluation includes cost reductions in its calculations of GVA benefit whereas this evaluation bases its assessment on changes in turnover.
 - The 2014 evaluation also excludes impacts where businesses have seen reductions in performance such as an increase in costs from the analysis.
- 5.50 The 2014 evaluation found that the PIS had delivered £10.1m of benefits at a cost of £1.1m resulting in a return on investment of £9.34 but as noted earlier this cannot be compared to the results of this evaluation for the reasons listed above.

Sensitivity Analysis

- 5.51 The impact analysis is based on survey responses, of which there were 50 in total. Based on the 148 OPEX clients that received light touch support (non-project) and the 194 that received higher value support (projects alone or in conjunction with other support), this represents an overall response rate of 15% and a confidence interval of ±13%.
- 5.52 This suggests that any data generated from the survey could be 13% higher or lower for the population as a whole than was found in the survey sample.
- 5.53 To a degree, we can use sensitivity testing to analyse the potential effects of some of the unknown factors, helping to get a better sense of the potential range of impacts. Sensitivity testing has been undertaken to test two scenarios where 87% and 113% of estimated current and future impacts are realised.
- 5.54 Figure 5.6 below shows how the overall GVA per £1 funding invested would change if the impacts to date were 13% lower and higher than estimated. It demonstrates that the impacts of the OPEX programme in terms of net additional return on every £1 invested could be between **£4.80 and £6.20.**

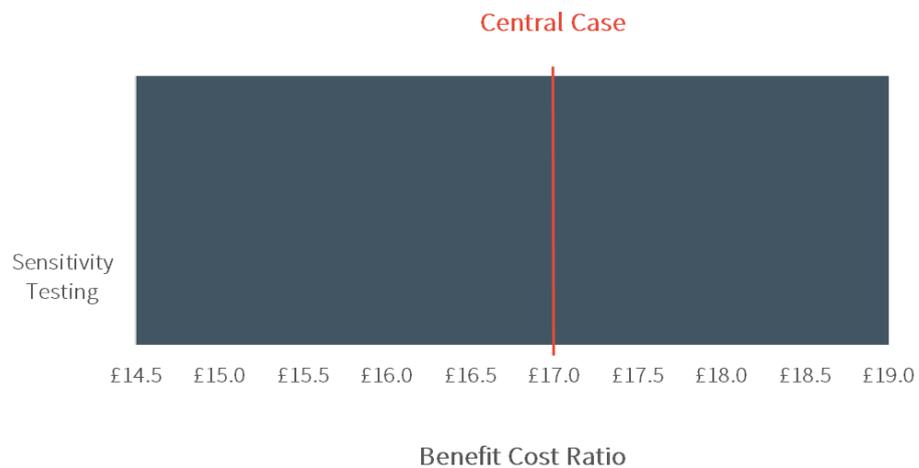
Figure 5.6 Sensitivity Testing and its impact on OPEX's Benefit Cost Ratio to Date



Source: Hatch Regeneris

5.55 Figure 5.7 below shows how the overall GVA per £1 funding invested would change if the total estimated impacts (to date and future impacts to 2025/26) were 13% lower and higher than estimated. It demonstrates that the impacts of the OPEX programme could lead to a net additional return on every £1 invested of between **£14.50 and £19.00**.

Figure 5.7 Sensitivity Testing and its impact on OPEX's Total Benefit Cost Ratio



Source: Hatch Regeneris

6. Key Findings & Recommendations

Key Findings

Strategic & Economic Rationale

- OPEX is well aligned with key Northern Ireland strategy and policy. Sustainable growth, competitiveness and increasing export potential are all consistent themes which OPEX can directly support.
- The market failure and rationale for the programme is clear and is further justified by the growing economic need and challenges to the business operating environment relating to Brexit and COVID-19.

Performance Review

- Programme spend is significantly below budget and has been consistently throughout the 2016/17 to 2019/20 period. A temporary but prolonged reduction in staff numbers due to vacancies within the team and difficulties recruiting replacements as well as the INI communications team taking on some events expenditure were the primary factors, however, this should be considered in the appraisal.
- There is a mixed but positive picture in terms of the delivery of key activities. The OPEX team has been successful in delivering its key support in terms of projects and workshops, however some of the targets on diversifying its client base have faced challenges.
- The programme tracks internal measures agreed through the INI performance management system, however these are not fully aligned with the measures from the 2015 economic appraisal which are tracked separately. On the value-added measure, the programme is significantly overperforming and this is echoed in the consultations where businesses are seeing significant improvements as a result of support.
- On the outcome measures, the programme has hit its end of period targets ahead of schedule in terms of net additional impact and return on investment with a very high Benefit Cost Ratio.

