



**Invest Northern Ireland**  
**Evaluation of the Business Health Check**  
**Draft Report**  
**29 May 2012**

**DRY**

Ref: MN/kw

**Private and Confidential**

Ms Ruth Patton  
Invest Northern Ireland  
Bedford Square,  
Bedford Street  
Belfast  
BT2 7ES

01 June 2012

Dear Ms Patton

**Re: Evaluation of the Business Health Check**

We enclose our evaluation of the Business Health Check.

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

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

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

Yours sincerely

Michael Nixon  
Director

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## Executive Summary

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### Introduction

1.1 Invest Northern Ireland (“Invest NI”) appointed ASM to undertake an independent evaluation of the Business Health Check (the “BHC”) covering the period January 2009-June 2011. The terms of reference for the Evaluation are detailed in **Appendix A** and have informed the subsequent structure of this report.

### Background

1.2 The Business Health Check (“BHC” or “the intervention”) is a scheme operating within Invest NI’s Business Improvement Services Division (“BIS”) (part of Invest NI’s Innovation and Capability Development Group – “ICDG”).

1.3 During the period being reviewed by this Evaluation, BIS had the following mission:

*“To promote and assist client companies to develop capabilities that create demonstrable improvements in their productivity and competitive position.”*

1.4 All new Clients of Invest NI are encouraged to undertake a BHC. If an existing Client, the rationale for delivering a BHC is down to either:

- a) Client wishes to utilise a significant intervention delivered by Invest NI; or
- b) Client has not undertaken a similar BHC in the last 3-5 years.

### Description of the Business Health Check

1.5 The BHC can be summarised as:

- a) a structured management framework tool;
- b) assessing what an organisation does and the results it achieves;
- c) identifying strengths and areas for improvement; and
- d) providing opportunities to compare to and learn from other organisations.

1.6 The BHC itself is conducted through:

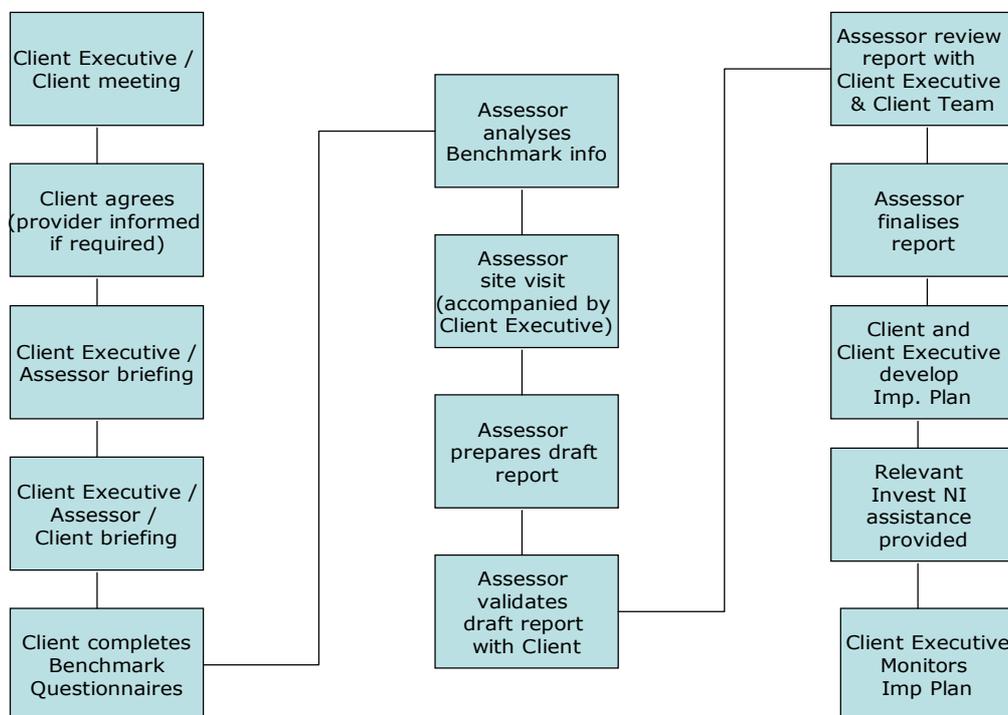
- a) completion of benchmark and Wave (optional and rarely used) questionnaires by the company; and
- b) one to one interviews and focus groups conducted at the Client company premises by the assessor with key individuals and groups that represent different roles and/or levels.

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### BHC Process

1.7 The typical Business Health Check can be summarised in the following flow chart:



The assessor may be the Client Executive or an assessor from an external delivery organisation.

(The process is discussed in detail in paras 2.26-2.36.)

1.8 The completed BHC Report is composed of four components:

- a) European Foundation for Quality Management ("EFQM") Excellence Model;
- b) Benchmark Report;
- c) Wave Innovation Report (optional); and
- d) Action Plan – signposts to company actions and Invest NI services.

### Methodology for the Evaluation

1.9 The following methodology was adopted in accordance with the Terms of Reference:

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

1.10 A detailed list of core strategy documents used as part of the desk based research is provided in **Section III**, whilst a description of the activities (and consultation list) for the Stakeholder and Programme consultation and the focus and beneficiary interviews is discussed in **Section IV**.

### On line Survey

1.11 An online survey was developed with the purpose of gathering the following information:

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- a) Engage the project beneficiaries to identify relevant evidence:
  - i) identify views on content and delivery;
  - ii) identify lessons and instances of best practice; and
  - iii) lay the ground work for possible change in delivery mechanisms.
- b) Capture the economic outcomes and impact of the intervention at the firm level, as well as on the wider Northern Ireland economy and on external sales/exports out with of the region:
  - i) including key metrics such as employment, turnover, exports and GVA and other value for money measures; and
  - ii) an assessment of additionality (including deadweight and displacement).

**Questionnaire Development**

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

**Response Rates**

1.13 328 companies who undertook a BHC during the period were surveyed. Overall, 64 questionnaires were completed some of which were partially completed. Despite a significant number of reminders being sent the overall response rate to the survey was disappointing.

1.14 For this study we proposed a +/- 5% sampling error. The overall achieved accuracy level for the survey was +/- 11.01% reducing to +/-15.68% for a number of questions.

**Characteristics of Respondents**

1.15 A summary of the main characteristics of the respondents is set out below.

1.16 The table below assesses respondents by age of business (61 respondents):

<b>Age</b>	<b>Number</b>	<b>%</b>
Less than 6 months	0	0
6 months to 1 year	0	0
Between 1 year and 5 years	6	9.8
Between 5 years and 10 years	8	13.1
Over 10 years	47	77.0
<b>Total</b>	<b>61</b>	<b>100.0</b>

1.17 While the BHC is only open to companies with evidence of more than one year's trading performance, we consider that it is interesting to note that over 90% of respondents would be considered to be "mature" companies, that is, established over 5 years.

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1.18 The following industry sectors were covered:

<b>Sector</b>	<b>%</b>	<b>Number</b>
Agriculture, forestry and fishing	1.6%	1
Mining and quarrying	3.1%	2
Manufacturing	39.1%	25
Electricity, gas, steam and air conditioning supply	1.6%	1
Construction	4.7%	3
Wholesale and retail trade, repair of motor vehicles and motor cycles	3.1%	2
Tourism (predominantly hotels)	14.1%	9
Information and communication	7.8%	5
Financial and insurance activities	3.1%	2
Professional, scientific and technical activities	3.1%	2
Arts, entertainment and recreation	1.6%	1
Other service activities	3.1%	2
Other	14.1%	9
<b>Total</b>	<b>100.0</b>	<b>64</b>

**Strategic Context and the Need for Intervention**

1.19 As the Business Health Check was not subject to an economic appraisal which would have identified the strategies that it was seeking to influence, ASM conducted a Stakeholder mapping exercise to identify relevant strategy documents in order to assess rationale and strategic fit. The following documents were reviewed:

- a) Northern Ireland Programme for Government, 2008-2011;
- b) Department for Enterprise, Trade and Investment (“DETI”) Corporate Plan, 2008-2011;
- c) Invest Northern Ireland (“Invest NI”) Corporate Plan, 2008-2011;
- d) Varney Report; and
- e) Independent Review of Economic Policy (“IREP”).

1.20 In addition, the following strategy documents have been reviewed to provide a guide for any future provision:

- a) Programme for Government 2011-2015; and
- b) Economic Vision for Northern Ireland (2012).

1.21 ASM believes that the Business Health Check conforms with the strategic objectives identified in the review of key strategy documents. In particular, the Business Health Check is in keeping with Invest NI’s core ambition of becoming an enabling organisation, i.e. not simply a dispenser of funds, but delivering interventions which in themselves add value. The Business Health Check does this by being a diagnostic tool (in its own right) used to review a business and highlight its strength and areas for improvement.

1.22 In addition, the Business Health Check acts as a gateway for other Invest NI support programmes and is generally the first way that Invest NI engages with client companies. The gateway (signposting) role mitigates IREP concerns of addressing perverse incentives that

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encourage 'rent seeking and unproductive activity' by ensuring that public resources are applied to where they are most needed.

**Complementarity of the Interventions**

1.23 The Business Health Check is unique amongst this range of services as it is the only one which potentially provides a full diagnostic of company need. Stakeholder consultation (and confirmed in the 2011 Evaluation of Business Solutions Programme) identified that the Business Health Check was viewed as affording Invest NI with its first opportunity to assess the needs of the company and thereby signpost relevant interventions.

1.24 Whilst the Business Health Check was the preferred, primary diagnostic tool, a Client Executive could waive the need for a BHC as a pre-condition of assistance. In either scenario, an Integrated Action Plan ("IAP") of key issues/Prioritised Areas for Improvement to be addressed would be developed which would set out agreed actions such as programmes and services over an established and reasonable timeframe.

1.25 We conclude that the Business Health Check is an unique intervention as it provides Invest NI with a mechanism for prioritising and signposting Clients to the other Business Solution products cited above. The Business Health Check complements the existing range of Business Solution interventions and Invest NI's wider portfolio.

**Future Need and Market Failure**

1.26 The Business Health Check seeks to mitigate the market failure of asymmetric information for companies and Invest NI. The table below illustrates how asymmetric information can manifest itself to companies and Invest NI and how the Business Health Check seeks to mitigate it:

	<b>Description</b>	<b>Method of mitigation</b>
<b>Principal/Agent Effect</b>	Due to a lack of knowledge of client need, Client Executives may be focusing assistance on companies with which they have established working relationships rather than those with the as yet undisclosed greater 'need'.	The BHC provides the opportunity for Invest NI to put in place a mechanism for making comparison of need for specific interventions between clients.
<b>Demonstration Effect (Knowledge Spillover)</b>	The BHC is based on the EFQM model which potentially impacts on company productivity. The BHC provides an opportunity to demonstrate the benefits of the application of the EFQM model to specific companies.	The BHC provides an opportunity for Invest NI to 'showcase' the benefits of applying the EFQM model to a range of Client companies.

**Conclusions**

1.27 The following Section addresses the questions posed in the Terms of Reference:

Assess and conclude on the need and demand for the intervention and consider whether these still exist to continue the intervention in future years.

1.28 Given that there is no inherent private sector demand for the intervention, the assessment of need relies almost entirely on Invest NI's ongoing desire for the intervention. This has been confirmed by Senior Management who have stated that it acts as a gateway for all other Invest NI support programmes and is often the first point at which Invest NI engages with client companies. Stakeholder analysis has confirmed an ongoing demand for an instrument which can address the need for detailed company information to ensure robust prioritisation of resources by Invest NI.

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Assess the extent to which the programme has contributed from January 2009 – June 2011, or has the potential to contribute, to PSA 1 and PSA 3.

1.29 In the absence of any economic appraisal it is not clear which specific PSA targets the Programme will seek to influence. However, on reviewing the PSA targets we believe that the Programme will contribute to the following targets:

Description	Target	Comment
PSA 1: Increase Manufacturing and Private Sector Productivity. DSO 1: Promote a competitive and outward looking economy	600 new first time exporters Support 45 new start-ups exporting outside UK and 300 exporting to GB	Not specifically captured however it is noted that 35.7% of respondents have undertaken some of Invest NI's Trade Advice programmes
PSA 1: Increase Manufacturing and Private Sector Productivity. DSO 4: Promote higher value added activity through innovation and the commercial exploitation of R&D.	£120 million of investment in research and development to be delivered by new BERD innovation business support programmes.	Not specifically captured however it is noted that 26.8% of respondents have undertaken some of Invest NI's Innovation Support programmes.
PSA 3: Increasing Employment. DSO 4: Promote Business Growth.	Support 45 new start-ups exporting outside UK and 300 exporting to GB.	7 companies achieved sales outside of Northern Ireland as a direct result of the Business Health Check.  The Business Health Check has resulted in the creation of up to 197 jobs.

1.30 Point 18 of the SQW Evaluation<sup>1</sup> stated that four KPIs should be routinely monitored on CCMS (profitability, turnover, export sales and value added per employee), although this information is collated across all interventions, it is not at present specifically carried out for the BHC intervention.

Review the performance of the Business Health Check against the original objectives and if appropriate, identify reasons for any divergence. Assess the appropriateness of the target setting methodology.

1.31 We note that the BHC has not been the subject of an economic appraisal and as such specific SMART objectives have not been established for the intervention over the period being evaluated.

1.32 The SQW Evaluation recommended:

*"Greater emphasis should be given to tracking and evaluating the impact of BHC in client firms. Consideration should be given to identifying suitable Key Performance Indicators ("KPIs") by which BHC impact can be assessed and ensuring that these are recognised by CEs and clients alike as indicators for subsequent monitoring. Given developments in Government thinking, greater consideration should be given to monitoring the rate of BHC interventions on delivering Gross Value Added, although at the level of individual firms this metric is not routinely reported."*

<sup>1</sup> SQW Consulting: An Evaluation of the Business Health Check- A Final Report to Invest NI. 6 March 2008.

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## 1.33 The Management Response:

*"This will fall within the remit of Directors to ensure that impact is being assessed and monitored. The four Key Performance Indicators are: profitability, turnover, export sales and value added per employee.*

*The BHC Development Group will monitor performance on an ongoing basis and will issue guidance to ensure consistency across the organisation"*

1.34 The BHC core team have developed 10 case studies which highlight the benefits of undertaking a BHC, however they have not aggregated the four key performance indicators identified above.

1.35 During the process of the evaluation we have been able to identify 2 specific targets:

- b) the number of BHCs completed; and
- c) the target spend.

1.36 Invest NI achieved 86.6% of its target number of BHCs completed and had underspend against budget. The use and application of BHC is driven by Client need, as identified by the Client Executive or Business Adviser, hence targets for number completed and follow on actions were not set at the start of the service. Instead each operating division sets a target for completion based on knowledge of client companies. The targets simply represent an amalgamation of individual operating division targets

1.37 The following reasons for the shortfall have been provided by Invest NI;

- a) In 08/09 the service was relaunched and did not reach full capacity until January 2009;
- b) impact of the launch of the credit crunch diagnostic in 2008. This was developed in response to the economic downturn and supported the completion of over 500 (short form) diagnostics.

1.38 The target setting process varies by Directorate with no clear policy being evidenced across the organisation. The targets set will depend on whether the specific Director is a "champion" for BHC or not, with some being supportive and others sceptical.

1.39 The target setting process varies by Directorate with no clear policy being evidenced across the organisation. The targets set will depend on whether the specific Director is a "champion" for BHC or not, with some being supportive and others sceptical.

Review progress on the Action Plan relating to the recommendations arising from the previous evaluation.

1.40 ASM has reviewed the Action Plan for completeness and notes that actions have been recorded against all headings and demonstrated a willingness on the part of the Business Health Check team to comply with the recommendations. However a number of common issues still remain:

- a) lack of buy in from certain Divisions, Client Executives and Clients;
- b) perceptions of 'target fatigue' which is manifested in counter productive tick boxing exercises;
- c) perception that it is a 'compliance tool'; and
- d) uncertainty as to the proportionality of approach.

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Where information is available an NPV analysis should be undertaken to compare against the NPV analysis projected at the economic appraisal stage.

1.41 No economic appraisal was undertaken and as such we have been unable to compare the actual NPVs with those projected.

Assess the overall economic impact of the intervention, including the wider and regional economic benefits, direct and indirect, that have accrued as a result of the projects assisted through the programme.

1.42 The BHC has had a significant impact from a qualitative perspective on the companies that responded to the survey.

1.43 The contribution to wider and regional economic benefits is less clear. We consider that this is to be expected as the BHC does not necessarily seek to achieve an end in itself but seeks to be the first step towards continuous improvement through availing of further Invest NI interventions. It is through an analysis of the subsequent interventions that the main benefits will be realised.

Assess the economy, efficiency and effectiveness with which public funds have been used on the Business Health Check (The cost of marketing elements of the Business Health Check must be included in this cost analysis, regardless of which cost centre has been used).

1.44 External costs are recorded but actual costs of BHCs completed internally are not recorded, hence we have had to make a number of assumptions in an attempt to estimate the total costs of the intervention. We note that this estimate is particularly sensitive to the assumptions that have been made in respect of the number of days required by internal staff to undertake each Business Health Check and the risk that these are understated.

1.45 We consider that, taking into account the various elements of the intervention, there is little scope for cost reduction. The administration costs appear reasonable given the scale of the intervention and the requisite skills sets of the team.

1.46 We note that currently Invest NI does not levy a charge for the Business Health Check. We note that the consideration of a charging structure formed part of the Action Plan arising from the previous evaluation and that any decision be deferred until after consideration of the current evaluation. We recommend that Invest NI consider implementing a charging structure for those companies undertaking a full client focussed Business Health Check (see para 1.75b).

1.47 On the basis of the information available it appears that the BHC has been run economically. This conclusion is caveated by the limitations of the data available.

1.48 The average cost per completed BHC is £3,826. This compares to an average cost per completed BHC of £4,200 per the previous evaluation.

1.49 Total management costs as a percentage of total spend is 10.9% on average for the 3 year period. When considering salary costs as a proportion of total cost the comparative figure is 5.4%. As a benchmark we consider administration costs of below 10% to be acceptable.

1.50 The calculations noted above indicate that the intervention may have been run efficiently. This conclusion is caveated by the limitations of the data available.

1.51 From a high level perspective the BHC has delivered 86.8% of its targets at 60.6% of budget. Prima facie it has therefore been effective. This conclusion is caveated by the limitations of the detail in respect of the composition of budgets.

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Assess the management and operating structures currently in place to determine how effective Invest NI has been in managing the intervention and identify any areas for improvement such as an opportunity to rationalise or streamline delivery and/or programme management and monitoring.

Assess the management and operating structures currently in place to determine how effective the EDOs have been in delivering BHCs and identifying any areas for improvement such as opportunities to rationalise or streamline delivery and/or programme management and monitoring. Review the ability of the EDOs to provide these activities, taking into account both financial resources, experience and knowledge.

Assess the ability of Invest NI to conduct BHCs and compare the quality of BHCs conducted by Invest NI with those conducted by EDOs.

1.52 As was noted in paragraph 4.6, the core BHC team has a number of activities it is called upon to deliver. These activities also reflect the action points detailed in the Action Plan arising from the Recommendations of the SQW Evaluation carried out in 2008. In the following paragraphs we conclude on the activities to date against each of the five key responsibilities:

- a) **Guidance on implementation of the BHC:** It is recognised that the core BHC team has developed additional detailed guidance related to a BHC and that this has been duly dispersed to appropriate Client Executives through guidance notes, case studies and workshops and one to one training sessions, including advice on scalability of the BHC. Even after this effort on the part of the team there continues to be a lack of understanding on the part of a section of client executives on what constitutes a proportionate effort for BHCs. The Stakeholder consultation clearly identifies a demand for additional guidance and this is best addressed by the continued development of pertinent case studies and arranging refresher workshops for Client Executives;
- b) **Quality control of all BHCs undertaken by Invest NI and External Delivery Organisations:** Feedback from the stakeholders illustrates a good awareness of this function and that quite rightly the main emphasis of the team has been in providing up front advice at the development of methodology stage. This has meant that there is less need for detailed review of submitted drafts. Returning to the survey, there was a high degree of satisfaction on the part of respondents to the quality of the BHCs, which validates the quality control function of the team;
- c) **Implementation of selected BHCs (those which need specialised input);** We note that there has been a significant decline in the use of EDOs in delivering Business Health Checks. This is in large part down to both the overall decline in the number of BHCs being undertaken by Invest NI of which an increasing number are being delivered by Client Executives and the core BHC team. The survey verifies that this move towards internal delivery has not had an impact on the perception of clients of both the skills of the delivery team and the quality and usefulness of the report. Both factors scored very highly in the survey. This transfer of responsibility of delivery for BHCs has been a success.
- d) We are also supportive of the rationale behind the continuance of an External contract (i.e. as an additional resource to address specific internal constraints on the delivery of BHC) however, we recommend that internal delivery options must in all occasions continue to be the first option with use made of the external contract only in exceptional circumstances and subject to an internal business case made to the appropriate Line Management and validated by the Business Health Check team;

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- e) **Internal marketing of the intervention:** As the intervention is not directly marketed to the public, most initiatives have focused on developing the capability of Client Executives to deliver BHCs. We believe that this internal focus is justified. However, we believe that the team should consider greater profiling of case studies to illustrate the added value the intervention may bring to companies according to their scale and/or level of administrative sophistication;
- f) **Monitoring and the development of case studies:** The team are charged with monitoring the number of BHCs completed and their subsequent impact. However, we believe that this role is not providing a real impact for two reasons:
  - i) the team is not consulted in the setting of targets and has no ability to influence the subsequent timing/reporting of their delivery; and
  - ii) the current CCMS system either cannot or does not tag the use of subsequent interventions to the BHC. Client Executives deliver the relevant Action Plans and record the outputs/outcomes on CCMS.
- g) Control over both of these functions rests with the Client Executive and their appropriate line management. The current monitoring situation exacerbates the impression of the core BHC team having a compliance role but not having the authority to enforce it. The monitoring of targets should rest where the authority rests, between the Client Executive and their line management.
- h) In terms of the delivery of the case studies, the team has developed a number of useful studies which have been used by Client Executives to extol the virtues of the scheme. We believe that the core team should continue to develop case studies specifically aimed at illustrating the added value which the scheme can bring to client companies.

1.53 In summary, the team has delivered against each of the five headings and has moved towards an enhanced role of direct delivery and quality assessment. The perception of a compliance role for the BHC hampers the ability of the team to demonstrate to sceptical staff the added value which the intervention may bring to selected companies.

1.54 We had not identified any differences in the quality of BHCs undertaken by Invest NI and those undertaken by EDOs. 100% of respondents stated that they believed that the people delivering the Business Health Check had the necessary skills. This included Client Executives, BHC team and EDOs. Although there was a recognition that EDOs bring with them specialist skill sets, respondents stated that they wanted Client Executives to be involved in the delivery of the Business Health Check as this would ultimately provide them with a greater insight as to the needs of the firm.

Benchmark the performance of the intervention against other comparators in the UK, Republic of Ireland, European Union and internationally if appropriate, establishing quantitative benchmarks where possible and identify if there are any lessons to be learned.

1.55 The Business Health Check delivered by Invest NI continues to provide the most comprehensive service across the regions and nations surveyed. However, unlike other regions/nations, it is only accessible by specified Clients (Enterprise Ireland has the same limitation, however companies dependent on their sector/geography have the opportunity to avail of similar interventions administered by the relevant County Enterprise Board and Failte Ireland).

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Identify the main risks that emerged during the project and any actions taken to reduce these.

1.56 The Business Health Check was not subject to an economic appraisal and so key risks were not identified at this stage. We have therefore identified the following risks to the successful delivery of the BHC:

- a) **Operational Risk – Quality:** This relates to both the quality of delivery and the final report for each BHC. This risk can be mitigated by the core team continuing to provide ongoing guidance/training events and routine reviews of completed Business Health Checks;
- b) **Operational Risk – Loss of control of costs:** This relates to the inability of Invest NI to track the full costs incurred in the delivery of the Business Health Check. We believe that this risk could be mitigated against through enhanced monitoring of key milestones by relevant line management for each Client Executive;
- c) **Operational Risk – Ability to utilise EDOs:** There is a risk that the reduction in the number of BHCs being commissioned from locally based EDOs may deter future supply. We believe that routine communication with the EDOs will ensure their continued interest in delivering this service;
- d) **Reputational Risk:** The continued perception that the Business Health Check is a compliance tool and does not bring 'added value' to Clients. This risk can be mitigated by promoting the intervention only to those companies which have either requested it or are judged by the Client Executive as potentially benefitting from its use; and
- e) **Volume Risk:** This is the risk that the actual usage of the service varies from the level forecast. We believe that the process of setting an overall target for BHC implementation is counter-productive and reinforces the perception that this is a compliance tool. As such the BHC should be viewed as merely another intervention in the BIS suite of programmes and is reported against its overall target.

Conclude on the level of additionality and displacement and taking account of all available evidence, provide an assessment and overall conclusion on value for money, quantifying where possible. An overall VFM judgement should be provided based on economy, efficiency, effectiveness, additionality, deadweight, displacement, viability, risk, cost effectiveness, economic impact and wider and regional economic benefits.

1.57 It is recognised that the primary purpose of the intervention is as a means of allocating resources for Invest NI and identifying company weaknesses that may be addressed through other Invest NI programmes. As such the direct economic impact of the BHC is expected to be relatively low as the major economic benefits will be gained from programmes and activities that are undertaken following the BHC rather than as a direct result of the BHC.

1.58 In concluding on value for money consideration has been made of:

- a) monetary economic impact including allowances for displacement and deadweight;
- b) non-monetary impact including the wider economic benefits; and
- c) the economy, efficiency and effectiveness of the Programme.

1.59 Our assessment has been inferred by information arising from our survey of 328 companies. It is noted that only 64 companies responded to this survey and not all

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respondents provided complete economic data. We have some concerns that the relatively low sample size may not be reflective of the population as a whole.

1.60 When considered on a prudent basis (no grossing up) the GVA per £1 spent ranges from £0.98 to £1.65 indicating that the BHC has covered its costs taking into account GVA from the survey returns only. While we consider that the grossed up figures need to be treated with caution it is worth noting that on this basis the BHC shows strong monetary benefits with returns estimated at between £7.13 of GVA per £1 spent to £15.48 of GVA per £1 spent based on the fully grossed up figures.. These figures are higher than would be expected from the type of intervention in that it would be expected that the primary monetary benefits would come from follow on interventions rather than the BHC itself. However, we note that the other calculations based on no grossing up and exclusion of outliers provide additional degrees of comfort that the monetary benefits cover the monetary costs.

1.61 Levels of deadweight (48.6%) and displacement (37.5%) are considered to be reasonable. Displacement is lower than other recent evaluations (Trade Interventions (63%) and Innovation Vouchers (38%)) whilst deadweight falls within the range experienced by other interventions (Trade Interventions 89% and Innovation Vouchers 27%).

1.62 BHC demonstrates significant non-monetary benefits at a company level. It is noted that 71% of survey respondents stated that they would not have completed an independent survey. In addition, the survey identified significant improvements under the following headings (all of which are the result of embedding expertise within management teams and which can be delivered at relatively low cost):

- a) 92.2% of respondents stated that they have a better understanding of the strengths/weaknesses of their company; and
- b) 86.3% stated that they feel more motivated to make changes to their company.

1.63 The survey has identified a number of tangible benefits which are directly related to completion of the BHC, including:

- a) the development of systems to achieve improvements;
- b) workforce buy in to improvement process;
- c) customer relations improved; and
- d) strategy and plans have been developed and updated.

1.64 However, there is less evidence of any significant direct impact by the BHC on the wider economy, such as: increased university linkages, entrepreneurship, reduction of brain drain. These wider impacts (due to the need for additional financial support) are more likely to be the result of subsequent programme activity delivered by Invest NI (and which the BHC has signposted).

1.65 While we have concluded positively on economy, efficiency and effectiveness, our conclusions have been caveated due to the lack of clarity around budgets and actual costs.

1.66 The primary focus of the BHC should be on the delivery of non-monetary benefits at the company level – it is clear that it has done this. This is supported by reasonable evidence that the intervention has, as a minimum, covered its costs and as a maximum delivered strong monetary returns. In summary taking into account all of the above factors we consider that the BHC has provided value for money.

Take into account the requirements of Section 75 of the Northern Ireland Act 1998 and consider the accessibility of the Business Health Check for all, in line with the Disability Discrimination Act 1995.

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1.67 The Business Health Check conforms with the requirements of Section 75 of the Northern Ireland Act 1998 and the Disability Discrimination Act 1995.

### Lessons learned

1.68 Despite the efforts of Senior Management and the Business Health Check Team the main issues that were raised in the previous evaluations continue to manifest themselves in the current evaluation. The survey and consultation indicated broad satisfaction with the BHC however the following key issues were identified as ongoing concerns:

- a) varying levels of support for the BHC throughout Invest NI at Senior Management, Director and Client Executive level;
- b) resistance in pockets to the perceived “compliance” nature of the intervention;
- c) lack of understanding of the proportional nature of the BHC and how this may be appropriately tailored for companies of different sizes; and
- d) limited use of the information collected from BHC for organisation strategic purposes.

1.69 Notwithstanding these issues there is clear evidence from the client survey and case studies that clients who “buy-in” to the process can achieve real and lasting benefits from it.

1.70 However, we are of the opinion that not all companies have the capacity or scale to fully benefit from the BHC. While the BHC is only open to companies with evidence of more than one year’s trading performance, we consider that it is significant that 90.1% of the respondents to the survey (indicating high levels of satisfaction) had been in existence for over 5 years (77% over 10 years) and would therefore be considered to be more mature. We consider that this is indicative of the type of company that gets most benefit from the process.

1.71 Our view is that the BHC process will ultimately fail to achieve its objectives unless there is full “buy-in” from both the client and Invest NI. We do not believe that this objective will be achieved when the BHC is still viewed by many internally and externally as a compliance tool.

1.72 In this regard we consider that Invest NI should consider adopting a two stage process which separates the internal and external functions of the BHC. We consider that this can be achieved by the following mechanism:

- a) an online diagnostic tool should be rolled out and used to assess the ongoing business needs for all new (and eventually existing) Clients and be updated every three years. Individual company results should be analysed by the relevant Client Executive whilst the Corporate Information Team should be able to extrapolate all relevant data for the production of sectoral reports; and
- b) a client focused BHC which would be similar in style and content to the current BHC. This would be “sold” to clients in the same way as other interventions (as a number of days of consultancy support to assist the company to develop). This BHC should only be offered to those clients that are prepared to invest the time and have the capacity to absorb and implement any action plan arising from the BHC.

1.73 In principal, we believe that all companies should make a contribution to costs. We consider that the online BHC should be free to use (it being primarily an Invest NI compliance tool) but that Invest NI should investigate charging for the client focussed BHC.

1.74 It is hoped that this twin track of approach will at once remove the perception of the Business Health Check as being a tool of compliance and through the use of the online

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diagnostic still provide an opportunity for Invest NI to monitor emerging needs amongst its Client base (and potential Client base).

### Recommendations

1.75 **Recommendation 1** – Invest NI should separate out the internal and external functions of the BHC and adopt a two stage approach comprising:

- a) an online diagnostic tool should be rolled out and used to assess the ongoing business needs for all new Clients (and eventually existing clients) and be updated every three years; and
- b) a client focussed BHC which would be similar in style and content to the current BHC. This should be considered as just one of a variety of interventions available under the Business Solutions Programme. It may be that there is a requirement to rename this product to differentiate it from the current intervention.

1.76 **Recommendation 2** – Invest NI should only make the client focussed BHC available to those companies that have the scale and capacity to both undertake the BHC and implement the resulting Action Plan.

1.77 **Recommendation 3** – Invest NI should place a continued emphasis on demonstrating the worth of the intervention to sceptical Client Executives. This should be done through the development of robust case studies, guidance notes and external speakers (local businesses which have successfully utilised a BHC) which will clearly demonstrate the utility of a proportionate Business Health Check to assess the needs of their portfolio of clients.

1.78 **Recommendation 4** – Invest NI should investigate imposing a charging structure for those companies undertaking a full client focussed Business Health Check.

1.79 **Recommendation 5** – Invest NI should prepare additional guidance on the details of proportionate effort for different sizes of BHC. This should contain practical guidance (and possibly templates) for reduced scale BHCs.

1.80 **Recommendation 6** – Invest NI should record the time taken to undertake each BHC internally to provide clarity on the actual costs of the intervention.

1.81 **Recommendation 7** – Invest NI should ensure that any subsequent economic appraisal develop SMART objectives which are in keeping with the Programme for Government objectives.

1.82 **Recommendation 8** – Invest NI should continue to use EDOs to deliver occasional BHCs however, it is recommended that internal delivery options must in all occasions continue to be the first option, with use made of the External Contract only in exceptional circumstances and subject to an internal business case made to the Business Health Check team.

1.83 **Recommendation 9**: Invest NI should ensure that the resulting data from the online diagnostic tool is made accessible to both Client Executives (for their own portfolio of projects) and the Corporate Information Team (in order to facilitate analysis of emerging trends).

1.84 **Recommendation 10**: Invest NI should ensure that the monitoring of targets for BHC should rest where the authority rests, between the Client Executive and their line management.

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### Introduction

2.1 Invest Northern Ireland (“Invest NI”) appointed ASM to undertake an independent evaluation of the Business Health Check (the “BHC”) covering the period January 2009 – June 2011. The terms of reference for the Evaluation are detailed in **Appendix A** and have informed the subsequent structure of this report.

### Background

2.2 The Business Health Check (“BHC” or “the Intervention”) is a scheme operating within Invest NI’s Business Improvement Services Division (“BIS”) (part of Invest NI’s Innovation and Capability Development Group – “ICDG”).

2.3 During the period being reviewed by this Evaluation, BIS had the following purpose:

*“To promote and assist client companies to develop capabilities that create demonstrable improvements in their productivity and competitive position.”*

2.4 The BHC is a situational analysis tool designed to:

- a) help client firms better understand their competitive positions;
- b) identify appropriate actions to improve growth;
- c) develop greater understanding on Invest NI’s part of the business needs; and
- d) provide a stronger evidential base for more focused (subsequent) interventions.

2.5 The BHC may be used as the first stage of the BIS portfolio of interventions which aim to promote continuous improvement and provide assistance for all subsequent interventions delivered by Invest NI. It was introduced by Invest NI in 2004 to help client firms better understand their competitive position and identify the actions that would be appropriate for improving performance and growth.

2.6 It is clear that BHC has a dual purpose:

- a) **External to Invest NI** – to assist client companies to identify any existing/potential constraints/opportunities and (in certain circumstances) begin to develop strategic rather than tactical solutions; and
- b) **Internal to Invest NI** – to provide Invest NI with a robust assessment of emerging company needs and put in place mechanisms to address them.

2.7 Although, there is a dual use for the BHC and its action plan, the resultant document is the intellectual property of the client and should inform their subsequent medium term strategy and engagement with Invest NI.

2.8 The BHC is designed to ensure:

- c) minimal disruption to client companies during the assessment;
- d) integration and active involvement of the Client Executive; and
- e) identification of appropriate areas of improvement.

2.9 Over the period of the evaluation a total of 347<sup>2</sup> BHCs have been completed.

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<sup>2</sup> Invest NI identified 347 participants of the intervention, however this included a number of group companies. The survey was sent to 328 participants.

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2.10 The BHC is undertaken by one of three parties (which we will collectively call the BHC assessor):

- a) the Client Executive;
- b) a member of the BHC team and/or specialist Invest NI staff (mainly from the wider BIS Division); and
- c) externally by one of a number of approved external delivery organisations (“EDOs”).

2.11 However, the relevant Client Executive assigned to the company has ultimate responsibility for the subsequent implementation of the BHC.

**Description of the Business Health Check**

2.12 The BHC can be summarised as:

- a) a structured management framework tool;
- b) assessing what an organisation does and the results it achieves;
- c) identifying strengths and areas for improvement; and
- d) providing opportunities to compare to and learn from other organisations.

2.13 The BHC itself is conducted through:

- a) completion of benchmark and Wave (optional and rarely used) questionnaires by the company; and
- b) one to one interviews and focus groups conducted at the Client company premises by the assessor with key individuals and groups that represent different roles and/or levels.

2.14 The completed BHC Report comprises four components:

- a) European Foundation for Quality Management (“EFQM”) Excellence Model;
- b) Benchmark report;
- c) Wave Innovation Report (optional); and
- d) Action Plan – signposts to company actions and Invest NI services.

**EFQM Model**

2.15 The EFQM model is a management framework used by over 30,000 organisations, predominantly located across the continent of Europe. The specific purpose of the EFQM Excellence Model is to provide a systems perspective for understanding performance management. It is often used as a diagnostic tool by businesses regardless of their size or sector in order to:

- a) help them to understand their key strengths and potential gaps in performance across nine criteria (see below);
- b) provide a common vocabulary and way of thinking about the organisation that facilitates the effective communication of ideas, both within and outwith the organisation; and
- c) integrate existing and planned initiatives.

2.16 It is based on a non-prescriptive framework of nine criteria. Five of the criteria cover what an organisation can influence, called ‘Enablers’, while the other four represent what an organisation will achieve, named “Results”. Whilst the model is not prescriptive as to its application, training is provided to all assessors to ensure a degree of consistency of approach. The model itself contains no detailed instructions for its use, although all nine

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criteria must be considered in the award assessment process. The nine model criteria are listed and briefly described as follows:

### “Enabler” criteria:

- a) **Leadership:** relates to the behaviour of the executive team and all other managers in as much as how leaders develop and clarify a statement of vision that proposes total quality and continuous improvement in which the organisation and its people can achieve;
- b) **People management:** regards how the organisation handles its employees and how it develops the knowledge and full potential of its people to improve its business processes and/or services continuously;
- c) **Policy and strategy:** reviews the organisation’s mission, values, vision and strategic direction, how the organisation implements its vision and mission via the concept of total quality and continuous improvement;
- d) **Resources:** refers to how the organisation manages and utilises its external partnerships and internal resources effectively in order to carry out effective business performance as stated in its mission and strategic planning; and
- e) **Processes:** concerns how the organisation designs, manages and improves its activities and processes in order to satisfy its customers and other stakeholders.

### “Result” criteria

- a) **People satisfaction:** investigate what the organisation is achieving in relation to its employees;
- b) **Customer satisfaction:** measures what the organisation is fulfilling in relation to its targeted customers;
- c) **Impact on society:** concerns what the organisation is achieving in satisfying the needs and expectations of local, national and international society as appropriate; and
- d) **Business Results:** examines what the organisation is achieving in relation to its planned business performance and in satisfying the needs of its shareholders.

2.17 The process is facilitated/managed centrally by Business Improvement Services Division, BHCs are completed by trained EFQM assessors, either Invest NI staff or external providers.

### **Benchmark Index**

2.18 The Benchmark Index is a National Business Link service and is a comprehensive business tool for SMEs to compare their performance against others. It can help them make informed decisions to introduce lasting improvements to their business. The DTI’s Small Business Service developed the Benchmark Index which is now the largest collection of SME performance data in Europe.

2.19 Organisations are able to measure their performance against data from 7,000 plus businesses using a computer based system. Trained facilitators (in this case, Invest NI staff or EDOs) offer tailored advice to help companies improve their performance. The comparative data covers more than 80 key performance measures, covering finance, management and business excellence. There are also additional modules such as customer satisfaction and social responsibility to choose from.

2.20 The Benchmark Index is assessed using the following five steps:

- a) the Client completes a detailed questionnaire measuring business performance in areas ranging from profitability to customer satisfaction;

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- b) the BHC assessor will validate the questionnaire then load the responses onto a secure database that generates a 'benchmarking report'. This report provides performance indicators and highlights their organisation's strengths and weaknesses, benchmarked against those of a pre-selected group;
- c) the BHC assessor will then analyse the results and use them to inform subsequent one to one interviews or focus group sessions;
- d) the BHC assessor meets with the Client to discuss the results; and
- e) an action plan for improvement is developed with the assistance of the business advisor. The results of the benchmarking exercise are discussed in the feedback meeting and the improvement actions included in the final action plan.

2.21 The assessor incorporates key results as evidence in the Business Health Check Report with the full benchmark attached as an appendix.

2.22 The Benchmark Index is available in 2 versions, full and micro and can make assessments against the achievement of large scale economic change, improving supply chain performance or developing performance in a specific sector.

**Innovation Wave**

2.23 The Innovation Wave (which is no longer routinely used by Invest NI) is a web enabled facilitated tool designed to identify the barriers to and enablers of innovation in a specific organisation. It also helps to clarify the organisation's innovation ambition and help to align expectations and commitment.

2.24 The Innovation Wave is modular in structure and enables clients to investigate the five key areas where innovative companies set themselves apart from their counterparts, including:

- a) Vision and Strategy;
- b) Leadership;
- c) Processes;
- d) Culture; and
- e) Physical Work Environment.

2.25 The Innovation Wave involves:

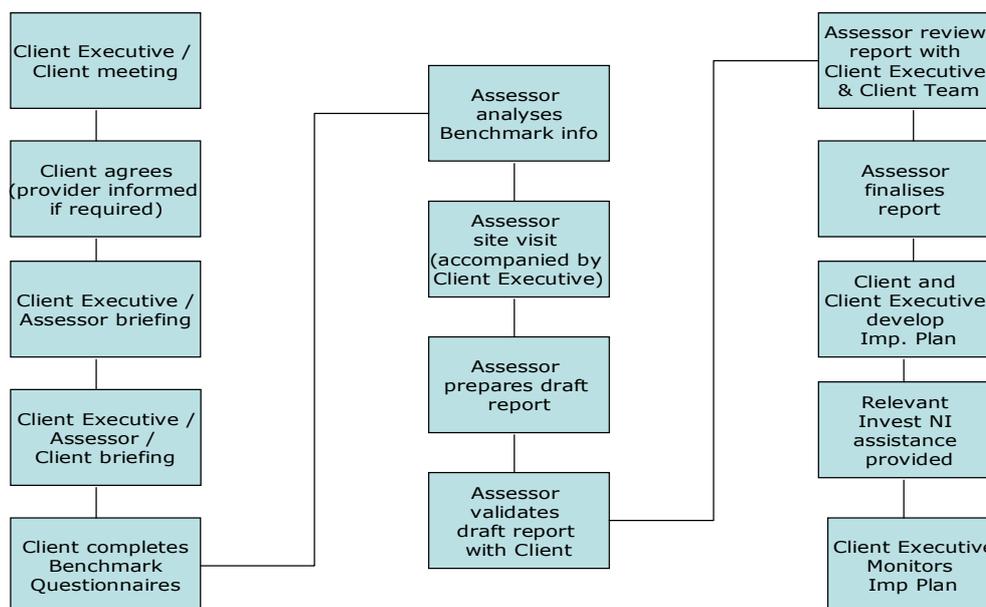
- a) a questionnaire being completed by a range of senior managers and employees; and
- b) (if used) the Wave report is incorporated into the final BHC report and the findings are discussed at feedback meetings and any recommended actions incorporated into the overall action plan.

**BHC Process**

2.26 The typical Business Health Check can be summarised in the following flow chart:

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The assessor may be the Client Executive or an assessor from an external delivery organisation.

2.27 The typical Business Health Check involves the following process:

#### **Referral**

2.28 All new Clients of Invest NI are encouraged to undertake a BHC. If an existing Client, the rationale for delivering a BHC is down to either:

- a) Client wishes to utilise a significant intervention delivered by Invest NI; or
- b) Client has not undertaken a similar BHC in the last 3-5 years.

#### **Developing methodology**

2.29 The BHC assessor scopes out the exact method to be employed for the Business Health Check with guidance on proportionality (i.e. number of interviews, focus groups etc to be utilised) being provided by the BHC team. If undertaken by the BHC team or an EDO the Client Executive will have input into the process. As all Client Executives have received training in the Business Health Check, it is in order to draw reliance on their 'professional views' particularly as the final output of the Business Health Check, the Action Plan, will determine their future working arrangements with the Client.

#### **Scoping meeting**

2.30 This initial scoping element is an important stage in the exercise. It provides an opportunity for the Client Executive to 'promote' the usefulness of the BHC approach to a senior representative of the Client company and therefore gain their support for the process.

2.31 The success of this stage is often down to the individual working relationship between the BHC assessor and the Managing Director of the participating company. The BHC assessor needs to be an advocate for the BHC.

#### **Fieldwork**

2.32 The BHC assessor meets with Senior Management (usually the Managing Director/Owner) to review organisational structure, identify key individuals and method of consultation (one to one interviews and/or focus group/s). The BHC assessor also leaves the Benchmark Questionnaire to be completed. A subsequent meeting(s) is arranged at which time the BHC assessor (usually the Client Executive) undertakes a number of face to face meetings with Senior Staff and (as required) focus groups with junior staff. The fieldwork

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stage is largely driven by the concept of proportionality. BHC assessors make a value judgement on the amount of fieldwork deemed necessary against the following criteria:

- a) their own existing knowledge of the company; and
- b) the scope, scale and relative sophistication of the company.

**Draft report and action plan**

2.33 The BHC assessor combines the findings of the fieldwork and the benchmarking information into a draft report and also develops a draft Action Plan. Although the BHC Guidelines suggest that this should be completed within 10 weeks anecdotal evidence would suggest that the average duration of a BHC is longer than this.

2.34 Delays occur due to client difficulties in returning responses and due to perceived time constraints and conflicts with the 'day to day' tasks of the Client Executive. Securing serious client engagement early in the BHC delivery process appears to be helpful in mitigating downstream delays.

**Review meeting**

2.35 Ahead of the Review meeting, the Client Executive forwards a copy of the draft Report and Action Plan for comment. This informs the subsequent meeting, the aim of which is two fold: confirm the accuracy of the findings of the report; and to determine a robust Action Plan. The draft Report is written in a positive style as it is there to identify issues and provide a rationale for subsequent action.