Delivery Review

Governance & Management

- The programme team is streamlined and adaptable making it easy to respond to issues with clear reporting lines.
- The main risk to the programme is in terms of staff recruitment and retention due to the need for significant industry experience. This is further complicated by the number of coaches on fixed term contracts, making it more difficult to recruit and retain.
- Programme administration is well-regarded by businesses and stakeholders and is not seen as a significant strain on their time or resources.

- There is good infrastructure for internal monitoring of progress and information is collected and reported regularly. However, it is more difficult to track progress over the whole period of support, particularly against the objectives in the economic appraisal.
- The analysis of data highlighted an opportunity in terms of monitoring of client businesses across INI. Better access to the centralised system for monitoring annual employment and turnover would provide a useful resource for future evaluation activity.
- Marketing and client engagement are relatively light touch areas, helped by the client business model operated by Invest NI. This also reduces the need for significant wider stakeholder engagement.

Support Offer

- Onboarding of client businesses is flexible and the different tiers of support provides a useful mechanism for filtering businesses that may not be able to engage fully with the programme.
- The programme has primarily engaged with small and medium sized businesses which is appropriate given the focus of the support on making operational improvements, rather than on start-up and enterprise activity.
- Most businesses were from the manufacturing sector, which is unsurprising given the LEAN and supply chain focus of the support, however, OPEX are looking to expand into other sectors and have had some successes to build on.
- One-to-one projects are seen as the more impactful support mechanism with workshops seen as either a stepping stone to project support or a way of embedding knowledge within the wider workforce.
- Support is well-regarded by both businesses and wider stakeholders. Most clients were keen to carry on engaging with the programme and value continued interaction with OPEX coaches.

Assessing the Impact on the Northern Ireland Economy

- Our assessment finds that the programme has delivered a significant impact to businesses and is expected to bring a very good return on investment.
- Through impacts to date and expected impacts to 2025/26, the programme is expected to generate £544 million in gross GVA and £61m in net additional GVA with a return on investment of £17:£1. The OPEX programme has met all outcomes targets.
- The results should be treated with an appropriate degree of caution, due to self-reported survey evidence collected from the businesses on the estimates of gross and net additional business and economic impacts, as well as the 15% response rates which was achieved.

Recommendations

6.1 The analysis and findings of the report suggest a number of recommendations for the programme. These are as follows:

- 1) The findings of the evaluation provide justification for the programme to continue subject to an economic appraisal.

- 2) The economic appraisal should review spend and output targets in light of delivery to date. A number of the targets are no longer relevant to the Programme in its current operation or need to be amended in line with past performance.
- 3) The OPEX team should ensure that it is clear on the outputs and objectives that are being monitored for the programme and that they are collated and easy to access, particularly in terms of further alignment between the scorecard and the economic appraisal objectives.
- 4) The programme and INI more widely should consider whether rolling out more of the support offered by the OPEX team to the wider non-client business base would be practical in light of the benefits it could bring to the NI economy, possibly through online activity and peer networking.
- 5) Client case studies should be developed more responsively to changing economic and market conditions to evidence the ongoing relevance of the programme's support offer.
- 6) OPEX and INI should review the staff resourcing for the OPEX team in light of the difficulties recruiting and retaining OPEX coaches. Specifically, all OPEX coaches should be moved from fixed term to permanent contracts as this is commonly cited as one of the main barriers to retention as well as sustainability and ongoing development of the programme.
- 7) The team should build on the steps it has made to diversifying its client business base in non-manufacturing sectors and continue to review how its existing support could be adapted.
- 8) OPEX should continue to build on its relationship with the SC21 programme and seek out similar initiatives in other sectors given the success in this area. It should also look to monitor clients that have gone through the programme and the awards achieved to enable the team to market the successes appropriately.
- 9) The OPEX team should consider a role as a thought-leader in productivity improvements at the business level. Feeding in to national and regional policy makers where much of the evidence is currently theoretical and top-down.
- 10) OPEX and INI should explore options for making better use of INI's CRM system to ensure it is appropriate for the programme and reduces the need for separate monitoring arrangements.
- 11) OPEX and INI should explore whether annual business data from INI's CRM system could be used to support evaluation of the OPEX programme as well as looking for ways that evaluation activity can be better aligned to provide consistency across time periods and programmes.

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