**Ongoing monitoring**

2.36 The Action Plan provides a timeframe for the subsequent delivery of all future interventions.

**Previous evaluation**

2.37 The Business Health Check was subject to an interim evaluation carried out by SQW in 2008, the key findings of the report were:

- a) the BHC is a uniquely packaged diagnostic and benchmarking tool that offers greater sophistication than similar offerings elsewhere in the UK, Republic of Ireland and the European Union. With reasonable cost inputs it appears to deliver value for money and the evaluator expects value for money to increase as impact data becomes more robust;
- b) during the period under consideration, some 636 BHCs were initiated. Of these 74% are registered as fully completed, 15% have no Integrated Action Plan (IAP) and 11% did not proceed to final report stage. The consultations and workshops with Client Executives, however, concluded that certain BHCs may have been abandoned or delivered without an IAP, due to an appropriately considered set of decisions, and should not be associated with a failure in delivery;
- c) the rationale for the continuation of the BHC remains robust. A strong fit with Invest NI policy and its remit to support and develop wealth creation amongst client firms;
- d) the portfolio of tools and techniques used to date has been largely efficient and effective. The evaluator concludes that the EFQM Business Excellence Model and DTI Benchmarking Index are 'best in class' situational analysis tools and broadly valued by both delivery staff and business beneficiaries. However, the Innovation WAVE tool has not taken full root with Invest NI delivery staff. Partly as a consequence, it is rated poorly by business beneficiaries who generally reported that they did not understand it, or use the inputs from the tool effectively;

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- e) bottom-line impacts on beneficiaries are difficult to assess and, given the small sample, the evaluator has indicated that the findings are illustrative rather than statistically robust. However, turnover and profits have increased across the small sample of firms for which longitudinal financial data are available. Intermediary impacts on beneficiary businesses are easier to identify in the short term and have been more impressive with 551 actions for improvements implemented due to the BHC and 80% of beneficiaries implementing a business process, strategy or structural change. Furthermore, the final report is assessed as a living document by 61% of beneficiaries consulted;
- f) despite considerable effort from the BHC Team, the sluggish buy-in to the process in parts of the organisation has been a barrier to effective delivery. However, the evaluator recognises that in recent months embedding efforts appear to have made greater progress, and there has been a noticeable warming towards the initiative;
- g) whilst overall BHC output has been substantial, the evaluator concludes that Invest NI Senior Management should re-assert its commitment to the intervention as a foundational process in the way the organisation engages with its client base; and
- h) within the limitations of the evaluation's sample, overall levels of additionality are acceptable, with beneficiaries attributing nearly 30% of business improvements directly to the BHC.

2.38 The report made a series of recommendations which were incorporated within an Action Plan which is discussed in **Section IV** (and in detail in **Appendix D**).

2.39 The current BHC Programme was presented for Ministerial approval in March 2008 and was based on the recommendations arising from the above evaluation. No economic appraisal was undertaken.

**Methodology for this Evaluation**

2.40 The following methodology was adopted in accordance with the Terms of Reference:

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

2.41 A detailed list of core strategy documents used as part of the desk based research is provided in **Section III**, whilst a description of the activities (and consultation list) for the Stakeholder and Programme Management consultation and the focus group and beneficiary interviews is discussed in **Section IV**.

**On line Survey**

2.42 An online survey was developed with the purpose of gathering the following information:

- a) engage the project beneficiaries to identify relevant evidence:
  - i) identify views on content and delivery;
  - ii) identify lessons and instances of best practice; and
  - iii) lay the ground work for possible change in delivery mechanisms.

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- b) capture the economic outcomes and impact of the intervention at the firm level, as well as on the wider Northern Ireland economy and on external sales/exports out with of the region:
- i) including key metrics such as employment, turnover, exports and GVA and other value for money measures; and
  - ii) an assessment of additionality (including deadweight and displacement.

**Questionnaire Development**

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

**Response Rates**

2.44 All 328 companies who undertook a BHC during the period were surveyed. Overall, 64 questionnaires were completed some of which were partially completed. Despite a significant number of reminders being sent the overall response rate to the survey was disappointing.

2.45 For this study we proposed a +/- 5% sampling error. The overall achieved accuracy level for the survey was +/- 11.01% reducing to +/-15.68% for a number of questions.

**Characteristics of Respondents**

2.46 A summary of the main characteristics of the respondents is set out below.

2.47 The table below assesses respondents by age of business (61 respondents):

<b>Age</b>	<b>Number</b>	<b>%</b>
Less than 6 months	0	0
6 months to 1 year	0	0
Between 1 year and 5 years	6	9.8
Between 5 years and 10 years	8	13.1
Over 10 years	47	77.0
<b>Total</b>	<b>61</b>	<b>100.0</b>

2.48 While the BHC is only open to companies with evidence of more than one year's trading performance, we consider that it is interesting to note that over 90% of respondents would be considered to be "mature companies" that is established over 5 years.

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2.49 An analysis of the uptake of the BHC intervention by sector is contained in **Section V**, however the following table provides a breakdown (again by sector) of the respondents to the survey:

<b>Sector</b>	<b>%</b>	<b>Number</b>
Agriculture, forestry and fishing	1.6%	1
Mining and quarrying	3.1%	2
Manufacturing	39.1%	25
Electricity, gas, steam and air conditioning supply	1.6%	1
Construction	4.7%	3
Wholesale and retail trade, repair of motor vehicles and motor cycles	3.1%	2
Tourism (Hotels)	14.1%	9
Information and communication	7.8%	5
Financial and insurance activities	3.1%	2
Professional, scientific and technical activities	3.1%	2
Arts, entertainment and recreation	1.6%	1
Other service activities	3.1%	2
Other	14.1%	9
<b>Total</b>	<b>100.0</b>	<b>64</b>

**Structure of Report**

2.50 The subsequent structure of the report is outlined below:

- a) Strategic Context and the Need for the Intervention (**Section III**);
- b) Review of Performance, Activities and Equality considerations (**Section IV**);
- c) Economic Impact and Assessment of Value for Money (**Section V**); and
- d) Conclusions and Recommendations (**Section VI**).

**Strategic Context and the Need for Intervention****III****Introduction**

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

- a) review the strategic context under which the intervention operates and assess whether the strategic context under which the intervention is delivered remains valid;
- b) review the operational fit of the intervention in line with the objectives of the Invest NI Corporate Plan and DETI Corporate Plan (for all of the Corporate Plans in place during the evaluation period) and examine the fit with other Invest NI interventions;
- c) review the original rationale for the intervention outlining the nature and extent of market failure and/or equity issue that the intervention is seeking to correct; and
- d) assess and conclude on the need and demand for the intervention and consider whether these still exist to continue the intervention in future years.

3.2 In response to the terms of reference, the following activities were undertaken:

- a) Review of key strategy documents;
- b) Complementarity with other interventions;
- c) Stakeholder consultation; and
- d) Assessment of Need and Demand.

**Review of key strategy documents**

3.3 As the Business Health Check was not subject to an economic appraisal, which would have identified the strategies that it was seeking to influence, ASM conducted a Stakeholder Mapping exercise to identify relevant strategy documents in order to assess rationale and strategic fit. The following tables identify the key strategy documents and provide an analysis of the original rationale and strategic fit for the intervention:

<b>Name of Strategy</b>	<b>Relevant Conclusions from Strategy Documents</b>	<b>Implications for Business Health Check</b>
<b>Programme for Government 2008-2011</b>	The primary focus over the lifetime of the Programme for Government will be on growing the economy. Sustainable economic growth and increased prosperity will provide the opportunities and means to enhance quality of life, reduce poverty and disadvantage, increase wealth, health and well being and build stronger, more sustainable and empowered communities.	The Business Health Check is judged to conform with the Programme for Government as it provides a mechanism for ensuring that Invest NI support is channelled to those companies which will positively contribute to the development of the Northern Ireland economy.

## Strategic Context and the Need for Intervention

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Name of Strategy	Relevant Conclusions from Strategy Documents	Implications for Business Health Check
<b>Department of Enterprise, Trade and Investment Corporate Plan 2008-2011</b>	<p>The key objectives of the Department were to improve productivity within manufacturing and private services, increase employment levels and develop the tourism sector. The Corporate Plan 2008-2011 was in line with the following Public Sector Agreements outlined in the Programme for Government:</p> <p>a) <b>PSA 1: Productivity Growth</b> – improve Northern Ireland’s manufacturing and private services productivity; and</p> <p>b) <b>PSA 3: Increasing Employment</b> – subject to economic conditions, increase employment levels and reduce economic inactivity by addressing the barriers to employment and providing effective careers advice at all levels.</p>	<p>The Business Health Check provides a useful mechanism for signposting Invest NI Client companies to interventions which will have the most significant impact on PSA 1 and PSA 3.</p>
<b>Varney Report</b>	<p>One of the key issues for Northern Ireland is the extent to which the various sources of public funds interact and potentially conflict. It is possible that the level of public funding crowds out private or quasi private investment to some degree. It might also distort competitive pressures</p>	<p>The Business Health Check provides an opportunity for Invest NI to ensure the additionality of its interventions and thereby offset the risk of ‘crowding out’ private sector activity.</p>
<b>Independent Review of Economic Policy</b>	<p>The report states that there has been a process of rationalisation of programmes over recent years. However, there remains a large and complex portfolio of support mechanisms. IREP Panel believes that additional steps should be taken to streamline the number of assistance programmes further. The IREP report goes on to state that Invest NI should put in place interventions to offset the risk of perverse incentives that encourage rent seeking and unproductive activity.</p> <p>The IREP report specifically comments on the BHC, stating: ‘It was evaluated in 2007 and received some positive findings concluding that it offered a more sophisticated offering than similar supports elsewhere in the UK.</p> <p>The deadweight was associated with providing a fully subsidised service to large companies that could afford to pay for the services. However, Invest NI rejected the recommendation to charge for the service and it remains free of charge to all participants.’</p>	<p>The Business Health Check provides a robust independent diagnostic which augments the application process for individual interventions and provides Invest NI with the opportunity of being able to signpost the most appropriate interventions to a particular company.</p> <p>The Business Health Check provides opportunities for assessing both individual and sectoral demand for interventions. Such demand analysis may inform corporate decision making and the ongoing process of rationalisation of interventions.</p>

## Strategic Context and the Need for Intervention

## III

Name of Strategy	Relevant Conclusions from Strategy Documents	Implications for Business Health Check
Invest Northern Ireland Operating Plan 2008-2011	<p>The rationale for the Business Health Check arises from the underlying corporate objectives and policy of Invest NI which has undergone two fundamental changes in recent years:</p> <p>a) in line with other UK business support providers, Invest NI is shifting away from a grant distributor to an enabling organisation; and</p> <p>b) the impact focus of Invest NI’s activities has progressively shifted away from job creation towards the generation of Gross Value Add and increased productivity.</p> <p>In order to close these gaps, Invest NI focused on three priority actions for economic growth:</p> <p>a) <b>Realising Client Potential</b> – this is the pathway for growth which offers the greatest impact over the short term;</p> <p>b) <b>Shifting the Sectoral Focus</b> – this requires a shift in the sectoral mix towards higher value added activities. Primarily this will come from foreign direct investment in target sectors such as financial services and information and communication technology, especially software development; and</p> <p>c) <b>Frontier Technologies</b> – these are technologies at the leading edge of research and development. Progress will depend on relatively intensive support mechanisms to deliver commercial outcomes from the technologies. Activity will occur in both existing companies and high potential start ups, sometimes with university or overseas investor origins.</p> <p>Client and advisory executives’ performance will be measured by client satisfaction levels and their success in achieving economic outcomes, such as export sales, generation of premium salaries and increases in value added from a changing portfolio of clients.</p>	<p>The Business Health Check provides an opportunity for Invest NI to direct its interventions to companies which conform to its three priority actions.</p>

## Strategic Context and the Need for Intervention

## III

## Review of strategy documents for future delivery

3.4 The table below provides an assessment of the continued relevance of the Business Health Check in line with recent policy announcements:

Name of Strategy	Relevant Conclusions from Strategy Documents	Implications for Business Health Check
<b>Programme for Government 2011-2015</b>	<p>Priority 1- The purpose of this priority is to achieve long term economic growth by improving competitiveness and building a larger and more export driven private sector. To do this we must rebuild the labour market in the wake of the global economic downturn and rebalance the economy to improve the wealth and living standards of everyone:</p> <ul style="list-style-type: none"> <li>◆ increase the value of manufacturing exports by 20%; and</li> <li>◆ support £300million investment by business in R&amp;D.</li> </ul>	<p>The Business Health Check provides Invest NI with the ability to sign post companies towards the most appropriate interventions which address the objectives contained within Priority 1 of the Programme for Government.</p>
<b>Economic Vision for Northern Ireland (2012)</b>	<p>The Strategy identifies the need to stimulate innovation, research and development and creativity through addressing the issue of absorptive capacity and business to business/HE/FE Collaboration. In addition there will be a continued focus on targeting those areas which have the greatest potential for growth. The science/industry MATRIX panel has identified a number of markets which are to be exploited. These are:</p> <ul style="list-style-type: none"> <li>◆ Telecommunications &amp; ICT;</li> <li>◆ Life and Health Sciences;</li> <li>◆ Agrifood;</li> <li>◆ Advanced Materials; and</li> <li>◆ Advanced Engineering.</li> </ul>	<p>The Business Health Check provides Invest NI with the ability to sign post companies towards the most appropriate interventions in line with the priorities and sectors within the Economic Vision for Northern Ireland.</p>

### Conclusion

3.5 ASM believes that the Business Health Check conforms with the strategic objectives identified in the review of key strategy documents. In particular the Business Health Check is in keeping with Invest NI's core ambition of becoming an enabling organisation, i.e. not simply a dispenser of funds, but delivering interventions which in themselves add value. The Business Health Check does this by being a diagnostic tool (in its own right) used to review a business and highlight its strength and areas for improvement.

3.6 In addition, the Business Health Check acts as a gateway for other Invest NI support programmes and is generally the first way that Invest NI engages with client companies. The gateway (signposting) role mitigates IREP concerns of addressing perverse incentives that encourage 'rent seeking and unproductive activity' by ensuring that public resources are applied to where they are most needed.

## Strategic Context and the Need for Intervention

## III

## Market Failures

3.7 The following table identifies the key market failures BHC seeks to mitigate:

Market Failure	Description	Evidence	Method of mitigation
<b>Asymmetric information</b>	This can be viewed from two perspectives: <b>From the Client company perspective</b> , clients are often not aware of the deficiencies/constraints their company is facing and how these may be addressed by an Invest NI intervention; and <b>From the Invest NI perspective</b> , Client Executives are not aware of all the issues a client company is facing.	Survey evidence related to companies not understanding the applicability of specific Invest NI interventions.  Focus group evidence that Client Executives need to have an opportunity to routinely update their knowledge of their client companies.	The BHC provides an opportunity for Invest NI Client Executives to diagnose constraints/opportunities within client companies and signpost relevant Invest NI interventions.

3.8 The Business Health Check seeks to mitigate the market failure of asymmetric information for companies and Invest NI. The table below illustrates how asymmetric information can manifest itself to companies and Invest NI and how the Business Health Check seeks to mitigate it.

	Description	Evidence	Method of mitigation
<b>Principal/Agent Effects</b>	Due to a lack of knowledge of client need, Client Executives may be focusing assistance on companies with which they have established working relationships rather than those with the as yet undisclosed greater 'need'.	Approximately one third of Invest NI client companies are classified as 'dormant' and do not actively engage with the Agency.	The BHC provides the opportunity for Invest NI to put in place a mechanism for making comparison of need for specific interventions between Clients.
<b>Demonstration Effect (Knowledge Spillover)</b>	The BHC is based on the EFQM model which potentially impacts on company productivity. The BHC provides an opportunity to demonstrate the benefits of the application of the EFQM model to specific companies.	There is a low level of take up of EFQM/Situational Analysis tools in Northern Ireland compared to other UK regions.	The BHC provides an opportunity for Invest NI to 'showcase' the benefits of applying the EFQM model to a range of Client companies.

**Strategic Context and the Need for Intervention****III****Complementarity with other interventions**

3.9 The Business Health Check was assessed against other similar business support interventions presently being delivered by Invest NI through the Business Improvement Service.

Name of Intervention	Description
Business Solutions	The aim of the programme is to produce a sustainable, positive and quantifiable impact on client company performance that will encourage businesses to align strategic objectives and processes and encourage client businesses to adopt best practice tools and techniques across all aspects of their operations. Unlike the BHC, this intervention provides direct assistance to companies across a wide range of activities including: smart workplace organisation and layout, waste elimination, identifying/developing and reviewing the products and services requested by the customers and business unique selling point and identifying, managing and anticipating market niches.
Interim Managers & Non Executive Directors	Financial support to permit a company to employ on a short term contract basis an interim manager and/or non Executive Director to address a specific constraint
North Star Mentors	Provision of mentoring advice up to the value of £15,000. This intervention is no longer running.
Business Improvement Agent ( This scheme closed to new entrants in 2009).	The Business Improvement Agent is embedded within a company for an extended period of time with the aim of identifying and reviewing all internal processes and was then responsible for the implementation of recommended action.
Business Improvement Training Programme	Assistance in the form of advice, as well as finances are available to businesses that are clients of Invest NI so that they can more effectively manage their workforce (UK Business Funding Council website states 'is only available after a Health Check has been done on the business').
Business to Business Bridge (This programme closed in 2008).	This programme enables large companies to invest in a variety of non financial resources towards the development of small businesses. To date over 1,000 bridges have been facilitated in Northern Ireland with large companies investing resources through a variety of means including: mentoring, training, advice, access to equipment and skills transfer.
3D e-factory simulation modelling and supplier development (This programme closed in 2010).	Provision of 3D factory simulation using modelling and visualisation tools to create a digital representation of an entire facility (virtual factory) including buildings, machines, systems, people and equipment and which incorporates workflow and process simulation and delivers 'what if' scenarios to determine optimisation of layout and workflow/processes.
Collaborative network	Collaborative networks are industry led innovation communities aimed at developing critical mass in key sectors through the facilitation of events and activities aimed at developing mutual understanding and joint product/process development.

**Strategic Context and the Need for Intervention****III**

3.10 The Business Health Check is unique amongst this range of services as it is the only one which potentially provides a full diagnostic of company need. Stakeholder consultation (and confirmed in the 2011 Evaluation of Business Solutions Programme) identified that the Business Health Check was viewed as affording Invest NI with its first opportunity to assess the needs of the company and thereby signpost relevant interventions.

3.11 Whilst the Business Health Check was the preferred, primary diagnostic tool, a Client Executive could waive the need for a BHC as a pre-condition of assistance. In either scenario, an Integrated Action Plan (“IAP”) of key issues/Prioritised Areas for Improvement to be addressed would be developed which would set out agreed actions such as programmes and services over an established and reasonable timeframe.

3.12 We conclude that the Business Health Check is an unique intervention as it provides Invest NI with a mechanism for prioritising and signposting Clients to the other Business Solution products cited above. The Business Health Check complements the existing range of Business Solution interventions and Invest NI’s wider portfolio.

**Consultation Exercise**

3.13 A consultation exercise was undertaken with the following key Stakeholders and Partners:

- a) Business Health Check Team (3 consulted);
- b) Senior Management (5 consulted);
- c) Client Executives (14 consulted);
- d) External Delivery Organisations (4 consulted); and
- e) Department of Enterprise, Trade and Investment (1 consultee).

3.14 The following table identifies the questions which informed the consultation exercise and ties them into the specific responses from the various Stakeholders and Partners (Respondents):

## Strategic Context and the Need for Intervention

## III

**Describe the rationale for the Business Health Check?****Respondent****Response**

Senior Management

Primarily a tool for the prioritisation of resources and used to avoid issues of additionality and duplication of effort.

Senior Management and Focus Group

There is an ongoing need for an intervention which enables an assessment of medium/long term company needs, as well as providing an opportunity for Invest NI to prioritise assistance to those potential participants who will have the greatest impact on the economy.

**What are the eligibility criteria for companies participating in the Business Health Check?****Respondent****Response**

All

All Invest NI companies are eligible to participate in a Business Health Check. All new clients of Invest NI are encouraged to undertake a BHC.

Invest NI recommends that any companies wishing to undertake significant expenditure or are facing significant constraints should also undertake a BHC.

Routine BHCs should also be undertaken every three to five years regardless of the activity level of the company.

Senior Management

Recommended that it should be continued to be offered to all Clients, however there needs to be a degree of proportionality as to how each BHC should be undertaken.

All

It is not necessarily a one size fits all approach rather; the BHC should be adapted to the scale and potential growth of the individual participant.

**Key Issues:**

- there is an ongoing need for an intervention which enables an assessment of medium/long term company needs as well as providing an opportunity for Invest NI to prioritise assistance to those potential participants who will have the greatest impact on the economy; and
- the intervention should continue to be offered to all Clients, however there needs to be a degree of proportionality as to how each BHC should be undertaken.

## Strategic Context and the Need for Intervention

## III

**Are there any similar products delivered by the private sector/other development agencies in Northern Ireland?****Respondent****Response**

All

There are no other full situational analysis tools on offer in Northern Ireland.

EDO

The Centre for Competitiveness has an online 'BHC' type diagnostic tool, however this only identifies initial issues and does not permit benchmarking or the subsequent development of an Action Plan.

EDO

The EDOs were asked whether the BHC had displaced private sector provision in Northern Ireland. There was agreement that unlike other UK regions, there was not currently a market for private sector EFQM situational analysis.

It was also felt that the BHC was a useful means of demonstrating the benefits of the EFQM model to a sceptical audience.

**Where does the Business Health Check sit in Invest NI's range of interventions?****Respondent****Response**

All

The BHC is perceived as being a 'gatekeeper' product, controlling access to a range of interventions offered by Invest NI (in particular Selective Financial Assistance and Business Improvement Training Programme).

**Key Issues:**

- there is no other similar situational analysis tool on offer in Northern Ireland;
- there is no evidence of displacement of private sector situational analysis in Northern Ireland; and
- the BHC provides a useful means for demonstrating the benefits of the EFQM model to a sceptical business audience.

**Overall Conclusion**

3.15 ASM believes that the Business Health Check conforms with the strategic objectives identified in the review of key strategy documents. Given that there is no inherent private sector demand for the intervention, the assessment of need relies almost entirely on Invest NI's ongoing desire for the intervention. This has been confirmed by Senior Management who have stated that it acts as a gateway for all other Invest NI support programmes and is the first point at which Invest NI engages with client companies. Stakeholder analysis has confirmed an ongoing demand for an instrument which can address the need for detailed company information to ensure robust prioritisation of resources by Invest NI.

**Review of Performance, Activity and Equality****IV**

4.1 In this Section, we will address the following elements of the Terms of Reference:

- a) review the performance of the programme against the original objectives and if appropriate, identify reasons for any divergence. Assess the appropriateness of the target setting methodology and if appropriate, identify reasons for failure, providing recommendations for improvement;
- b) review progress on the Action Plan relating to the recommendations arising from the previous evaluation;
- c) assess the economy, efficiency and effectiveness with which public funds have been used on the programme. Economy measures are concerned with showing that the appropriate inputs (i.e. the resources used in carrying out the project) have been obtained at least cost, efficiency relates to measures that are concerned with achieving the maximum output from a given set of inputs while effectiveness measures are concerned with showing the extent to which aims, objectives and targets of the project are being achieved;
- d) the cost of marketing elements of the programmes must be included in this cost analysis, regardless of which cost centre has been used;
- e) assess the management and operating structures currently in place to determine how effective Invest NI has been in managing the intervention and identify any areas for improvement such as an opportunity to rationalise or streamline delivery and/or programme management and monitoring. Review the ability of Invest NI to provide these activities taking into account financial resources, experience and knowledge;
- f) assess the management and operating structures currently in place to determine how effective the EDOs have been in delivering BHCs and identifying any areas for improvement such as opportunities to rationalise or streamline delivery and/or programme management and monitoring. Review the ability of the EDOs to provide these activities, taking into account both financial resources, experience and knowledge;
- g) assess the ability of Invest NI to conduct BHCs and compare the quality of BHCs conducted by Invest NI with those conducted by EDOs;
- h) benchmark the performance of the intervention against other comparators in the UK, Republic of Ireland, European Union and internationally if appropriate, establishing quantitative benchmarks where possible and identify if there are any lessons to be learned;
- i) identify the main risks that emerged during the project and any actions taken to reduce these;
- j) take into account the requirements of Section 75 of the Northern Ireland Act 1998;
- k) consider the accessibility of the programme for all, in line with the Disability Discrimination Act 1995; and
- l) comment on lessons learned, making recommendations on the future of the intervention and identify any areas for improvement. This should include an assessment of any current and potential gaps in provision, potential overlap with other programmes and suggested improvements on performance monitoring.

**Review of Performance, Activity and Equality****IV****Implementation**

- 4.2 An outline description of the BHC is discussed in **Section II**.
- 4.3 The BHC involves two groups
- a) Core team who are charged with the administration and oversight of the overall Business Health Check intervention; and
  - b) Delivery team including Client Executives, Business Advisors (from Core team and wider BIS directorate) and External Delivery Organisations who are charged with delivering individual Business Health Checks.
- 4.4 The core team consists of:
- a) Director;
  - b) Manager;
  - c) Staff Officer; and
  - d) Administration.
- 4.5 Staff are not employed on a full time basis to deliver the BHC, rather they divide their time with other responsibilities within the wider Business Improvement Service Division.
- 4.6 The team are responsible for the following activities:
- a) guidance on implementation of the BHC;
  - b) quality control of all BHC undertaken by Invest NI and External Delivery Organisations;
  - c) implementation of selected BHCs (those which need specialised input);
  - d) internal marketing of the intervention; and
  - e) monitoring and the development of case studies.
- 4.7 An assessment of the role of the team and the subsequent implementation of the BHCs (by Client Executives, Business Advisors and External Delivery Organisations) was undertaken from three perspectives:
- a) Stakeholder consultation;
  - b) Customer survey; and
  - c) Case Studies.
- 4.8 The results were then benchmarked against the following nations/regions:
- a) Former English Regional Development Agencies;
  - b) Scotland – Scottish Business Gateway;
  - c) Republic of Ireland – Enterprise Ireland and Failte Ireland;
  - d) New Zealand – New Zealand Development Agency; and
  - e) UK Private Sector – UK Banks.
- 4.9 The Stakeholder Consultation exercise was undertaken with the following key Stakeholders and Partners:
- a) Business Health Check Team;
  - b) Senior Management;
  - c) Client Executives;

**Review of Performance, Activity and Equality****IV**

- d) External Delivery Organisations; and
- e) Department of Enterprise, Trade and Investment.

4.10 The following tables identifies the questions which informed the consultation exercise and ties them into the specific responses from the various Stakeholders and Partners (Respondents):

<b>What is the process for identifying/recruiting participants onto the Business Health Check?</b>	
<b>Respondent</b>	<b>Response</b>
<b>Senior Management</b>	All Invest NI Client companies are potentially eligible. Targets are set each year to ensure that all new companies, and any existing companies seeking large scale assistance and/or haven't undertaken a BHC in over 3-5 years have to avail of the service.
<b>Focus Group</b>	<p>Each Directorate/Business Unit sets its own target and then the individual Client Executive is given an overall target and asked to choose (usually 2 companies per year) which companies should undertake the BHC.</p> <p>To a number of Client Executives the BHC is merely another process which needs to be completed and so a number of participants stated that they chose clients who would ensure the 'path of least resistance' (i.e. create less of a fuss at being asked to complete the task).</p> <p>Other Client Executives stated that they saw merit in the approach and were more selective and only chose companies which they believed would genuinely benefit from the process.</p> <p>The most common selection criteria was that of undertaking BHCs with a company who they had limited knowledge of or hadn't contacted recently. A number of Client Executives were reticent in approaching clients with what amounted to another 'compliance issue'.</p>
<b>Focus Group</b>	<p>It is assumed that the referral method would mean that all Invest NI Clients would undertake a Business Health Check within 3 years of becoming a Client. However, this is a reactive process, for two reasons:</p> <p>Clients very rarely volunteer to undertake a Business Health Check; and</p> <p>Due to the decentralisation of target setting, Client Executives in large part decide which companies are to be subject to a BHC. This brings with it the potential for 'cherry picking'.</p>
<b>Commentary</b>	<p>There is a degree of scepticism with regard to the usefulness of the BHC amongst certain Directorates and Client Executives.</p> <p>This has led to significant variances in both target setting and in the choice of companies to avail of the intervention. The scepticism of the Client Executive is often reflected in their approach to the BHC thereby weakening the validity of the BHC amongst Client Executives and companies and thereby creating a vicious circle.</p> <p>However, amongst those who are bought into the intervention, robust targets are set and Client Executives are proactive in their promotion of the BHC to companies they believe would avail of it. This approach brings with it a virtuous circle.</p>

## Review of Performance, Activity and Equality

## IV

**What is the process of delivering a Business Health Check – who does it involve both within the company and within Invest NI/ the External Delivery Organisation?**

<b>Respondent</b>	<b>Response</b>
All	<p>It was agreed that all Business Health Checks should be led (or involve) the relevant Client Executive.</p> <p>The relevant Client Executive is the person who (should) make(s) the call regarding the scope and scale of the subsequent BHC and if there is a need for additional help (other specialists within Invest NI or an EDO) this should be agreed in consultation with the BHC team.</p> <p>It was acknowledged that the BHC team had two roles: quality control and specialist resource in delivering more sophisticated BHCs.</p>

**What are the resource requirements of delivering the Business Health Check? Is there a high degree of variation in terms of resource requirements?**

<b>Respondent</b>	<b>Response</b>
<b>Focus Group</b>	<p>There is a high degree of variation in the delivery of the BHC and this is down to the methodology agreed between the Client and the Client Executive.</p> <p>Most BHCs are low key and officially take just 3-4 days to complete plus write up time, however there are a number of hidden costs associated with the process and in part relate to a degree of unfamiliarity on the part of Client Executives. Additional costs relate to:</p> <ul style="list-style-type: none"> <li>◆ extensive time compiling primary research and writing up draft report;</li> <li>◆ under reporting by the Client Executive of the amount of time actually expended on delivering the BHC;</li> <li>◆ there is often a Client Executive shadowing in order to learn the process; and</li> <li>◆ there is a high degree of uncertainty as to how much effort should be expended on a BHC.</li> </ul>
<b>Senior Management</b>	<p>Only proportionate effort should be expended on a BHC and this is left to the individual Client Executive (and guided by the BHC team) to interpret.</p>
<b>EDO</b>	<p>As all Client Executives have received training in the Business Health Check, it is in order to draw reliance on their 'professional views' particularly as they will implement the Action Plan. However, this bespoke approach brings with it issues of quality control and the ability to draw comparisons between individual Business Health Checks.</p>

<b>Commentary</b>	<p>There is agreement of the concept of proportionate effort (with all respondents agreeing that a one size fits all approach does not work) but uncertainty as to what that means in practice. The Business Health Check team have produced guidelines (and delivered workshops) related to the delivery of Business Health Checks and how the methodology may be tailored to address the specific needs of companies (i.e. scope and type of consultation to be undertaken). However, a number of respondents (Client Executives) were still not aware of the new guidance.</p>
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## Review of Performance, Activity and Equality

## IV

**What is the rationale for an EDO delivering the Business Health Check?****Respondent****Response**

Programme Team

There is either a time or skills constraint meaning that the BHC cannot be delivered internally.

EDO

EDOs are used when the company is large/ sophisticated or where there is the possibility of a controversial result.

The use of the EDO provides a useful 'safety zone' if there are 'awkward issues' to be discussed and which could jeopardise the working relationship between the Client and the Client Executive.

**What experience/educational requirements are there for staff charged with delivering the Business Health Check?****Respondent****Response**

All

All Client Executives are trained in the use of the Business Health Check and there are opportunities for shadowing prior to starting a BHC. In addition, there are opportunities for staff mentoring delivered by the BHC team.

EDOs are selected from a call off list after a tendering exercise based on their experience of conducting Business Health Checks and the use of EFQM.

**Can the Business Health Check be amended to reflect company/sector specific needs?****Respondent****Response**

Focus Group and EDO

There are two versions of the Benchmarking tool (manufacturing and non manufacturing). A number of respondents commented that the benchmarking tool was the part of the process which initially attracted interest, but was the most prone to disappoint due to the degree of inflexibility and lack of suitable sectoral benchmarks.

The other aspects of the BHC are left to the interpretation of the Client Executive and can therefore reflect the specific company/sector.

**Commentary**

It is essential that all BHCs involve the Client Executive, however if there are staffing/skills constraints, reliance should be placed initially on the BHC Core Team and then on a retained EDO function.

Although there are some misgivings regarding the Benchmarking tool, it remains popular with the Clients and provides a robust 'quantitative element' to the report.

## Review of Performance, Activity and Equality

## IV

**Is the present Business Health Check still fit for purpose. Are there any areas which could be augmented?**

**Respondent****Response**

Focus Group

Wave Questionnaire to assess innovation, didn't add any value for most regional office Clients.

The Benchmarking Review is seen as a great sales pitch, however it often proves hard to identify relevant companies to benchmark against.

Senior Management

Embedding Expertise – Client Executive is key to the process as it provides an opportunity to develop a proper relationship with the company. In addition, it provides a showcase of what Invest NI can offer the company, in short it begins the process of managing expectations and marks a move away from the position of merely being a funding body.

It was originally designed for the Industrial Development Board which was a bigger 'beast' and there was a challenge that the organisation did not understand its clients. The process permitted the gathering of company intelligence, from which interventions could be developed and could ultimately signpost relevant opportunities.

Invest NI's emerging use of BHC should be to reinforce its new role as a 'dietician not a waiter' (advising the Client, rather than merely serving them).

Senior Management

The BHC as it stands is merely being used as a sign posting tool, there is no use made of the information gathered to inform the strategic direction of the organisation.

It does not provide a feedback loop as companies are merely told what is 'best for them'.

This lack of use of the outputs of the BHC merely reinforces the perception that the tool is primarily there to assist Invest NI in identifying the most appropriate intervention for the specific company.

## Review of Performance, Activity and Equality

## IV

As above

**Respondent****Response**

EDO

The quality management role of the tool is not fully utilised. Bar one or two examples per year, very few companies are entered into the NI Quality Awards even though the BHC provides an initial assessment and an Action Plan for its subsequent implementation.

There is no form of external accreditation of having passed through the Business Health Check and therefore no incentive for the company (unless it wants further financial support from Invest NI) to undertake the process again.

They are not made sufficiently aware of its potential use as a 'marker for quality' and therefore don't value it and so would not be willing to contribute to the costs. If an enhanced number of companies could be persuaded to enter quality competitions such as the EFQM Annual awards, this could provide a useful demonstration effect and illustrate the benefits to other companies.

**Commentary**

The most frequently reoccurring issue which arose was proportionality of approach. The BHC was perceived to be over-engineered for smaller businesses.

There is also an opportunity to extrapolate the data from the BHCs to inform decision making, in particular augmenting existing interventions to address emerging sectoral needs.

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## Review of Performance, Activity and Equality

## IV

**What is the usual turnaround time for a report?****Respondent****Response**

Focus Group

The guidelines state up to 8 weeks, however for most reports this is a significant underestimate. Report writing has to be delivered around existing work commitments and is not seen as a priority.

EDO

Delays occur due to Client difficulties in returning responses and due to perceived time constraints and conflicts with 'day to day' tasks.

Securing serious Client engagement early in the BHC delivery process appears to be helpful in mitigating down stream delays.

**Do the companies have an opportunity to review the report?****Respondent****Response**

Focus Group

Yes, they have input into the initial methodology and have the right to review the report before it is finalised.

**Is the report the only form of feedback to the company?****Respondent****Response**

Focus Group

There is ongoing feedback from the Client Executive.

**What key performance indicators are reported against?****Respondent****Response**

Focus Group

The performance indicators are specific to the company and are therefore difficult to aggregate into Invest NI wide approved KPIs. However, common company KPIs reported against are: turnover, growth, return on investment, debtor/creditor days and sales per employee.

**Commentary**

The consultation process highlighted issues over the time taken to complete reports and the inability in certain circumstances to develop comparable key performance indicators. However, both of these reflect the need to ensure that the report addresses salient issues for the Client and provide them with useful milestones for success.

We believe that the bespoke nature of the BHC means that there is a need for greater scrutiny on a case by case basis of time management and the development of KPIs and should be a line management issue.

## Review of Performance, Activity and Equality

**How does the Business Health Check contribute to PSA 1 and 3?****Respondent****Response**

Focus Group

All of the recommendations lead onto other interventions which can be directly attributable to PSA 1 and/or 3. However BHC does not lend itself to impacting against either indicator.

**After completing the report is there any further engagement by the team with the company?****Respondent****Response**

Focus Group

There is ongoing feedback from the Client Executive

**What signposting is undertaken of other Invest NI activities?****Respondent****Response**

Focus Group and Survey

The Action Plan provides the focus for all subsequent interventions with Invest NI.

**Why is there no financial contribution from the company for this service?****Respondent****Response**

All

There is presently no demand for this intervention by the Northern Ireland business sector, rather it is viewed as a compliance issue which Invest NI 'forces/persuades' Client companies to avail of.

Focus group

Although there is a small direct cost related to the use of the Benchmark tool, almost all costs related to the delivery of the BHC (unless it is delivered by an EDO) are for Invest NI staff time

Senior Management

There is some possibility that a financial contribution could be made from some of the larger companies, perhaps for repeat use. However, the Northern Ireland business community is still to be persuaded of the specific business benefits of the BHC and until that is achieved charging would be counter productive.

**Commentary**

There is presently no demand for this intervention by the private sector.

Any opportunity to charge is dependent on developing the good will first of the Client Executives who will in turn act as a proponent of the BHC to Client companies. Until there is a recognition of the potential usefulness of the BHC with both of these parties, there will be no potential to charge for services.

**Review of Performance, Activity and Equality****IV****Customer survey**

4.11 The customer survey was designed to assess the following themes (See **Appendix B** for full survey response):

- a) Profile of users;
- b) Motivation to undertake the Business Health Check
- c) Assessment of implementation and processes;
- d) Links to other Invest NI interventions; and
- e) Learning benefits and economic impact.

4.12 Responses from the survey will be used to assess the external perceptions/ impact of the Business Health Check against the following headings:

- a) Motivation of Uptake;
- b) Publicity and Marketing;
- c) Implementation of Business Health Checks; and
- d) Monitoring of outcomes.

**Motivation of Uptake**

4.13 In theory all new Clients of Invest NI are encouraged to undertake a BHC, usually administered by a Client Executive in one of the regional offices. If it is an existing Client, the rationale for delivering a BHC is down to either:

- a) the Client wishes to utilise a significant intervention delivered by Invest NI; or
- b) Client has not undertaken a similar BHC in the last 3-5 years.

4.14 The survey reported that 86.9% of respondents found out about the Business Health Check on the recommendation of their Invest NI Client Executive. In addition, the survey also identified that 71.4% of respondents would definitely not have undertaken an independent review in the absence of the Business Health Check.

4.15 This substantiates the points raised in the Stakeholder consultation about there being an inherent low level of demand/awareness for the product within the Business Community. It therefore acts as a demonstration effect to businesses both signposting the opportunities which Invest NI can deliver as well as providing a mechanism for diagnosing constraints and opportunities.

4.16 The survey then sought responses as to respondents' subsequent motivation to undertake the Business Health Check (could answer more than once):

- a) 65.6% of respondents stated that it provided them with an opportunity to review the overall performance of their company.
- b) 29.5% of respondents stated that it provided them with a better understanding of how the company compares to local competitors; and
- c) 39.3% of respondents stated that what motivated them to undertake the BHC was that it was recommended by Invest NI Client Executive .

4.17 This indicates that a sizeable majority (65.6%) of respondents had bought into the premise of reviewing their overall performance with 29.5% stating that they viewed it as a useful tool to understand their comparative position.

4.18 However as noted above, some 39.3% of respondents stated that they simply undertook the intervention on the advice of their respective Client Executive. Assessing this point in conjunction with the findings of the Stakeholder Consultation, two possible conclusions may arise:

**Review of Performance, Activity and Equality****IV**

- a) the BHC is seen as a necessary pre-requisite in order to get further funding (in particular Selective Financial Assistance - which in a high number of instances the respondents went on to receive); and
- b) that there is a high degree of trust in the Client Executive and they are content to have the merits of the approach demonstrated to them.

4.19 The survey also indicated a higher prevalence of participants coming from two sectors, manufacturing and tourism activities (39.1% and 14.1%) respectively. The actual number of BHCs by division for the 3 years 2008/09 to 2010/11 is set out in the following table:

<b>Total</b>	<b>Target</b>	<b>Actual</b>	<b>Variance</b>
Regional office network	120	107	(13)
Life Sciences and Creative	46	46	0
Food	54	38	(16)
International ICT	11	8	(3)
Engineering and business Services	69	68	(1)
Transport, construction and tourism	89	71	(18)
	<b>389</b>	<b>338</b>	<b>(51)</b>

4.20 There is clearly significant underutilisation in a number of sectors, which can largely be attributable to a degree of scepticism on the part of certain Directors and Client Executives.

**Publicity and Marketing**

4.21 There is no external publicity and marketing for this intervention (apart from basic promotional literature), companies predominantly find out about it through the recommendation of their respective Client Executive or in a small minority of cases through the Invest NI website, advertisement in the local press (uncertain of the veracity of this response) or recommended by a colleague or supplier (1.6% of respondents identified each of these three mechanisms, totalling 4.8%). 9.8% stated they became aware through a recommendation from the Centre for Competitiveness.

4.22 Publicity and marketing is orientated towards internal promotion, that is providing case studies and working groups for the Client Executives in order that they will be able to more keenly articulate the benefits of the approach to a business community which in large part is unaware of the intervention and remains to be convinced of its merits.

4.23 Feedback from the Case Studies substantiates this assumption. 4 of the 5 Case Studies illustrate an initially sceptical company which either sought to undertake the Business Health Check on the recommendation of the Client Executive or it was viewed as a pre requisite for subsequent financial support. Only after the benefits had been demonstrated through successful implementation were they accepting of the premise. However, four of the companies stated that only the active promotion of the intervention by the Client Executive persuaded them to adopt it.

4.24 Therefore, we support the Business Health Check team in choosing to solely promote the intervention through Client Executives and thereby address their continued misapprehensions regarding its usefulness. We believe that there should be a continued emphasis on demonstrating the worth of the intervention to sceptical Client Executives. This should be done through the development of robust case studies and guidance notes and external speakers (local businesses which have successfully utilised a BHC) which will clearly demonstrate the utility of a proportionate Business Health Check to assess the needs of their portfolio of clients.

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### Implementation of Business Health Checks

4.25 81.3% of respondents stated that they were either satisfied or very satisfied with the delivery of the Business Health Check. As has been noted in **Section II**, Business Health Checks can be delivered by a number of different personnel including the Client Executive, Business Advisors (from the BIS team) and EDOs, the following paragraph seeks to identify (through the use of the survey and case studies) what if any effect this had on the implementation of Business Health Checks.

4.26 Prior to commencing the Business Health Check, 98.3% of respondents stated that they were informed of the time and resourcing commitments necessary to undertake the process. This is confirmed by the case studies in which respondents stated that once they were informed of the full time commitments necessary they could begin to plan and make resources available. Respondents also stated that it was essential that this message of resource implications was conveyed to the appropriate decision makers within the organisation. It was also viewed as being essential that a 'champion' for the process be identified, this was often not the Chief Executive, but usually the finance or Human Resources Director who had mostly had undertaken similar exercises with previous employers and would lead on implementation.

4.27 A 100% of respondents stated that they believed that the people delivering the Business Health Check had the necessary skills. This included Client Executives, BHC team and EDOs. Although there was a recognition that EDOs bring with them specialist skill sets, respondents stated that they wanted Client Executives to be involved in the delivery of the Business Health Check as this would ultimately provide them with a greater insight as to the needs of the firm.

4.28 The survey refuted two common misapprehensions which arose during the consultation exercise regarding the implementation of the Business Health Check:

- a) the first is that companies were not favourable towards wider staff consultation; and
- b) second that the process was too extended, with it taking upwards of 3-6 months to complete a report.

4.29 With reference to the first point, 81% of respondents stated that the wider consultation exercise with staff was beneficial. This was further substantiated in the Case Studies where companies enthused about the about wider consultation exercise as it provided a wider range of staff with an opportunity to voice their opinions in a neutral environment. Many of these concerns, particularly in relation to training and human relations issues were subsequently adopted by the company (i.e. one of the case studies cites the employment of an Human Relations Officer, whilst, two other companies state that they engaged in Business Improvement Training Programmes with Invest NI and some accredited training through DEL to address identified deficiencies).

4.30 In terms of the second point, Client Executives expressed concerns that Business Health Checks took significantly longer than the prescribed 8 weeks to complete. However the survey reported that 94.8% of respondents stated that the Business Health Check was completed in a timely fashion. Although this may have cost implications for Invest NI, the extended reporting time brought with it enhanced good will to Invest NI and the Client Executive, with respondents to the case studies stating that this was often the only time they got to plan for the medium to long term and the presence of the Client Executive means that time must be reserved from the usual fire fighting.

4.31 In terms of the layout of the Business Health Check, 91.1% of respondents stated that it was an easily understood report. 60.7% of respondents stated that the Business Health Check produced a clear Action Plan which has been subsequently implemented. A further 33.9% stated that it produced a clear Action Plan which has still to be implemented. The feedback illustrates a workable document which on the whole is being utilised by both the companies and the Client Executives.

**Review of Performance, Activity and Equality****IV****Main Case Study Findings**

4.32 Although it was not discussed in the customer survey, the detailed interviews which informed the development of the case studies identified a number of issues:

- a) all respondents liked the idea of being able to access Benchmarking materials, however the accessed information was not judged to be highly instructive (Amongst a number of larger scale respondents this was met with relief as it validated their own comparator analysis work);
- b) respondents also stated that the Business Health Check did have vital lessons for companies of all scales, however the majority of benefits would be to those medium sized companies (usually family owned) which are embarking on expansion plans and have never clearly articulated their plans and operating procedures. They have mostly evolved over time;
- c) respondents felt that smaller/less sophisticated companies (in terms of structure/strategy) would not benefit as much from a full Business Health Check, however they should still be able to avail of a 'short form version' in order to get them and their Client Executive thinking;
- d) respondents stated that the Action Plans quickly became obsolete, particularly in times of crisis and opportunity (which was usually the catalyst for instigating a Business Health Check in the first place) and that it would be useful to have them updated at least every three to five years. When pushed, respondents stated that they would be content to make a contribution to costs (this issue is substantiated within the survey); and
- e) a number of respondents stated that they would welcome opportunities to collaborate with other companies who have undergone the process, in order to share learning and demonstrate the benefits. However companies were sceptical of 'grouping Business Health Checks', that is encouraging companies within the same supply chain to develop common approaches. They did not want suppliers having such an insight into their working practices and medium to long term strategy

4.33 Amongst the respondents there was a general acceptance that the Business Health Check was a well implemented intervention. There was a high degree of satisfaction with how it was delivered and there was an acknowledgement of the central role of the Client Executive. Companies needed to have the benefits demonstrated to them and case studies and other instances of applied good practice often persuaded a sceptical management team. Once the case was made, there was an acknowledgement that the Business Health Check should be administered at least every three to five years and there was a willingness to make a financial contribution. However, it was recognised that there should be proportionate effort.

4.34 Returning to the survey, 53.4% of respondents stated that they would prefer to undertake an annual online self diagnostic of company performance. Mindful of this statistic and the feedback from the in-depth interviews, we believe that there is an opportunity to develop both an online self diagnostic tool for all new companies and those which are classified as being dormant which could be delivered annually (or a time interval at the discretion of the Client Executive) and more developed/involved Business Health Checks for a smaller cohort of companies (who would benefit from in-depth consultation).

**Monitoring of outcomes**

4.35 The survey did not address the monitoring of outcomes, however it did comment on the usefulness of the Action Plan, with 60.7% of respondents stating that the Business Health Check produced a clear Action Plan which was subsequently implemented and a further 33.9% stating that they were in the process of implementing points from the Action Plan. Although the Action Plan provides a clear focal point for discussion between the Client Executive and the Company, the Plan itself also provides a valuable internal reporting

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mechanism within Invest NI. Specifically the targets subsequently inform the workplan for the Client Executive and are also aggregated up to inform Directorate level workplans. Finally, the Client Executive is obliged to tag all activities related to the Business Health Check intervention on the CCMS system. Given the internal focus of this activity, neither the survey nor the interviews could provide any insight into the validity of this approach. Rather the comment 'that plans quickly become obsolete' has an implication on the validity of monitoring outcomes. Companies therefore believed that it was essential that the Client Executive merely use the Action Plan as an opening agenda, but that it was necessary for frequent updates with 'active companies' and more routine benchmarking/data analysis for less active companies.

**Benchmarking**

4.36 In line with the terms of reference, the Benchmarking exercise will investigate best practice across a number of regions/nations and also make a comparison of the situational analysis tools used by other agencies.

4.37 In line with the terms of reference, ASM undertook benchmarking analysis of the following regions/nations:

- a) Former English Regional Development Agencies – Early Assessment of Business Link Health Checks;
- b) Scotland – Scottish Business Gateway;
- c) Republic of Ireland – Enterprise Ireland and Failte Ireland;
- d) New Zealand – New Zealand Development Agency; and
- e) UK Private Sector – UK Banks.

4.38 Before moving onto the analysis table a number of themes emerged which were common to all regions/nations:

- a) all interventions shared the same rationale for use – to identify potential constraints/opportunities for the business and to subsequently offer a range of supporting interventions;
- b) it was free for all micro and SMEs to use the online diagnostic;
- c) targets are not set;
- d) it was not used as a compliance tool for subsequent application for funding; and
- e) the approved delivery method was a combined use of an online diagnostic/telephone hotline and subsequent face to face meetings.

4.39 The table below illustrates the key differences between the regions/nations:

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	England	Scotland	Republic of Ireland	New Zealand	UK (Private Sector)
Delivery Mechanism	Online diagnostic and follow up visit with advisor. In some regions the Advisors use a Balanced Business Scorecard, whilst in another region they use generic tools like financial diagnostics and productivity ratios.	Online diagnostic which can be delivered against one of four headings: People/HR, Finance, Sales and Marketing and Operations. There is a subsequent follow up visit with advisor.	In Enterprise Ireland, there is an initial diagnostic test administered by the Advisor and then there is a subsequent series of face to face meetings (and benchmarking activity). In Failte Ireland there are a series of themed online diagnostic tests reflecting issues such as HR, finance and operations management and have been developed for the following sub sectors: Hotels, Pubs, Guesthouses and B&Bs.	Online diagnostic and follow up visit with advisor.	Online diagnostic and follow up visit with advisor.
Promotion and Marketing	Via website and events.	Via website and events.	Via website and events, most notably a number of workshops of lean methods to rebrand the company health check programme as a key component of the lean programme.	Information not in the public domain.	Via website and newspaper advertising.

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	England	Scotland	Republic of Ireland	New Zealand	UK (Private Sector)
Opportunities for Knowledge Exchange	Information not in the public domain.	Information not in the public domain.	Enterprise Ireland continuously analyses the results for the purpose of predicting future use of interventions. In addition, Enterprise Ireland has also used marketing analysis derived from the company health checks to develop a marketing benchmarking tool.	Information not in the public domain.	Information not in the public domain.
Duration	2-3 weeks	2- 3 weeks	Up to 3 months	Information not in the public domain.	Information not in the public domain.
Opportunities for collaborative working	No, but there was a desire for more collaborative working, in particular supply chain opportunities	No	Yes Enterprise Ireland actively encourages collaboration through shared events and learning journeys.	Information not in the public domain.	No
Frequency of Update	Routine follow up by advisors.	No limit as to how many times the online diagnostic may be used.	Routine follow up by advisors.	No limit as to how many times to online diagnostic may be used.	No limit as to how many times to online diagnostic may be used.

4.40 In summary, the Business Health Check delivered by Invest NI continues to provide the most comprehensive service across the regions and nations surveyed. However, unlike other regions/nations, it is only accessible by specified Clients (Enterprise Ireland has the same limitation, however companies dependent on their sector/geography have the opportunity to avail of similar interventions administered by the relevant County Enterprise Board and Failte Ireland). In common with other regions/nations there may be an opportunity to widen participation through the use of online diagnostics. In addition, the benchmarking exercise does identify that most regions also offer a more value adding face to face service for selected companies.

**Review of Performance, Activity and Equality****IV****Review against Action Plan for previous Evaluation**

4.41 The SQW Evaluation of the Business Health Check made a number of recommendations. These recommendations were developed into an Action Plan for subsequent implementation by the Business Health Check team and other partners (the detailed Action Plan is contained in **Appendix D**).

4.42 ASM has reviewed the Action Plan for completeness and notes that actions have been recorded against all headings and demonstrated a willingness on the part of the Business Health Check team to comply with the recommendations. However a number of common issues still remain:

- a) lack of buy in from certain Divisions, Client Executives and Clients;
- b) perceptions of 'target fatigue' which is manifested in counter productive tick boxing exercises;
- c) perception that it is a 'compliance tool';
- d) uncertainty as to the proportionality of approach;
- e) Invest NI is still unable to provide clarity on the actual costs of the intervention (Point 16 of the SQW Evaluation – formal consideration should be given to tracking time inputs made by executives in delivering BHC activity. – The Development Group of Invest NI have considered this recommendation, but in recognition of the range of activities carried out by Client Executives have decided that time tracking is not feasible. However, the use of CCMS will identify and flag up those BHCs where there is a time lag).

**Operational conclusion**

4.43 As was noted in paragraph 4.6, the core BHC team has a number of activities it is called upon to deliver. These activities also reflect the action points detailed in the Action Plan arising from the Recommendations of the SQW Evaluation carried out in 2008. In the following paragraphs we conclude on the activities to date against each of the five key responsibilities:

- a) **Guidance on implementation of the BHC:** It is recognised that the core BHC team has developed additional detailed guidance related to a full BHC and that this has been duly dispersed to appropriate Client Executives through guidance notes, case studies and workshops and one to one training sessions. Even after this effort on the part of the team there continues to be a lack of understanding on the part of a section of client executives on what constitutes a proportionate effort for BHCs. The Stakeholder consultation clearly identifies a demand for additional written guidance on both the determinants of proportionality of effort and the implications on subsequent implementation;
- b) **Quality control of all BHCs undertaken by Invest NI and External Delivery Organisations:** Feedback from the stakeholders illustrates a good awareness of this function and that quite rightly the main emphasis of the team has been in providing up front advice at the development of methodology stage. This has meant that there is less need for detailed review of submitted drafts. Returning to the survey, there was a high degree of satisfaction on the part of respondents to the quality of the BHCs, which validates the quality control function of the team;
- c) **Implementation of selected BHCs (those which need specialised input);** We note that there has been a significant decline in the use of EDOs in delivering Business Health Checks. This is in large part down to both the overall decline in the number of BHCs being undertaken by Invest NI of which

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an increasing number are being delivered by Client Executives and the core BHC team. The survey verifies that this move towards internal delivery has not had an impact on the perception of clients of both the skills of the delivery team and the quality and usefulness of the report. Both factors scored very highly in the survey. This transfer of responsibility of delivery for BHCs has been a success.

We are also supportive of the rationale behind the continuance of an External contract (i.e. as an additional resource to address specific internal constraints on the delivery of BHC) however, we recommend that internal delivery options must in all occasions continue to be the first option with use made of the external contract only in exceptional circumstances and subject to an internal business case made to the appropriate Line Management and validated by the Business Health Check team.

- d) **Internal marketing of the intervention:** As the intervention is not directly marketed to the public, most initiatives have focused on developing the capability of Client Executives to deliver BHCs. We believe that this internal focus is justified. However, we believe that the team should consider greater profiling of case studies to illustrate the added value the intervention may bring to companies according to their scale and/or level of administrative sophistication;
- e) **Monitoring and the development of case studies:** The team are charged with monitoring the number of BHCs completed and their subsequent impact. However, we believe that this role is not providing a real impact for two reasons:
  - i) the team is not consulted in the of setting targets and has no ability to influence the subsequent timing/reporting of their delivery; and
  - ii) the current CCMS system either cannot or does not tag the use of subsequent interventions to the BHC. Client Executives deliver the relevant Action Plans and record the outputs/outcomes on CCMS.

Control over both of these functions rests with the Client Executive and their appropriate line management. The current monitoring situation exacerbates the impression of the core BHC team having a compliance role but not having the authority to enforce it. The monitoring of targets should rest where the authority rests, between the Client Executive and their line management.

In terms of the delivery of the case studies, the team have developed a number of useful studies which have been used by Client Executives to extol the virtues of the scheme. We believe that the core team should continue to develop case studies specifically aimed at illustrating the added value which the scheme can bring to client companies.

4.44 In summary, the team has delivered against each of the five headings and has moved towards an enhanced role of direct delivery and quality assessment. The perception of a compliance role for the BHC hampers the ability of the team to demonstrate to sceptical staff the added value which the intervention may bring to selected companies.

**Review of intervention objectives**

4.45 We note that the BHC has not been the subject of an economic appraisal and as such specific SMART objectives have not been established for the intervention over the period being evaluated.

4.46 The SQW Evaluation recommended:

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*“Greater emphasis should be given to tracking and evaluating the impact of BHC in client firms. Consideration should be given to identifying suitable Key Performance Indicators (“KPIs”) by which BHC impact can be assessed and ensuring that these are recognised by CEs and clients alike as indicators for subsequent monitoring. Given developments in Government thinking, greater consideration should be given to monitoring the rate of BHC interventions on delivering Gross Value Added, although at the level of individual firms this metric is not routinely reported.”*

4.47 The Management Response:

*“This will fall within the remit of Directors to ensure that impact is being assessed and monitored. The four Key Performance Indicators are: profitability, turnover, export sales and value added per employee.*

*The BHC Development Group will monitor performance on an ongoing basis and will issue guidance to ensure consistency across the organisation”*

4.48 We understand that in practical terms that a greater emphasis has been placed on increasing GVA within the individual company Action Plans rather than tracking this at an Invest NI level.

4.49 The BHC core team have developed 10 case studies which highlight the benefits of undertaking a BHC, however they have not aggregated the four key performance indicators identified above.

4.50 During the process of the evaluation we have been able to identify 2 specific targets:

- a) the number of BHC’s completed; and
- b) the target spend.

4.51 Any subsequent economic appraisal should develop SMART objectives which are in keeping with the Programme for Government objectives.

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## Review of Risks

4.52 The Business Health Check was not subject to an economic appraisal and so key risks were not identified at this stage. However, in conducting the economic evaluation we have been able to identify the following risks and mitigating actions:

Risk	Assessment of continuing validity
<b>Operational Risk – Quality</b>	This relates to both the quality of delivery and the final report for each Business Health Check. A large number of Client Executives and External Delivery Organisations complete Business Health Checks and although there is robust guidance, the number of individuals undertaking such activities must bring a risk that there will be differences in quality. This can be mitigated by the core team continuing to provide ongoing guidance/training events and routine reviews of completed Business Health Checks.
<b>Operational Risk – Cost</b>	This relates to the inability of Invest NI to track the full costs incurred in the delivery of Business Health Checks i.e. Invest NI staff costs (both Client Executive and staff from core team) As Invest NI does not have a formal time management system it is impossible to accurately record total time spent on each Business Health Check.  The two focus groups highlighted that each Health Check is taking considerably longer to complete than the recommended time frame. We believe that the 'cost risk' due to time over-runs could be mitigated against through enhanced monitoring of key milestones by relevant line management for each Client Executive.
<b>Operational Risk – ability to utilise EDOs</b>	The SQW evaluation recommended that there should be a reduction in the use of External Delivery Organisations over the programme period. This has been achieved. However, there is still an occasional need for Business Health Checks to be carried out by External Delivery Organisations (when the organisation is considered to be either too large or complex to be delivered by internal staff). There is a risk that the reduction in the number of BHCs being commissioned from locally based External Delivery Organisations may deter future supply by encouraging diversification into different markets.  Interviews were conducted with four External Delivery Organisations who stated that they recognised that this was a declining market, but that they were still prepared to deliver an occasional BHC. We believe that routine communication with the EDOs will ensure their continued interest in delivering this service.
<b>Reputational Risk -</b>	The continued perception that the Business Health Check is a compliance tool for Invest NI brings a reputational risk to the organisation. If Clients are not persuaded of the added value which the intervention may bring to them, they will simply view the BHC as merely another 'hurdle'. This risk can be mitigated by promoting the intervention only to those companies which have either requested it or are judged by the Client Executive as potentially benefitting from its use.
<b>Volume Risk</b>	This is the risk that the actual usage of the service varies from the level forecast. During the period of the evaluation the overall target was not met. There was a high degree of variation between Directorates in the setting and subsequent delivery of targets, however no one Directorate had overall responsibility for the setting of the Invest NI target. We believe that the setting of an overall target for BHC implementation is counter-productive and reinforces the perception that this is a compliance tool. As such the BHC should be viewed as merely another intervention in the BIS suite of programmes and is reported against its overall target.

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## Analysis of Programme costs and outputs

## Programme costs

4.53 The formal approval papers do not contain any information in respect of overarching budgets set for BHC for the period under review.

4.54 Invest NI has provided the following information in respect of the budget and actual spend for each of the years:

Year	Budget spend £	Actual spend £	Variance £
2008/09	500,000	283,966	(216,034)
2009/10	350,000	235,431	(114,569)
2010/11	175,000	105,153	(69,847)
2011/12*	90,000*	33,600**	(56,400)
Total	<u>1,115,000</u>	<u>658,150</u>	<u>(456,850)</u>

\* Full Year Budget \*\*Actual spend for 3 months

4.55 The actual spend is analysed below:

Year	Benchmarking £	WAVE £	Other	External assessors £	Total £
2008/09	31,372	17,625	84,081	150,897	283,966
2009/10	23,500	17,625	-	194,306	235,431
2010/11	25,850	8,814	13,229	57,260	105,153
2011/12	26,400	-	7,200	-	33,600
Total	<u>107,122</u>	<u>44,064</u>	<u>104,510</u>	<u>402,463</u>	<u>658,150</u>

4.56 We understand that the annual budget amount is an allocation of the BIS Divisional budget and that it has not been compiled taking into account the target number of external BHCs to be delivered each year. As a consequence it is not possible to specifically identify reasons for the underspend. However from a high level perspective the underspend will have been influenced by the following factors:

- fewer BHCs being completed than budgeted; and
- more BHCs being completed internally than externally.

4.57 We note that the above figures represent only external spend and the terms of reference require that we consider the total cost to Invest NI. We have been advised that Invest NI does not record the time taken by internal BHC assessors to undertake each BHC. In the absence of this information it is not possible to be definitive as to the total costs of the BHC. In this regard we have estimated the full costs to Invest NI by adopting the following methodology:

- we have extracted the number of BHCs undertaken internally from Invest NI's records;
- we have estimated the proportion of BHCs undertaken internally in each size category (less than 6 employees, 6-15 employees, 16-50 employees, 50-250 employees and more than 250 employees) based on an analysis of the structure of total population;
- we have estimated the time taken to undertake each BHC based in the internal guidance provided by Invest NI. We note that as the BHC team has advised that in their experience most BHCs take in excess of the guidance figures we have prepared an alternative costing based on the figures set out

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in the following table. We have assumed that all BHCs are undertaken at DP grade

<b>Company size</b>	<b>Internal guidance Days</b>	<b>BHC team Days</b>
1-5 employees	1.75	2.50
6-15 employees	3.50	4.00
16-50 employees	5.00	7.00
51-250 employees	7.00	10.00
250 employees	9.00	20.00

- d) we have estimated the quantum of administration time spent on BHC by using estimates provided by Invest NI as follows: Grade 7 (10%), DP (25%), SO (20%) and EOII (10%);
- e) fully loaded staff costs have been applied to these time estimates;
- f) we have been advised by Invest NI that there are no internal or external marketing costs associated with the BHC; and
- g) the costs have been estimated for the 3 years 2008/09, 2009/10 and 2010/11.

4.58 The following table sets out our estimate of the full costs of the BHC based on the internal guidance number of days.

<b>Total costs</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12 3 mths</b>	<b>Total</b>
External costs	283,966	235,431	105,152	33,600	658,159
Internal direct costs	121,175	110,790	124,618	14,060	370,644
Internal management costs	38,210	39,118	40,242	10,342	127,913
	159,385	149,908	164,861	24,402	498,556
<b>Total costs</b>	<b>443,361</b>	<b>385,339</b>	<b>270,013</b>	<b>58,002</b>	<b>1,156,715</b>
Number of BHCs	143	108	87	9	347
Cost per BHC	3,100	3,568	3,104	6,445	3,333

4.59 We have also estimated the costs based on the BHC team estimates of the actual time input.

<b>Total costs</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12 3 mths</b>	<b>Total</b>
External costs	283,966	235,431	105,152	33,600	658,159
Internal direct costs	177,163	161,978	182,196	20,556	541,894
Internal management costs	38,210	39,118	40,242	10,342	127,913
	215,373	201,096	222,439	30,899	669,806
<b>Total costs</b>	<b>499,349</b>	<b>436,527</b>	<b>327,591</b>	<b>64,499</b>	<b>1,327,965</b>
Number of BHCs	143	108	87	9	347
Cost per BHC	3,491	4,042	3,765	7,167	3,826

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4.60 We consider that this may be a fairer reflection of the actual costs as it concurs with the Client Executives view that BHCs take longer than estimated.

4.61 Internal management costs have been estimated as follows:

Internal management costs	2008/09	2009/10	2010/11	2011/12 3 mths	Total
Grade 7 (10%)	7,599	7,785	8,010	2,058	23,393
DP (25%)	15,880	16,261	16,729	4,299	48,869
SO (20%)	10,601	10,849	11,160	2,868	32,609
EOII (10%)	4,131	4,224	4,344	1,117	12,699
	<u>38,210</u>	<u>39,118</u>	<u>40,242</u>	<u>10,342</u>	<u>127,913</u>

#### Number of BHCs completed

4.62 The use and application of BHC is driven by Client need, as identified by the Client Executive or Business Adviser, hence targets for number completed and follow on actions were not set at the start of the service. Instead each operating division sets a target for completion based on knowledge of client companies. The targets simply represent an amalgamation of individual operating division targets.

4.63 The following table sets out the targets and the number of completions:

Year	Target	Started	Completed	Completion as a % of target
2008/09	152	179	143	94.1%
2009/10	141	138	108	76.6%
2010/11	97	103	87	89.7%
2011/12	85	37	9 (part year only)	10.5%
Total	<u>475</u>	<u>457</u>	<u>347</u>	

4.64 It can be seen from the above table that the number of completions has been below target for each year averaging 86.6% for each of the full years (2008/09, 2009/10 and 2010/11).

4.65 The following reasons for the shortfall have been provided by Invest NI;

- a) In 08/09 the service was relaunched and did not reach full capacity until January 2009;
- b) impact of the launch of the credit crunch diagnostic in 2008. This was developed in response to the economic downturn and supported the completion of over 500 (short form) diagnostics.

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4.66 The following table sets out the actual and target per division.

<b>Completion targets by division</b>			
<b>2008/09</b>	<b>Target</b>	<b>Actual</b>	<b>Variance</b>
Regional office network	40	39	(1)
Life Sciences and Creative	24	24	0
Food	25	20	(5)
International ICT	4	3	(1)
Engineering and business Services	26	24	(2)
Transport, construction and tourism	33	33	0
	<b>152</b>	<b>143</b>	<b>(9)</b>
<b>2009/10</b>	<b>Target</b>	<b>Actual</b>	<b>Variance</b>
Regional office network	40	32	(8)
Life Sciences and Creative	16	16	0
Food	18	12	(6)
International ICT	7	5	(2)
Engineering and business Services	27	21	(6)
Transport, construction and tourism	33	22	(11)
	<b>141</b>	<b>108</b>	<b>(33)</b>
<b>2010/11</b>	<b>Target</b>	<b>Actual</b>	<b>Variance</b>
Regional office network	40	36	(4)
Life Sciences and Creative	6	6	0
Food	11	6	(5)
International ICT	0	0	0
Engineering and business Services	16	23	7
Transport, construction and tourism	24	16	(8)
	<b>97</b>	<b>87</b>	<b>(9)</b>

4.67 The following points are noted:

- a) there is a significant variation in uptake across the divisions. This generally reflects the individual Directors' belief in the value of the BHC;
- b) there is a decline in the number of BHCs being undertaken annually across all divisions.

### Equality Considerations

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

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

4.70 The Agency is fully committed to its Equality and Lifetimes Opportunity responsibilities and has made this aspect of its operation a priority. As a result Invest NI has:

**Review of Performance, Activity and Equality****IV**

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

4.71 In consultation with the BHC team, we reviewed the intervention against the following criteria:

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

4.72 We found that the Business Health Check met the three criteria cited above and it is our opinion that it complies with the relevant equality guidelines.

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**Economic Impact and Assessment of Value for Money****V**

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

- a) assess the extent to which the programme has contributed from January 2009 – June 2011, or has the potential to contribute, to the relevant targets and actions under PSA 1, securing improvements in manufacturing and private services productivity and PSA 3, increasing employment;
- b) assess the overall economic impact of the intervention, including the wider and regional economic benefits, direct and indirect, that have accrued as a result of the projects assisted through the programme, quantifying as many of these as possible;
- c) where information is available an NPV analysis should be undertaken to compare against the NPV analysis projected at the economic appraisal stage;
- d) assess the economy, efficiency and effectiveness with which public funds have been used on the programme. Economy measures are concerned with showing that the appropriate inputs (i.e. the resources used in carrying out the project) have been obtained at least cost, efficiency relates to measures that are concerned with achieving the maximum output from a given set of inputs while effectiveness measures are concerned with showing the extent to which aims, objectives and targets of the project are being achieved;
- e) the cost of marketing elements of the programmes must be included in this cost analysis, regardless of which cost centre has been used; and
- f) conclude on the overall findings of the evaluation, taking account of all available evidence from the evaluation. As per section 6 (xviii), this should include quantified assessments of VFM, the level of additionality and displacement and relevant cost-effectiveness indicators. As noted above an overall VFM conclusion should be based on economy, efficiency, effectiveness, additionality, deadweight, displacement, viability, risk, cost effectiveness, economic impact and wider and regional economic benefits.

**Limitations in approach**

5.2 It is recognised that the primary purpose of the intervention is as means of allocating resources for Invest NI and identifying company weaknesses that may be addressed through other Invest NI programmes. As such the direct economic impact of the BHC is expected to be relatively low as the major economic benefits will be gained from the programmes and activities that are undertaken following the BHC rather than as a direct result of the BHC.

5.3 Our assessment has been inferred by information arising from our survey of 328 companies. It is noted that only 64 companies responded to this survey and not all respondents provided complete economic impact data. We have some concerns that the relatively low sample size may not be reflective of the population as a whole.

5.4 We have undertaken no checks on the validity of the data presented by the survey participants other than verbally checking a number of responses. Where we have undertaken verbal checks these are set in the following paragraphs.

5.5 Regardless of the limitations of existing data we have examined the evidence for economic benefits in terms of turnover, employment and GVA.

**Economic Impact and Assessment of Value for Money****Monetary economic impact****Turnover**

5.6 Turnover impacts have been assessed from the responses to question 28 "Did you experience any increase in turnover as a result of the Business Health Check?" The responses are set out in the following table:

<b>Response Q28</b>	<b>Number</b>	<b>%</b>
Don't know	13	27.1
No	28	58.3
Yes	7	14.6
	<b>48</b>	<b>100.0</b>

5.7 It can be seen from the above table that 27.1% of respondents are unable to attribute any value to the increase in turnover as a result of the Business Health Check. This is not unexpected as the nature of the intervention is not one where we would expect substantial direct impact on turnover.

5.8 We note that a small number of respondents were able to quantify the turnover impact. However, three of these respondents reported significant increases in turnover (£5m or more) that was directly attributable to the Business Health Check. (We have verbally confirmed with these respondents that these amounts have been correctly attributed to the BHC). These values have the potential to skew the results particularly when they are grossed up to reflect the full population. We therefore have some concerns regarding the robustness of the data and the sample sizes and as a consequence advise that the resulting calculation of impacts be treated with caution.

5.9 The following table sets out our calculation of total turnover benefits:

<b>Turnover</b>	<b>£</b>
Turnover per survey sample	25,538,000
Total responses	35
Average turnover per company	729,657
Total population	328
Gross up for total population	<b><u>239,327,543</u></b>
Level of confidence +/- 15.68%	

**Deadweight**

5.10 The total turnover impacts need to be adjusted to recognise that some of the turnover would have happened in the absence of the programme. Our assessment of deadweight takes into account two factors:

- a) the level of changes impacting turnover that would have been made in the absence of the BHC; and
- b) the time impact of the BHC - for example, were changes made earlier as a consequence of undertaking the BHC.

5.11 These factors were assessed using the answers to questions 20 to 22 of the survey. The responses to question 20- "in the absence of the Business Health Check, how likely would you have been to undertake these changes?" are set out below.

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Response Q20	Number	%
Definitely would not have happened	4	7.8
Would not have happened at the same level and not as quickly	11	21.6
Would have happened but not at the same level	10	19.6
Would have happened but not as quickly	17	33.3
Would have happened anyway	9	17.6
	<u>51</u>	<u>100.0</u>

5.12 Where the activity would not have been undertaken, deadweight is 0% and where it would have been undertaken, deadweight is 100%. The remainder of responses indicate partial deadweight.

5.13 The level of partial deadweight has been calculated from the responses to questions 21 "what proportion of responses would you have undertaken?" and question 22 "how much later would you have undertaken the action?"

Response Q 21	Number	%	Deadweight %
Would have undertaken some activity	14	70.0	25
Would have undertaken around half activity	5	25.0	50
Would have undertaken most of the activity	1	5.0	75
	<u>20</u>	<u>100.0</u>	

5.14 In the above table the deadweight % represents the assumed deadweight allocated for each of the responses, for example, a response indicating that they would have undertaken most of the activity would be assumed to indicate 75% deadweight.

Response Q 22	Number	%	Deadweight Factor
0-12 months	7	25.0	0.9
1- 2 years	18	64.3	0.8
Over 2 years	2	7.1	0.7
Other	1	3.6	0.6
	<u>28</u>	<u>100.0</u>	

5.15 In the above table the deadweight factor is applied to the gross deadweight figure to calculate a net deadweight figure taking into account both activity and time additionality. For example, a response indicating that that the activity would have happened anyway (100% deadweight) but 1-2 years later (0.8 deadweight factor) would be assumed to have a net deadweight percentage of 80%.

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5.16 The following table sets out the range of deadweight scores:

Comment	Percent Deadweight	% Respondents (n=39)
<b>No scale impact</b>	100	9
<b>Relatively low scale impact</b>	91 to 99	0
	81 to 90	1
	71 to 80	5
<b>Relatively moderate scale impact</b>	61 to 70	0
	51 to 60	1
	41 to 50	1
	31 to 40	4
<b>Relatively high scale impact</b>	21 to 30	6
	11 to 20	6
	1 to 10	1
<b>Absolute scale additionality</b>	0	5
	Total	40

5.17 An analysis of the data supporting the above table indicates an average deadweight percentage of 48.6%. While the previous evaluation did not include a detailed deadweight calculation it noted that "beneficiaries attributed nearly 30% of business improvements directly to the BHC". This implies deadweight of 70%.

#### Displacement

5.18 In identifying the additional turnover, a further factor considered is displacement. This seeks to account for the extent that assisted businesses displace economic activity from other surrounding competitors- negating any overall benefit to the economy. This has been assessed through the answer to question 32 of the survey "What percentage of businesses you compete with are based in the following locations; Northern Ireland, Great Britain and outside UK."

5.19 The following table summarises the responses to this question:

Response Q32	%
Northern Ireland	37.5
Great Britain	28.8
Outside UK	33.7
	100.0

5.20 It can be seen from the above table that displacement is 37.5% when considered from a Northern Ireland perspective and 66.3% when considered from a UK perspective.

#### Turnover based GVA calculation

5.21 Turnover based GVA has been calculated as follows:

- total turnover for the sample has been calculated (as per para 5.8);
- total GVA for the sample has been calculated by applying Turnover/GVA ratios extracted from the NI Annual Business Enquiry (**Appendix F**);

**Economic Impact and Assessment of Value for Money****V**

- c) total GVA for the population has been calculated by increasing the total GVA on a pro-rata basis.

5.22 Additional GVA is then calculated by applying deadweight and displacement percentages as noted above. The following table sets out our calculation:

<b>Turnover based GVA</b>	
	<b>£</b>
Turnover based GVA per survey sample	6,829,848
Total responses	35
Total population	328
Gross up for total population	64,005,431
Deadweight (48.6%)	<u>(31,106,639)</u>
Net before displacement	32,898,791
Displacement (37.5%)	<u>(12,337,047)</u>
Net additional GVA	<u><u>20,561,745</u></u>
Level of confidence +/- 15.68%	

5.23 As noted above, the calculation of additional GVA will be skewed by the inclusion of a small number of large additional turnover impacts reported by the survey respondents. Notwithstanding, we have confirmed (through telephone conversations) with 3 specific clients that they are content that reported turnover increases of £15m and £5m (2) can be directly attributed to the BHC. This provides an additional degree of comfort in respect of the robustness of the sample calculation. Notwithstanding, the small response rate and the impact of these relatively large figures brings into question the reliability of the overall GVA figure when grossed up. We have therefore undertaken 2 additional calculations:

- a) GVA has been calculated based solely on the sample and not grossed up;
- b) GVA has been calculated on the basis that the 3 large results are considered to be outliers.

5.24 The following table sets out these results:

<b>Turnover based GVA</b>	<b>Not grossed up</b>	<b>Excluding outliers</b>
	<b>£</b>	<b>£</b>
Turnover based GVA per survey sample	6,829,848	127,348
Total responses	35	32
Total population	35	328
Gross up for total population	6,829,848	1,305,315
Deadweight (48.6%)	<u>(3,319,306)</u>	<u>(634,383)</u>
Net before displacement	3,510,542	670,932
Displacement (37.5%)	<u>(1,316,453)</u>	<u>(251,599)</u>
Net additional GVA	<u><u>2,194,089</u></u>	<u><u>419,332</u></u>
Level of confidence +/- 15.68%		

## Economic Impact and Assessment of Value for Money

## Employment impacts

5.25 The following table sets out the responses to Question 29 "did you experience any increase in staff levels/numbers as a result of the Business Health Check?":

Response Q29	Number	%
Don't know	3	6.3
No	37	77.1
Yes	8	16.7
	<u>48</u>	<u>100.0</u>

5.26 We note that in contrast to the responses on turnover impact only 6.3% of respondents did not know the impact that the Business Health Check had on employment. This would indicate that the responses to this question may be more robust than those in respect of turnover.

5.27 The following table sets out our calculation of the total employment impact of Business Health Check:

Employment	
Employment increase per survey	84
Total responses	45
Total population	328
Gross up for total population	612
Deadweight (48.6%)	<u>(296)</u>
Net before displacement	316
Displacement (37.5%)	<u>(118)</u>
Net additional employment	<u>197</u>
Level of confidence +/- 13.59%	

5.28 As with turnover we note that the above analysis is skewed by 2 clients reporting job increases of 23 and 40 respectively as a direct consequence of the Business Health Check (these were also confirmed verbally).

5.29 As an alternative to turnover based GVA we have undertaken a calculation of employment based GVA using the following assumptions:

- Employee increase has been extracted from the survey;
- The total GVA per employee (based on the 2009 and 2010 Annual Business Enquiry) has been applied to the employee numbers. This has been calculated by industry sector; and
- Deadweight and displacement has been calculated based on the assumptions used for turnover.

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5.30 The following table sets out the calculation:

<b>Employment GVA</b>		<b>£</b>
Employment GVA per survey sample		4,044,961
Total responses		45
Total population		328
Gross up for total population		29,483,271
Deadweight (48.6%)		<u>(14,483,271)</u>
Net before displacement		15,154,401
Displacement (37.5%)		<u>(5,682,901)</u>
Net additional GVA		<u><u>9,471,501</u></u>
Level of confidence +/- 13.59%		

5.31 We note that the calculation of employment based GVA produces a materially different figure than that produced from the calculation of turnover based GVA. As with turnover based GVA we have some concerns regarding the robustness of the sample size and the consequent impact on grossing up and have therefore prepared two additional calculations:

- a) GVA has been calculated based solely on the sample and not grossed up;
- b) GVA has been calculated on the basis that the 3 large results are considered to be outliers.

5.32 The following table sets out these results:

<b>Turnover based GVA</b>	<b>Not grossed up</b>	<b>Excluding outliers</b>
	<b>£</b>	<b>£</b>
Turnover based GVA per survey sample	4,044,961	661,546
Total responses	45	43
Total population	45	328
Gross up for total population	4,044,961	5,046,211
Deadweight (48.6%)	<u>(1,965,851)</u>	<u>(2,452,459)</u>
Net before displacement	2,079,110	2,593,753
Displacement (37.5%)	<u>(779,666)</u>	<u>(972,657)</u>
Net additional GVA	<u><u>1,299,444</u></u>	<u><u>1,621,095</u></u>
Level of confidence +/- 13.59%		

**Economic Impact and Assessment of Value for Money****V****Non-monetary benefits**

5.33 The nature of the intervention is such that the monetary benefits will be difficult to quantify. In terms of assessing overall impact it is important to take into consideration the wider economic benefits on both the participants and the economy.

**Use of other Invest NI interventions**

5.34 From an Invest NI perspective the primary purpose of the Business Health Check is to advise on the appropriateness of further assistance for the client. The following table sets out the number and percentage of clients that moved onto subsequent interventions. (note that respondents could answer more than one intervention).

<b>Intervention</b>	<b>Number (n=56)</b>	<b>%</b>
Trade Advice (e.g. Trade Workshops, Trade Missions, in Market Support)	29	35.7%
Performance Management (e.g. Balanced Scorecard, Process Mapping, Supply Chain Advice, Process Solutions)	13	23.2%
Financial Assistance for capital investment	11	19.6%
Financial Assistance for investment in jobs.	14	25.0%
Innovation Support (e.g. Innovation Vouchers, Grant for R&D, Knowledge Transfer Partnership)	15	26.8%
North Star Mentoring	4	7.1%
Interim Manager	10	17.9%
HR Advisor	5	8.9%
Business Improvement Training Programme	18	32.1%
Growth Accelerator Programme	13	23.2%
None	9	16.1%
Other	4	7.1%

5.35 It can be seen from the above that only a small proportion (16.1%) of those undertaking the Business Health Check did not move onto other Invest NI interventions. The table also indicates that a high proportion made use of more than one intervention.

<b>Number of additional interventions</b>	<b>Number</b>
1	16
2	11
3	6
4	4
5 and more	9

## Economic Impact and Assessment of Value for Money

**Other non-monetary impacts**

5.36 Our assessment of other non-monetary impacts was made under the following headings:

- a) Leadership;
- b) People;
- c) Processes; and
- d) Policy and strategy.

5.37 The following tables summarise the changes that have been made as a direct result of the Business Health Check:

Leadership Change made	Change has been made		Change will be made		Total of change made or will be made	
	Number	%(n=64)	Number	%(n=64)	Total	%(n=64)
Direction for the company was set	30	46.9	8	12.5	38	59.3
Set of standards for behaviour were developed	18	28.1	12	18.8	30	46.9
Systems to achieve improvements were developed	33	51.6	9	14.1	42	65.6
Positive culture was reinforced	30	46.9	6	9.4	36	56.3

5.38 Additional feedback from the telephone interviews identified that the BHC provided a focus for subsequent discussions between management and staff, a number of which were manifested into Leadership changes, including identifying and subsequently reinforcing a positive working culture and setting a clear direction for the firm over the next 3-5 years (and articulated through the Invest NI Action Plan).

5.39 It can be seen from the above that the Business Health Check had a positive impact on Leadership aspects of the clients with over 50% indicating that it was instrumental in creating systems that would lead to improvements and 59.3% indicating that it assisted in setting the direction for the company.

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People Change made	Change has been made		Change will be made		Total of change made or will be made	
	Number	%(n=64)	Number	%(n=64)	Total	%(n=64)
Recruitment and promotion processes have been planned	14	21.9	13	20.3	27	42.2
Recruitment and promotion processes have been improved	14	21.9	13	20.3	27	42.2
Workforce buy in to improvement process	23	35.9	10	15.6	33	51.5
Internal communication improved	32	50.0	6	9.4	38	59.4
Staff performance is recognised and rewarded	19	29.7	13	20.3	32	50
Staff feel supported in their role	22	34.4	8	12.5	30	46.8
A grievance/disciplinary process has been put in place	20	31.3	4	6.3	24	37.5

5.40 The table above demonstrates the positive impact particularly with regard to improved communication and workforce buy-in. Specifically the BHC was directly responsible for putting into place a number of improvements to the people management of the firms, such as enhanced grievance/disciplinary and recruitment procedures.

5.41 Subsequent telephone interviews substantiated these findings with one respondent stating that as a result of undertaking a BHC, the firm had recruited an HR manager tasked with developing new recruitment and performance improvement procedures.

Processes Change made	Change has been made		Change will be made		Total of change made or will be made	
	Number	%(n=64)	Number	%(n=64)	Total	%(n=64)
Work with customers/suppliers has informed strategy	23	35.9	6	9.4	29	45.3
Improvements have resulted in better customer and stakeholder value	19	29.7	6	9.4	25	39
Key processes have been identified and improved	22	34.4	7	10.9	29	45.3
Products, services and support has been designed on customer needs	22	34.4	5	7.8	27	42.1
Products now comply with legislation	17	26.6	3	4.7	20	31.2
Customer expectations have been researched	19	29.7	6	9.4	25	39
Customer relations have improved	22	34.4	3	4.7	25	39

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5.42 The table demonstrates key changes made in all categories by a majority of companies. In particular the survey identified that a number of respondents identified improvements to customer relations, product and service design and compliance with statutory requirements. Subsequent telephone interviews identified that the BHC provided an opportunity in a number of circumstances for front facing (customer facing) staff to identify constraints which management

<b>Policy and strategy</b>						
<b>Change made</b>	<b>Change has been made</b>		<b>Change will be made</b>		<b>Total of change made or will be made</b>	
	<b>Number</b>	<b>%(n=64)</b>	<b>Number</b>	<b>%(n=64)</b>	<b>Total</b>	<b>% (n=64)</b>
Strategy and plans have been developed and updated	32	50.0	7	10.9	39	60.9
Awareness of competitors, best practice and performance measures have informed policy and development	23	35.9	7	10.9	30	46.8
Targets, objectives and responsibilities have been set	30	46.9	8	12.5	38	59.3
Targets and responsibilities have been communicated across the organisation	21	32.8	12	18.8	33	51.5
There is a greater understanding of targets and responsibilities	33	51.6	6	9.4	39	60.9

5.43 The survey has identified that the BHC process brought with it improvements to strategy development and the setting/communication of targets and objectives. Although a number of respondents (35.9%) stated that the BHC enhanced awareness of best practice, subsequent telephone interviews also identified that most firms were content that it merely confirmed what they already know about the competition. However, key respondents stated that the most useful aspect of the BHC was that it provided a time for senior management to meet and discuss with an independent third party (the Client Executive) the medium to long term objectives of the firm, something their daily work commitments prohibited.

**Qualitative outputs**

5.44 The following table summarises the qualitative outputs from the participants engagement with the knowledge providers:

**Economic Impact and Assessment of Value for Money****V**

<b>Answer</b>	<b>Response</b>	<b>% (n=51)</b>
I have greater awareness as to how my company compares against similar enterprises	32	62.7
I now have a better understanding of the strengths and weaknesses of my company	47	92.2
I feel more motivated to make changes to the company	44	86.3
I believe that I have sufficient knowledge/capability to be able to put the recommendations into practice	44	86.3

5.45 It is noted that 71% of survey respondents stated that they would not have completed an independent evaluation. The survey states that 92.2% of respondents stated that they have a better understanding of the strengths/weaknesses of their company and with 86.3% stating that they feel more motivated to make charges to their company. It was initially believed that the BHC was merely a conduit to other interventions delivered by Invest NI, however the survey has identified a number of benefits which can be clearly attributed to the BHC.

5.46 The survey has identified a number of tangible benefits which are directly related to completion of the BHC, including (among others):

- a) the development of systems to achieve improvements;
- b) workforce buy in to improvement process
- c) customer relations improved; and
- d) strategy and plans have been developed and updated.

5.47 We believe that these outputs (and the others identified in the tables above) are consistent with the delivery of the BHC which provides both a mechanism and opportunity to identify and implement new ways of working and thinking without significant capital/revenue expenditure. The benefit of the BHC is that it equips (through the utilisation of the EFQM model), motivated management the ability to seek out innovative ways of working and provides them with the opportunity to think strategically.

5.48 In summary there is clear evidence of non-monetary benefits being experienced by a significant number of survey respondents across a range of attributes.

**Economic Impact and Assessment of Value for Money****V****Wider economic benefits**

5.49 In addition to having a direct benefit on participants the Programme demonstrates wider economic benefits as set out below:

<b>Wider benefits</b>	<b>Commentary</b>	<b>Impact assessment</b>
University linkages with industry and knowledge transfer	The Business Health Check in itself does not involve the development of university linkages with industry, however 26.8% of respondents went on to use innovation support which necessitated linkages to Knowledge Providers including Universities..	Low/Indirect
Skills development	The Business Health Check encourages owners and staff of Client companies to use the EFQM model to think more strategically about the operation of their company. However, on completion of the Business Health Check only a limited number of companies subsequently seek accreditation under EFQM.  It is also noted that 32.1% of survey respondents obtained support from Invest NI's Business Improvement Training Programme.	Medium
Encouraging Foreign Direct Investment	The Business Health Check has been used as a tool by Invest NI and appropriate 'locally based cost centres' to identify the merits of Northern Ireland as a location for future foreign direct investment by the same firm (Quote from Invest NI Senior Management). Senior Management believed that this has been in the past and could continue to be a potential core function of the Business Health Check.	Low
Entrepreneurship	The intervention is not aimed at encouraging entrepreneurship. The main beneficiaries of the programme will be companies that have been established for a period of time. It is noted that 90% of survey respondents have been established for over 5 years.	Low

## Economic Impact and Assessment of Value for Money

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Regional benefits	Commentary	Impact assessment
Reduction of "Brain Drain"	The client survey indicates a number of key improvements that have been made by client companies that will make them more "professional", such as systems to achieve improvements were development, internal communication improved, strategy and plans have been developed and updated. . In this regard the client companies may be more likely to expand and to offer higher level job opportunities which may assist in the reduction of the Brain Drain or at least encourage the retention of more staff in medium sized indigenous companies.	Low
Number of local/regional jobs indirectly dependent on project	The Programme will not generate the requirement for high levels of direct or indirect jobs.	No impact
Degree of higher management being injected	The Business Health Check provides an opportunity to work with Senior Management to develop a workable Action Plan which will inform subsequent interventions with Invest NI and deliver against the short to medium term aspirations of the company. The Business Health Check provides an opportunity for Senior Management to focus on the strategic rather than the tactical.	Medium
Degree of R+D being injected	The Programme will not directly impact on R+D however it is noted that 26.8% of respondents moved on to innovation support interventions provided by Invest NI.	Medium
Innovative nature of project	The Business Health Check encourages companies to think of new ways of working by signposting opportunities for further assistance through a range of Invest NI interventions. 51.6% of respondents stated that it had allowed them to develop new systems to achieve improvements in delivery. 34.4% stated that new key processes have been identified and improved.	Medium/High
Locations in areas of disadvantage	The Business Health Check is open to all clients of Invest NI, regardless of location.	Medium

## Economic Impact and Assessment of Value for Money

V

**Non monetary economic impact conclusion**

5.50 It can be seen from the forgoing that the BHC has had a significant impact from a qualitative perspective on the companies that responded to the survey.

5.51 The contribution to wider and regional economic benefits is less clear. We consider that this is to be expected as the BHC does not necessarily seek to achieve an end in itself but seeks to be the first step towards continuous improvement through availing of further Invest NI interventions. It is through an analysis of the subsequent interventions that the main benefits will be realised.

**Contribution to PSA targets**

5.52 The approval papers do not contain any reference to which specific PSA targets the Programme will seek to influence. However, on reviewing the PSA targets we believe that the Programme will contribute to the following targets:

Description	Target	Comment
PSA 1: Increase Manufacturing and Private Sector Productivity. DSO 1: Promote a competitive and outward looking economy	600 new first time exporters Support 45 new start-ups exporting outside UK and 300 exporting to GB	Not specifically captured however it is noted that 35.7% of respondents have undertaken some of Invest NI's Trade Advice programmes
PSA 1: Increase Manufacturing and Private Sector Productivity. DSO 4: Promote higher value added activity through innovation and the commercial exploitation of R&D.	£120 million of investment in research and development to be delivered by new BERD innovation business support programmes.  300 companies to engage in research and development for the first time.	Not specifically captured however it is noted that 26.8% of respondents have undertaken some of Invest NI's Innovation Support programmes.
PSA 3: Increasing Employment. DSO 4: Promote Business Growth.	Support 45 new start-ups exporting outside UK and 300 exporting to GB.	7 companies achieved sales outside of Northern Ireland as a direct result of the Business Health Check.  The Business Health Check has resulted in the creation of up to 197 jobs.

5.53 Point 18 of the SQW Evaluation stated that four KPIs should be routinely monitored on CCMS (profitability, turnover, export sales and value added per employee), although this has been collated across all interventions, it is not at present specifically carried out for the BHC intervention.

**Net present values**

5.54 No economic appraisal was undertaken and as such we have been unable to compare the actual NPVs with those projected.

5.55 Given the short life span of the Programme we do not consider that an analysis of the relative net present values would add anything to the analysis of costs set out in **Section IV**.

**Economic Impact and Assessment of Value for Money****V****Value for money**

5.56 Value for money in terms of GVA is presented in terms of both turnover and employment based GVA.

**Monetary economic benefits**

GVA analysis	Turnover based GVA			Employment GVA		
	Excluding outliers	No grossing up	Full grossing up	Excluding outliers	No grossing up	Full grossing up
	£	£	£	£	£	£
GVA	419,332	2,194,089	20,561,745	1,621,095	1,299,444	9,471,501
Net spend	1,327,965	1,327,965	1,327,965	1,327,965	1,327,965	1,327,965
GVA per £1 of spend	0.32	1.65	15.48	1.22	0.98	7.13
Level of confidence	15.68%	15.68%	15.68%	13.59%	13.59%	13.59%
<b>Employment benefits</b>				<b>Excluding outliers</b>	<b>No grossing up</b>	<b>Full grossing up</b>
Employment creation				54	27	197
Net spend (£)				1,327,965	1,327,965	1,327,965
Cost per job (£)				24,591	49,183	6,740

5.57 When considered on a prudent basis (no grossing up) the GVA per £1 spent ranges from £0.98 to £1.65 indicating that the BHC has covered its costs taking into account GVA from the survey returns only. While we consider that the grossed up figures need to be treated with caution it is worth noting that on this basis the BHC shows strong monetary benefits with returns estimated at between £7.13 of GVA per £1 spent to £15.48 of GVA per £1 spent based on the fully grossed up figures.. These figures are higher than would be expected from the type of intervention in that it would be expected that the primary monetary benefits would come from follow on interventions rather than the BHC itself. However, we note that the other calculations based on no grossing up and exclusion of outliers provide additional degrees of comfort that the monetary benefits cover the monetary costs.

5.58 The cost per net job created is calculated at £6,740 which is considered reasonable value for money when compared to other recent evaluations. (Innovation Vouchers £33,592, Trade Interventions £12,793)

5.59 It must be stressed that the above figures are heavily influenced by two factors:

- a small number of large returns in both the turnover and employment figures. This has a greater impact due to the relatively low level of sample sizes and therefore bears a higher risk of misstatement; and
- the grossing up impact on the above figures.

5.60 Notwithstanding the limitations of the data we are of the opinion that the BHC has delivered positive monetary benefits.

**Economy**

5.61 Whilst external costs are recorded, the actual costs of BHCs completed internally are not recorded, hence we have had to make a number of assumptions in an attempt to

**Economic Impact and Assessment of Value for Money****V**

estimate the total costs of the Programme. We note that this estimate is particularly sensitive to the assumptions that have been made in respect of the number of days required by internal staff to undertake each Business Health Check and the risk that these are understated.

5.62 We consider that, taking into account the various elements of the Programme, there is little scope for cost reduction other than by:

- a) reducing the number of BHCs undertaken; and/or
- b) undertaking more of the BHCs internally. We understand that the average daily rate for an external BHC is £600 per day. This compares to an average internal rate of £289 per day (based on average fully loaded DP salary cost in 2009/10 divided by 225 working days).

5.63 We consider that, while there may be a cost benefit in using internal staff to undertake more BHCs this needs to be weighed against two factors:

- a) the capacity of internal staff to undertake additional BHCs; and
- b) the additional skills that an external assessor may bring.

5.64 The administration costs appear reasonable given the scale of the Programme and the requisite skills sets of the team.

5.65 We note that currently Invest NI does not levy a charge for the Business Health Check but that the survey indicated that 72.9% of respondents indicated that they would consider making a financial contribution. Of this 39.6% would be prepared to pay up to £250, 22.9% up to £500 and 10.4% over £500. We note that the consideration of a charging structure formed part of the Action Plan arising from the previous evaluation but that any decision has been deferred until after consideration of the current evaluation. We recommend that Invest NI consider implementing a charging structure for those companies undertaking a full client focussed Business Health Check (see para 6.54b).

5.66 On the basis that the information available it appears that the BHC has been run economically. This conclusion is caveated by the limitations of the data available.

**Efficiency**

5.67 The key performance indicators for the Programme are:

- a) Cost per completion; and
- b) Percentage of management time.

5.68 The average cost per completed BHC is £3,826. This compares to an average cost per completed BHC of £4,200 per the previous evaluation.

5.69 Total management costs as a percentage of total spend is 10.9% on average for the 3 year period. When considering salary costs as a proportion of total cost the comparative figures is 5.4%. Based on our own experience of other programmes, we consider administration costs of below 10% to be acceptable.

5.70 The calculations noted above indicate that the Programme may have been run efficiently. This conclusion is caveated by the limitations of the data available.

**Effectiveness**

5.71 From a high level perspective the BHC has delivered 86.8% of its target at 60.6% of budget. Prima facie it has therefore been effective. This conclusion is caveated by the limitations of the detail in respect of the composition of budgets.

**Economic Impact and Assessment of Value for Money****Value for money conclusion**

5.72 In concluding on value for money consideration has been made of:

- a) monetary economic impact including allowances for displacement and deadweight;
- b) non-monetary impact including the wider economic benefits; and
- c) the economy efficiency and effectiveness of the Programme.

5.73 When considered on a prudent basis (no grossing up) the GVA per £1 spent ranges from £0.98 to £1.65 indicating that the BHC has covered its costs taking into account GVA from the survey returns only. While we consider that the grossed up figures need to be treated with caution it is worth noting that on this basis the BHC shows strong monetary benefits with returns estimated at between £7.13 of GVA per £1 spent to £15.48 of GVA per £1 spent based on the fully grossed up figures.. These figures are higher than would be expected from the type of intervention in that it would be expected that the primary monetary benefits would come from follow on interventions rather than the BHC itself. However, we note that the other calculations based on no grossing up and exclusion of outliers provide additional degrees of comfort that the monetary benefits cover the monetary costs.

5.74 Levels of deadweight (48.6%) and displacement (37.5%) are considered to be reasonable. Displacement is lower than other recent evaluations Trade Interventions (63%) and Innovation Vouchers (38%) whilst deadweight falls within the range experienced by other interventions (Trade Interventions 89% and Innovation Vouchers 27%).

5.75 BHC demonstrates significant non-monetary benefits at a company level. This is evidenced by the survey which identified significant improvements under headings such as leadership, people, processes and policy and strategy (all of which are the result of embedding expertise within management teams and which can be delivered at relatively low cost).

5.76 However, there is less evidence of any significant direct impact by the BHC on the wider economy, such as: increased university linkages, entrepreneurship, reduction of brain drain. These wider impacts (due to the need for additional financial support) are more likely to be the result of subsequent programme activity delivered by Invest NI (and which the BHC has signposted).

5.77 While we have concluded positively on economy, efficiency and effectiveness, our conclusions have been caveated due to the lack of clarity around budgets and actual costs.

5.78 The primary focus of the BHC should be on the delivery of non-monetary benefits at the company level – it is clear that it has done this. This is supported by reasonable evidence that the intervention has, as a minimum, covered its costs and as a maximum delivered strong monetary returns. In summary taking into all of the above factors we consider that the BHC has provided value for money.

**Conclusions and Recommendations****VI****Conclusions**

6.1 The following Section addresses the questions posed in the Terms of Reference:

Review the strategic context under which the intervention operates and assess whether the strategic context under which the intervention is delivered remains valid.

How does the intervention contribute to the strategic aims, objectives, targets and actions of the NI Programme for Government ("PfG"), the Department of Enterprise, Trade and Investment ("DETI") and Invest NI.

6.2 ASM has reviewed the current and previous Strategic Guidance for Invest NI's key stakeholder organisations and found that it continues to be in accordance with their objectives. The Business Health Check is viewed as being in keeping with Invest NI's core ambition of becoming an enabling organisation, i.e. not simply a dispenser of funds, but delivering interventions which themselves add value. The Business Health Check does this by being a diagnostic tool (in its own right) used to review a business and highlight its strength and areas for improvement.

6.3 In addition, the Business Health Check can act as a gateway for other Invest NI support programmes. The gateway (signposting) role mitigates IREP concerns of addressing perverse incentives that encourage 'rent seeking and unproductive activity' by ensuring that public resources are applied to where they are most needed. In summary the Business Health Check conforms with the strategic objectives identified in the review of key strategy documents.

Review the operational fit of the intervention in line with the objectives of the Invest NI Corporate Plan and DETI Corporate Plan and examine the fit with other Invest NI interventions.

6.4 The Business Health Check was assessed against other similar business support interventions presently being delivered by Invest NI through the Business Improvement Service. The Business Health Check is unique amongst this range of services as it is the only one which potentially provides a full diagnostic of company need. Stakeholder consultation (confirmed in the 2011 Evaluation of Business Solutions Programme) identified that the Business Health Check was viewed as affording Invest NI with its first opportunity to assess the needs of the company and thereby signpost relevant interventions.

6.5 We conclude that the Business Health Check is a unique intervention as it provides Invest NI with a mechanism for prioritising and signposting Clients to the other Business Solutions (cited in the Evaluation of the Business Solutions Programme). The Business Health Check complements the existing range of Business Solutions and Invest NI's wider portfolio of interventions.

Review the original rationale for the intervention outlining the nature and extent of market failure and/or equity issue that the intervention is seeking to correct.

6.6 The intervention was originally designed to address two constraints:

- a) Clients are often not aware of the deficiencies/constraints their company is facing and how these may be addressed by an Invest NI intervention; and
- b) Client Executives are not aware of all the issues a client company is facing.

6.7 We believe that both of these issues are manifestations of asymmetric information and the intervention continues to provide an opportunity for Invest NI Client Executives to diagnose constraints/opportunities within client companies and to signpost relevant Invest NI interventions. The rationale for the intervention continues to be the mitigation of asymmetric information.

## Conclusions and Recommendations

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Assess and conclude on the need and demand for the intervention and consider whether these still exist to continue the intervention in future years.

6.8 Given that there is no inherent private sector demand for the intervention, the assessment of need relies almost entirely on Invest NI's ongoing desire for the intervention. This has been confirmed by Senior Management who have stated that it acts as a gateway for all other Invest NI support programmes and is often the first point at which Invest NI engages with client companies. Stakeholder analysis has confirmed an ongoing demand for an instrument which can address the need for detailed company information to ensure robust prioritisation of resources by Invest NI.

Assess the extent to which the programme has contributed from January 2009 – June 2011, or has the potential to contribute, to PSA 1 and PSA 3.

6.9 In the absence of any economic appraisal it is not clear which specific PSA targets the Programme will seek to influence. However, on reviewing the PSA targets we believe that the Programme will contribute to the following targets:

Description	Target	Comment
PSA 1: Increase Manufacturing and Private Sector Productivity. DSO 1: Promote a competitive and outward looking economy	600 new first time exporters Support 45 new start-ups exporting outside UK and 300 exporting to GB	Not specifically captured however it is noted that 35.7% of respondents have undertaken some of Invest NI's Trade Advice programmes
PSA 1: Increase Manufacturing and Private Sector Productivity. DSO 4: Promote higher value added activity through innovation and the commercial exploitation of R&D.	£120 million of investment in research and development to be delivered by new BERD innovation business support programmes.	Not specifically captured however it is noted that 26.8% of respondents have undertaken some of Invest NI's Innovation Support programmes.
PSA 3: Increasing Employment. DSO 4: Promote Business Growth.	Support 45 new start-ups exporting outside UK and 300 exporting to GB.	7 companies achieved sales outside of Northern Ireland as a direct result of the Business Health Check.  The Business Health Check has resulted in the creation of up to 197 jobs.

6.10 Point 18 of the SQW Evaluation stated that four KPIs should be routinely monitored on CCMS (profitability, turnover, export sales and value added per employee), although these have been collated across all interventions, it is not at present specifically carried out for the BHC intervention.

**Conclusions and Recommendations****VI**

Review the performance of the Business Health Check against the original objectives and if appropriate, identify reasons for any divergence. Assess the appropriateness of the target setting methodology.

6.11 We note that the BHC has not been the subject of an economic appraisal and as such specific SMART objectives have not been established for the intervention over the period being evaluated.

6.12 The SQW Evaluation recommended:

*"Greater emphasis should be given to tracking and evaluating the impact of BHC in client firms. Consideration should be given to identifying suitable Key Performance Indicators ("KPIs") by which BHC impact can be assessed and ensuring that these are recognised by CEs and clients alike as indicators for subsequent monitoring. Given developments in Government thinking, greater consideration should be given to monitoring the rate of BHC interventions on delivering Gross Value Added, although at the level of individual firms this metric is not routinely reported."*

6.13 The Management Response:

*"This will fall within the remit of Directors to ensure that impact is being assessed and monitored. The four Key Performance Indicators are: profitability, turnover, export sales and value added per employee.*

*The BHC Development Group will monitor performance on an ongoing basis and will issue guidance to ensure consistency across the organisation"*

6.14 The BHC core team have developed 10 case studies which highlight the benefits of undertaking a BHC, however they have not aggregated the four key performance indicators identified above.

6.15 During the process of the evaluation we have been able to identify 2 specific targets:

- a) the number of BHCs completed; and
- b) the target spend.

6.16 Invest NI achieved 86.6% of its target number of BHCs completed and had underspend against budget. The use and application of BHC is driven by Client need, as identified by the Client Executive or Business Adviser, hence targets for number completed and follow on actions were not set at the start of the service. Instead each operating division sets a target for completion based on knowledge of client companies. The targets simply represent an amalgamation of individual operating division targets

6.17 The following reasons for the shortfall have been provided by Invest NI;

- a) In 08/09 the service was relaunched and did not reach full capacity until January 2009;
- b) impact of the launch of the credit crunch diagnostic in 2008. This was developed in response to the economic downturn and supported the completion of over 500 (short form) diagnostics.

6.18 The target setting process varies by Directorate with no clear policy being evidenced across the organisation. The targets set will depend on whether the specific Director is a "champion" for BHC or not, with some being supportive and others sceptical.

Review progress on the Action Plan relating to the recommendations arising from the previous evaluation.

6.19 ASM has reviewed the Action Plan for completeness and notes that actions have been recorded against all headings and demonstrated a willingness on the part of the Business

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Health Check team to comply with the recommendations. However a number of common issues still remain:

- a) lack of buy in from certain Divisions, Client Executives and Clients;
- b) perceptions of 'target fatigue' which is manifested in counter productive tick boxing exercises;
- c) perception that it is a 'compliance tool'; and
- d) uncertainty as to the proportionality of approach.

Where information is available an NPV analysis should be undertaken to compare against the NPV analysis projected at the economic appraisal stage.

6.20 No economic appraisal was undertaken and as such we have been unable to compare the actual NPVs with those projected.

Assess the overall economic impact of the intervention, including the wider and regional economic benefits, direct and indirect, that have accrued as a result of the projects assisted through the programme.

6.21 The BHC has had a significant impact from a qualitative perspective on the companies that responded to the survey.

6.22 The contribution to wider and regional economic benefits is less clear. We consider that this is to be expected as the BHC does not necessarily seek to achieve an end in itself but seeks to be the first step towards continuous improvement through availing of further Invest NI interventions. It is through an analysis of the subsequent interventions that the main benefits will be realised.

Assess the economy, efficiency and effectiveness with which public funds have been used on the Business Health Check (The cost of marketing elements of the Business Health Check must be included in this cost analysis, regardless of which cost centre has been used).

6.23 Detailed time records and costs have not been recorded. In the absence of this information we have had to make a number of assumptions in an attempt to estimate the total costs of the intervention. We note that this estimate is particularly sensitive to the assumptions that have been made in respect of the number of days required by internal staff to undertake each Business Health Check and the risk that these are understated.

6.24 We consider that, taking into account the various elements of the intervention, there is little scope for cost reduction. The administration costs appear reasonable given the scale of the intervention and the requisite skills sets of the team.

6.25 We note that currently Invest NI does not levy a charge for the Business Health Check. We note that the consideration of a charging structure formed part of the Action Plan arising from the previous evaluation and that any decision be deferred until after consideration of the current evaluation. We recommend that Invest NI consider implementing a charging structure in certain circumstances.

6.26 On the basis of the information available it appears that the BHC has been run economically. This conclusion is caveated by the limitations of the data available.

6.27 The average cost per completed BHC is £3,826. This compares to an average cost per completed BHC of £4,200 per the previous evaluation.

6.28 Total management costs as a percentage of total spend is 10.9% on average for the 3 year period. When considering salary costs as a proportion of total cost the comparative figure is 5.4%. As a benchmark we consider administration costs of below 10% to be acceptable.

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6.29 The calculations noted above indicate that the intervention may have been run efficiently. This conclusion is caveated by the limitations of the data available.

6.30 From a high level perspective the BHC has delivered 86.8% of its targets at 60.6% of budget. Prima facie it has therefore been effective. This conclusion is caveated by the limitations of the detail in respect of the composition of budgets.

Assess the management and operating structures currently in place to determine how effective Invest NI has been in managing the intervention and identify any areas for improvement such as an opportunity to rationalise or streamline delivery and/or programme management and monitoring.

Assess the management and operating structures currently in place to determine how effective the EDOs have been in delivering BHCs and identifying any areas for improvement such as opportunities to rationalise or streamline delivery and/or programme management and monitoring. Review the ability of the EDOs to provide these activities, taking into account both financial resources, experience and knowledge.

Assess the ability of Invest NI to conduct BHCs and compare the quality of BHCs conducted by Invest NI with those conducted by EDOs.

6.31 As was noted in paragraph 4.6, the core BHC team has a number of activities it is called upon to deliver. These activities also reflect the action points detailed in the Action Plan arising from the Recommendations of the SQW Evaluation carried out in 2008. In the following paragraphs we conclude on the activities to date against each of the five key responsibilities:

- a) **Guidance on implementation of the BHC:** It is recognised that the core BHC team has developed additional detailed guidance related to a BHC and that this has been duly dispersed to appropriate Client Executives through guidance notes, case studies and workshops and one to one training sessions, including advice on scalability of the BHC. Even after this effort on the part of the team there continues to be a lack of understanding on the part of a section of client executives on what constitutes a proportionate effort for BHCs. The Stakeholder consultation clearly identifies a demand for additional guidance and this is best addressed by the continued development of pertinent case studies and arranging refresher workshops for Client Executives;
- b) **Quality control of all BHCs undertaken by Invest NI and External Delivery Organisations:** Feedback from the stakeholders illustrates a good awareness of this function and that quite rightly the main emphasis of the team has been in providing up front advice at the development of methodology stage. This has meant that there is less need for detailed review of submitted drafts. Returning to the survey, there was a high degree of satisfaction on the part of respondents to the quality of the BHCs, which validates the quality control function of the team;
- c) **Implementation of selected BHCs (those which need specialised input);** We note that there has been a significant decline in the use of EDOs in delivering Business Health Checks. This is in large part due to both the overall decline in the number of BHCs being undertaken by Invest NI of which an increasing number are being delivered by Client Executives and the core BHC team. The survey verifies that this move towards internal delivery has not had an impact on the perception of clients of both the skills of the delivery team and the quality and usefulness of the report. Both factors scored very highly in the survey. This transfer of responsibility of delivery for BHCs has been a success.
- d) We are also supportive of the rationale behind the continuance of an External contract (i.e. as an additional resource to address specific internal constraints

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on the delivery of BHC) however, we recommend that internal delivery options must in all occasions continue to be the first option with use made of the external contract only in exceptional circumstances and subject to an internal business case made to the appropriate Line Management and validated by the Business Health Check team;

- e) **Internal marketing of the intervention:** As the intervention is not directly marketed to the public, most initiatives have focused on developing the capability of Client Executives to deliver BHCs. We believe that this internal focus is justified. However, we believe that the team should consider greater profiling of case studies to illustrate the added value the intervention may bring to companies according to their scale and/or level of administrative sophistication;
- f) **Monitoring and the development of case studies:** The team are charged with monitoring the number of BHCs completed and their subsequent impact. However, we believe that this role is not providing a real impact for two reasons:
  - i) the team is not consulted in the of setting targets and has no ability to influence the subsequent timing/reporting of their delivery; and
  - ii) the current CCMS system either cannot or does not tag the use of subsequent interventions to the BHC. Client Executives deliver the relevant Action Plans and record the outputs/outcomes on CCMS.
- g) Control over both of these functions rests with the Client Executive and their appropriate line management. The current monitoring situation exacerbates the impression of the core BHC team having a compliance role but not having the authority to enforce it. The monitoring of targets should rest where the authority rests, between the Client Executive and their line management.
- h) In terms of the delivery of the case studies, the team have developed a number of useful studies which have been used by Client Executives to extol the virtues of the scheme. We believe that the core team should continue to develop case studies specifically aimed at illustrating the added value which the scheme can bring to client companies.

6.32 In summary, the team has delivered against each of the five headings and has moved towards an enhanced role of direct delivery and quality assessment. The perception of a compliance role for the BHC hampers the ability of the team to demonstrate to sceptical staff the added value which the intervention may bring to selected companies.

6.33 We had not identified any differences in the quality of BHCs undertaken by Invest NI and those undertaken by EDOs. 100% of respondents stated that they believed that the people delivering the Business Health Check had the necessary skills. This included Client Executives, BHC team and EDOs. Although there was a recognition that EDOs bring with them specialist skill sets, respondents stated that they wanted Client Executives to be involved in the delivery of the Business Health Check as this would ultimately provide them with a greater insight as to the needs of the firm.

Benchmark the performance of the intervention against other comparators in the UK, Republic of Ireland, European Union and internationally if appropriate, establishing quantitative benchmarks where possible and identify if there are any lessons to be learned.

6.34 In summary, the Business Health Check delivered by Invest NI continues to provide the most comprehensive service across the regions and nations surveyed. However, unlike other regions/nations, it is only accessible by specified Clients (Enterprise Ireland has the same limitation, however companies dependent on their sector/geography have the opportunity to avail of similar interventions administered by the relevant County Enterprise Board and Failte Ireland).

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Identify the main risks that emerged during the project and any actions taken to reduce these.

6.35 The Business Health Check was not subject to an economic appraisal and so key risks were not identified. We have therefore identified the following risks to the successful delivery of the BHC:

- a) **Operational Risk – Quality:** This relates to both the quality of delivery and the final report for each BHC. This risk can be mitigated by the core team continuing to provide ongoing guidance/training events and routine reviews of completed Business Health Checks;
- b) **Operational Risk – Loss of control of costs:** This relates to the inability of Invest NI to track the full costs incurred in the delivery of the Business Health Check. We believe that this risk could be mitigated against through enhanced monitoring of key milestones by relevant line management for each Client Executive;
- c) **Operational Risk – Ability to utilise EDOs:** There is a risk that the reduction in the number of BHCs being commissioned from locally based EDOs may deter future supply. We believe that routine communication with the EDOs will ensure their continued interest in delivering this service;
- d) **Reputational Risk:** The continued perception that the Business Health Check is a compliance tool and does not bring 'added value' to Clients. This risk can be mitigated by promoting the intervention only to those companies which have either requested it or are judged by the Client Executive as potentially benefitting from its use; and
- e) **Volume Risk:** This is the risk that the actual usage of the service varies from the level forecast. We believe that the process of setting an overall target for BHC implementation is counter-productive and reinforces the perception that this is a compliance tool. As such the BHC should be viewed as merely another intervention in the BIS suite of programmes and is reported against its overall target.

Conclude on the level of additionality and displacement and taking account of all available evidence, provide an assessment and overall conclusion on value for money, quantifying where possible. An overall VFM judgement should be provided based on economy, efficiency, effectiveness, additionality, deadweight, displacement, viability, risk, cost effectiveness, economic impact and wider and regional economic benefits.

6.36 It is recognised that the primary purpose of the intervention is as a means of allocating resources for Invest NI and identifying company weaknesses that may be addressed through other Invest NI programmes. As such the direct economic impact of the BHC is expected to be relatively low as the major economic benefits will be gained from programmes and activities that are undertaken following the BHC rather than as a direct result of the BHC.

6.37 In concluding on value for money consideration has been made of:

- a) monetary economic impact including allowances for displacement and deadweight;
- b) non-monetary impact including the wider economic benefits; and
- c) the economy, efficiency and effectiveness of the Programme.

6.38 Our assessment has been inferred from information arising from our survey of 328 companies. It is noted that only 64 companies responded to this survey and not all

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respondents provided complete economic data. We have some concerns that the relatively low sample size may not be reflective of the population as a whole.

6.39 When considered on a prudent basis (no grossing up) the GVA per £1 spent ranges from £0.98 to £1.65 indicating that the BHC has covered its costs taking into account GVA from the survey returns only. While we consider that the grossed up figures need to be treated with caution it is worth noting that on this basis the BHC shows strong monetary benefits with returns estimated at between £7.13 of GVA per £1 spent to £15.48 of GVA per £1 spent based on the fully grossed up figures.. These figures are higher than would be expected from the type of intervention in that it would be expected that the primary monetary benefits would come from follow on interventions rather than the BHC itself. However, we note that the other calculations based on no grossing up and exclusion of outliers provide additional degrees of comfort that the monetary benefits cover the monetary costs.

6.40 Levels of deadweight (48.6%) and displacement (37.5%) are considered to be reasonable. Displacement is lower than other recent evaluations (Trade Interventions (63%) and Innovation Vouchers (38%)) whilst deadweight falls within the range experienced by other interventions (Trade Interventions 89% and Innovation Vouchers 27%).

6.41 BHC demonstrates significant non-monetary benefits at a company level. It is noted that 71% of survey respondents stated that they would not have completed an independent survey. In addition, the survey identified significant improvements under the following headings (all of which are the result of embedding expertise within management teams and which can be delivered at relatively low cost):

- a) 92.2% of respondents stated that they have a better understanding of the strengths/weaknesses of their company; and
- b) 86.3% stated that they feel more motivated to make changes to their company.

6.42 The survey has identified a number of tangible benefits which are directly related to completion of the BHC, including:

- a) the development of systems to achieve improvements;
- b) workforce buy in to improvement process;
- c) customer relations improved; and
- d) strategy and plans have been developed and updated.

6.43 However, there is less evidence of any significant direct impact by the BHC on the wider economy, such as: increased university linkages, entrepreneurship, reduction of brain drain. These wider impacts (due to the need for additional financial support) are more likely to be the result of subsequent programme activity delivered by Invest NI (and which the BHC has signposted).

6.44 While we have concluded positively on economy, efficiency and effectiveness, our conclusions have been caveated due to the lack of clarity around budgets and actual costs.

6.45 The primary focus of the BHC should be on the delivery of non-monetary benefits at the company level – it is clear that it has done this. This is supported by reasonable evidence that the intervention has, as a minimum, covered its costs and as a maximum delivered strong monetary returns. In summary taking into account all of the above factors we consider that the BHC has provided value for money.

Take into account the requirements of Section 75 of the Northern Ireland Act 1998 and consider the accessibility of the Business Health Check for all, in line with the Disability Discrimination Act 1995.

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6.46 The Business Health Check conforms with the requirements of Section 75 of the Northern Ireland Act 1998 and the Disability Discrimination Act 1995.

**Lessons learned**

6.47 Despite the efforts of Senior Management and the Business Health Check Team the main issues that were raised in the previous evaluations continue to manifest themselves in the current evaluation. The survey and consultation indicated broad satisfaction with the BHC however the following key issues were identified as ongoing concerns:

- a) varying levels of support for the BHC throughout Invest NI at Senior Management, Director and Client Executive level;
- b) resistance in pockets to the perceived “compliance” nature of the intervention;
- c) lack of understanding of the proportional nature of the BHC and how this may be appropriately tailored for companies of different sizes; and
- d) limited use of the information collected from BHC for organisation strategic purposes.

6.48 Notwithstanding these issues there is clear evidence from the client survey and case studies that clients who “buy-in” to the process can achieve real and lasting benefits from it.

6.49 However, we are of the opinion that not all companies have the capacity or scale to fully benefit from the BHC. We consider that it is significant that 90.1% of the respondents to the survey (indicating high levels of satisfaction) had been in existence for over 5 years (77% over 10 years) and would therefore be considered to be more mature. We consider that this is indicative of the type of company that gets most benefit from the process.

6.50 Our view is that the BHC process will ultimately fail to achieve its objectives unless there is full “buy-in” from both the client and Invest NI. We do not believe that this objective will be achieved when the BHC is still viewed by many internally and externally as a compliance tool.

6.51 In this regard we consider that Invest NI should consider adopting a two stage process which separates the internal and external functions of the BHC. We consider that this can be achieved by the following mechanism:

- a) an online diagnostic tool should be rolled out and used to assess the ongoing business needs for all new (and eventually existing) Clients and be updated every three years. Individual company results should be analysed by the relevant Client Executive whilst the Corporate Information Team should be able to extrapolate all relevant data for the production of sectoral reports; and
- b) a client focused BHC which would be similar in style and content to the current BHC. This would be “sold” to clients in the same way as other interventions (as a number of days of consultancy support to assist the company to develop). This BHC should only be offered to those clients that are prepared to invest the time and have the capacity to absorb and implement any action plan arising from the BHC.

6.52 In principal, we believe that all companies should make a contribution to costs. We consider that the online BHC should be free to use (it being primarily an Invest NI compliance tool) but that Invest NI should investigate charging for the client focussed BHC.

6.53 It is hoped that this twin track of approach will at once remove the perception of the Business Health Check as being a tool of compliance and through the use of the online diagnostic still provide an opportunity for Invest NI to monitor emerging needs amongst its Client base (and potential Client base).

**Conclusions and Recommendations****VI****Recommendations**

6.54 **Recommendation 1** – Invest NI should separate out the internal and external functions of the BHC and adopt a two stage approach comprising:

- a) an online diagnostic tool should be rolled out and used to assess the ongoing business needs for all new Clients (and eventually existing clients) and be updated every three years; and
- b) a client focussed BHC which would be similar in style and content to the current BHC. This should be considered as just one of a variety of interventions available under the Business Solutions Programme. It may be that there is a requirement to rename this product to differentiate it from the current intervention.

6.55 **Recommendation 2** – Invest NI should only make the client focussed BHC available to those companies that have the scale and capacity to both undertake the BHC and implement the resulting Action Plan.

6.56 **Recommendation 3** – Invest NI should place continued emphasis on demonstrating the worth of the intervention to sceptical Client Executives. This should be done through the development of robust case studies, guidance notes and external speakers (local businesses which have successfully utilised a BHC) which will clearly demonstrate the utility of a proportionate Business Health Check to assess the needs of their portfolio of clients.

6.57 **Recommendation 4** – Invest NI should investigate imposing a charging structure for those companies undertaking a full in-situ Business Health Check.

6.58 **Recommendation 5** – Invest NI should prepare additional guidance on the details of proportionate effort for different sizes of BHC. This should contain practical guidance (and possibly templates) for reduced scale BHCs.

6.59 **Recommendation 6** – Invest NI should record the time taken to undertake each BHC internally to provide clarity on the actual costs of the intervention.

6.60 **Recommendation 7** – Invest NI should ensure that any subsequent economic appraisal develop SMART objectives which are in keeping with the Programme for Government objectives.

6.61 **Recommendation 8** – Invest NI should continue to use EDOs to deliver occasional BHCs however, it is recommended that internal delivery options must in all occasions continue to be the first option, with use made of the External Contract only in exceptional circumstances and subject to an internal business case made to the Business Health Check team.

6.62 **Recommendation 9**: Invest NI should ensure that the resulting data from the online diagnostic tool is made accessible to both Client Executives (for their own portfolio of projects) and the Corporate Information Team (in order to facilitate analysis of emerging trends).

6.63 **Recommendation 10**: Invest NI should ensure that the monitoring of targets for BHC should rest where the authority rests, between the Client Executive and their line management.

## Terms of Reference for Evaluation

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### Purpose and Objectives of the Evaluation are as follows:

#### Strategic Context

- ◆ review the strategic context under which the intervention operates and assess whether the strategic context under which the intervention is delivered remains valid; and
- ◆ review the operational fit of the intervention in line with the objectives of the Invest NI Corporate Plan and DETI Corporate Plan (for all of the Corporate Plans in place during the evaluation period) and examine the fit with other Invest NI interventions.

#### Rationale

- ◆ review the original rationale for the intervention outlining the nature and extent of market failure and/or equity issue that the intervention is seeking to correct;
- ◆ assess and conclude on the need and demand for the intervention and consider whether these still exist to continue the intervention in future years;

#### Performance and Impact

- ◆ provide evidence of how the intervention contributes to the strategic aims, objectives, targets and actions of the NI Programme for Government (“PfG”), the Department of Enterprise, Trade and Investment (“DETI”) and Invest NI;
- ◆ assess the extent to which the programme has contributed from January 2009 – June 2011, or has the potential to contribute, to the relevant targets and actions under PSA 1, securing improvements in manufacturing and private services productivity and PSA 3, increasing employment;
- ◆ assess the overall economic impact of the intervention, including the wider and regional economic benefits, direct and indirect, that have accrued as a result of the projects assisted through the programme, quantifying as many of these as possible;
- ◆ review the performance of the programme against the original objectives and if appropriate, identify reasons for any divergence. Assess the appropriateness of the target setting methodology and if appropriate, identify reasons for failure, providing recommendations for improvement;
- ◆ review progress on the Action Plan relating to the recommendations arising from the previous evaluation;
- ◆ where information is available an NPV analysis should be undertaken to compare against the NPV analysis projected at the economic appraisal stage;
- ◆ assess the economy, efficiency and effectiveness with which public funds have been used on the programme. Economy measures are concerned with showing that the appropriate inputs (i.e. the resources used in carrying out the project) have been obtained at least cost, efficiency relates to measures that are concerned with achieving the maximum output from a given set of inputs while effectiveness measures are concerned with showing the extent to which aims, objectives and targets of the project are being achieved;
- ◆ the cost of marketing elements of the programmes must be included in this cost analysis, regardless of which cost centre has been used;
- ◆ assess the management and operating structures currently in place to determine how effective Invest NI has been in managing the intervention and identify any areas for improvement such as an opportunity to rationalise or streamline delivery and/or programme management and monitoring. Review the ability of Invest NI to provide these activities taking into account financial resources, experience and knowledge;

## Terms of Reference for Evaluation

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- ◆ assess the management and operating structures currently in place to determine how effective the EDOs have been in delivering BHCs and identifying any areas for improvement such as opportunities to rationalise or streamline delivery and/or programme management and monitoring. Review the ability of the EDOs to provide these activities, taking into account both financial resources, experience and knowledge;
- ◆ assess the ability of Invest NI to conduct BHCs and compare the quality of BHCs conducted by Invest NI with those conducted by EDOs;
- ◆ benchmark the performance of the intervention against other comparators in the UK, Republic of Ireland, European Union and internationally if appropriate, establishing quantitative benchmarks where possible and identify if there are any lessons to be learned;
- ◆ identify the main risks that emerged during the project and any actions taken to reduce these; and
- ◆ conclude on the level of additionality and displacement and taking account of all available evidence, provide an assessment and overall conclusion on value for money, quantifying where possible. An overall VFM judgement should be provided based on economy, efficiency, effectiveness, additionality, deadweight, displacement, viability, risk, cost effectiveness, economic impact and wider and regional economic benefits

(In line with HM Treasury guidance evaluators should examine the direct GVA impacts but must exclude the indirect and induced impacts (e.g. on turnover, employment or GVA) when they are calculated using multipliers). For example, data on any indirect effects (sub contracting supply chains or spill overs) should be collected at project level and be verified by the evaluator. HM Treasury have indicated that multiplier effects should not be included because of the impossibility of verification or measurement at the micro level)

### Equality Consideration

The evaluation should:

- ◆ take into account the requirements of Section 75 of the Northern Ireland Act 1998;
- ◆ in respect of any recommendations made, consider whether there are any likely impacts on anti poverty, social inclusion, equality of opportunity or good relations. In doing so, the service provider may recommend measures to mitigate against adverse impacts; and
- ◆ consider the accessibility of the programme for all, in line with the Disability Discrimination Act 1995.

### Conclusions

- ◆ conclude on the overall findings of the evaluation, taking account of all available evidence from the evaluation. As per section 6 (xviii), this should include quantified assessments of VFM, the level of additionality and displacement and relevant cost-effectiveness indicators. As noted above an overall VFM conclusion should be based on economy, efficiency, effectiveness, additionality, deadweight, displacement, viability, risk, cost effectiveness, economic impact and wider and regional economic benefits; and
- ◆ comment on lessons learned, making recommendations on the future of the intervention and identify any areas for improvement. This should include an assessment of any current and potential gaps in provision, potential overlap with other programmes and suggested improvements on performance monitoring.

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**Online Survey Responses**

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## Action plan from previous evaluation

D

Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
<p>The Business Health Check (BHC) should continue to be a central component of Invest NI's offer, and indeed be further promoted as the way the organisation chooses to do business with its clients.</p>	<p>Agreed. The evaluator has concluded that the Business Health Check (BHC) is a uniquely packaged diagnostic and benchmarking tool that offers a greater sophistication than similar offerings elsewhere in the UK, Republic of Ireland and EU. Invest NI's continuing commitment to the tool is recognised in the Draft Corporate Plan 2008 – 2011 which states that BHC will increasingly become the primary tool used to identify the most appropriate support for our client companies. It is anticipated that the 'External Assessors' competitive tendering process will be completed by 30 June 2008.</p> <p>Invest NI will develop a marketing strategy to promote the BHC by 30 April 2008.</p> <p><b>Key Delivery Dates</b></p> <p>Complete External Assessors competitive tendering process by 30 June 2008</p> <p>Develop marketing strategy by 30 April 2008</p>	<p><u>January 09 Update</u></p> <p>The External Contract was completed and operational from 1 January 2009.</p> <p><u>Achieved – June 08</u></p> <p>A Booklet was compiled in June 08. It has been agreed by the Development Group that no further marketing is required.</p>	<p>The 2012 Evaluation notes that there has been a significant decline in the use of External Assessors in delivering Business Health Checks. This is in large part down to both the overall decline in the number of BHCs being undertaken by Invest NI, of which an increasing number are being delivered by Client Executives.</p> <p>We are supportive of the rationale behind the current External Contract (i.e as an additional resource to address specific internal constraints on the delivery of BHC). However, we believe that internal delivery options must in all occasions continue to be the first option with use made of the External Assessors Contract only in exceptional circumstances and then subject to an internal business case to the Business Health Check team and appropriate line management.</p>

## Action plan from previous evaluation

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Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
Thought should be given to linking the degree of subsidy in BHC provision to the client's ability to pay.	<p>The BHC intervention has only been available since April 2004 and whilst it is non-chargeable there is a significant investment of time from the client which if costed would represent a substantial contribution. Invest NI believe that it is too soon to consider charging for the service but recognise that at a later stage it may become a chargeable service. The most important leverage that client companies bring to the process is their time. The evaluation findings were presented to the Invest NI Top Management Team in early January and their initial view was that it should be considered when the next evaluation is undertaken [2011/2012].</p>	<p><u>January 09 Update</u> This recommendation will be considered again when the programme is next evaluated in 2011/12.</p>	<p>In principal we believe that all companies should make a contribution to costs, however there are a number of operational difficulties with this view:</p> <ul style="list-style-type: none"> <li>◆ we believe external perceptions of the intervention as an Invest NI 'compliance tool' compromises the ability to charge for the use of the scheme; and</li> <li>◆ given its 'sign posting function' there is a potential risk that imposing a charge for use will result in companies not choosing to use the intervention and will also have implications on the 'take up' rates of other interventions.</li> </ul>
	<p>Moving forward, one of the immediate actions for Invest NI arising from this evaluation will be the establishment of a BHC Development Group led by representatives of Invest NI senior team. It will consider and implement the recommendations arising from this evaluation, and this will be one of the areas on which it will</p>		<p>There is a need to change perceptions both within Invest NI and amongst the Client base as to the added value of the approach. Client Executives need to have demonstrated to them the 'added value' of the approach. This could be done through both sectoral initiatives such as workshops and enhanced use of case studies and also working with organisations such as the Centre for Competitiveness to highlight</p>

Action plan from previous evaluation

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Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
<p>The BHC objectives largely remain valid and fit-for-purpose. Perhaps the single most important shift in policy from 2004 to today is the emphasis now being given to Gross Value Added. Given this, the BHC objectives should be sharpened further to reflect the GVA imperative.</p>	<p>deliberate. To be considered by BHC Development Group ( to be established by early-March 2008)</p> <p>Agreed. The main thrust of the Draft Corporate Plan 2008-2011 is on increasing business productivity, the means by which wealth can be created for the benefit of the whole community, and Invest NI will be focusing on boosting Northern Ireland’s GVA per employee. Business Improvement Services (BIS) will re-visit the BHC objectives accordingly.</p> <p>BHC objectives to be reviewed and agreed by BHC Development Group by 30 June 2008.</p>	<p><u>January 09 Update</u> <u>Achieved</u> Steps taken to date reflect positive progress in sharpening the BHC objectives to reflect the GVA imperative. SMP have undertaken work on a benchmarking matrix.</p>	<p>successes (and benefits) arising from the European Quality Awards. Such a demonstration effect of the benefits may address the perception of it being a compliance tool.</p> <p>We recognise that the BHC does reinforce the objectives of the Corporate Plan for 2008-2011. However this can in large part be attributed to its ‘gatekeeping function’ as Client Executives are obliged to undertake such an exercise prior to application for support of other interventions which are focused on boosting GVA per employee (in particular BITP and Selective Financial Assistance). In short, the current situation could lend itself to post rationalisation, as Client Executives select companies for certain interventions and then go through the Business Health Check to comply with Invest NI guidelines (and so confirm their original assumption).</p>

## Action plan from previous evaluation

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Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
<p>The Innovation WAVE tool has not taken full root with Invest NI staff delivering BHCs. Partly as a consequence, it is rated poorly by business beneficiaries who generally reported that they were unable to understand or use the outputs from the tool effectively. In light of the unclear value added by the Innovation WAVE tool to both delivery staff and beneficiary firms, the role and delivery of the WAVE tool should be re-specified.</p>	<p>The Innovation WAVE is an assessment tool designed to assess innovative capability and performance. Based on a modular design, it enables managers and delivery staff to investigate businesses in different levels of depth around the core issues of Vision and Strategy, Leadership, Processes, Culture and the Physical Work Environment. Of the three complementary business analysis tools that comprise the BHC package, the Innovation WAVE has been the most challenging in terms of interpreting the analysis. Invest NI has been running clinics for client companies and client executives to explain the WAVE tool and will continue to do so. There has been some positive feedback from clients but the challenge remains to work closely with companies to identify and utilise the benefits.</p>	<p><u>January 09 Update Achieved.</u></p> <p>WAVE has been revamped to be more business oriented. It is currently being used and feedback monitored in order that further modifications can be carried out.</p> <p>Feedback received thus far on the re-vamped WAVE has been positive.</p>	<p>The Innovation WAVE is no longer a requirement for Business Health Checks. Feedback from the focus group and beneficiary interviews proved in large part negative, stating that it was hard to interpret and was not consider relevant to a number of respondents.</p> <p>However, we are conscious of the central role of innovation within the current economic strategy and the need to address issues of absorptive incapacity across all sectors of the Northern Ireland economy. We believe that the failure to consider the concept of innovation for all companies will mean that it continues to be siloed to those which have an overtly science/manufacturing focus.</p> <p>We would not recommend the inclusion of a full blown Innovation Wave tool in each case, but that the concept of innovation is introduced into the wider Business Health Check.</p>
	<p>Invest NI is working with the Centre for Competitiveness on a re-vamped proposal for the WAVE tool, to be presented to the BHC Development Group for consideration by 30 June 2008.</p>		

## Action plan from previous evaluation

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Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
<p>Overly externalising BHCs to Third Party Organisations (TPOs) is likely to hollow-out the operational role undertaken by Client Executives and this should be resisted.</p>	<p>Re- vamped WAVE tool to be considered by the BHC Development Group by 30 June 2008.</p> <p>As a process, the BHC is the primary tool used by Invest NI to identify individual needs and provides the vehicle for client executives to become familiar with the specific needs of client companies.</p> <p>BHCs are delivered by a group of seven external providers and over the evaluation period 56% of BHCs were undertaken by external assessors. However, the evaluator has reported that this proportion is progressively declining, and the evidence suggests that the external assessors are tending to undertake assessments on the larger clients. The BHC guidelines now state that external providers should only be engaged when the following criteria is met :</p> <p>Client Executive is too close to the</p>	<p><u>January 09 Update</u> <u>Achieved:</u></p> <p>The completion of the BHC remains an integral part of the Client Executive role.</p> <p>However, there will be circumstances when external assessments will be required and the Development Group have indicated that no more than one-third of BHCs should be completed externally. From June 08, 26 BHCs have been completed externally. This will be reviewed annually. The Development Group has indicated that each internal assessor should complete 1 BHC per year. This will be reviewed annually.</p>	<p>We agree with the assumptions behind this recommendation and note that Invest NI has placed a greater focus on ensuring that Client Executives have a key role in delivering all Business Health Checks and are assisted by EDOs/internal specialists only in exceptional cases.</p>

**Action plan from previous evaluation**

**D**

Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
	<p>client to conduct a BHC;                      Client Executive has a conflict of interest (eg; involvement in another intervention);                      There are complexities involved that the Client Executive feels unable to deal with; and                      The client is a large firm.</p> <p>Director approval is required for external assessments.</p> <p>Internally, some Divisions are adopting a client team approach to enable mentoring and work shadowing which allows skilled and confident deliverers of the process to share their knowledge and experience with others. Client Executive training will also help to develop and equip staff to conduct assessments more confidently and efficiently.</p> <p>It is envisaged that the BHC Development Team will consider the reduction of external assessments as a performance measurement.</p> <p>% target assessments to be undertaken by TPOs during</p>		

## Action plan from previous evaluation

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Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
<p>Within the limitations of the evaluation's sample, overall, levels of additionality are acceptable. Work should be undertaken to explore how levels of additionality can be raised further. This may be as straightforward as better recording firms pre and post BHC performance positions.</p>	<p>2008/09 to be agreed by 31 May 2008.</p> <p>This is linked to recommendation 18 relating to tracking and evaluating the impact of BHC in client firms. The four Key Performance Indicators (KPIs) are: Profitability Turnover Export Sales Value Added per employee and with the implementation of the Client Contact Management System (CCMS), Directors will be responsible for ensuring that client data is maintained and updated.</p> <p>This will be addressed by the BHC Development Group. To be considered by BHC Development Group by 30 June 2008. Review March 2009</p>	<p><u>July 09 Update</u> CCMS will not address all the issues but will provide a mechanism for driving forward improvements in recording pre and post BHC performance.</p> <p>One BHC presentation was made at the Senior Management Team meeting in June 2009 by the Business International Group.</p>	<p>This issue is still outstanding.</p>

## Action plan from previous evaluation

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Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
<p>Invest NI must ensure that beneficiaries are in the position to absorb and implement findings and recommendations from their BHC experience. BHC effort must, therefore, be carefully targeted at those types of firms that have been shown to benefit the most and where additionality of public intervention is likely to be maximised.</p>	<p>Agreed. The main thrust of the BHC intervention is to target those companies that will benefit most from the process. It is not a mandatory tool and the emphasis is on providing solutions for our companies that will lead to growth and wealth creation.</p> <p>The selection of companies is important and Directors will be asked to validate those selected to ensure that the process is aimed at the 'right' firms.</p> <p>As part of the selection process, it is proposed that the BHC Development Group will be asked to endorse the company selection on an annual basis.</p> <p>BHC Development Group to endorse named targets by 31 May 2008 and annually thereafter.</p>	<p><u>January 09 Update.</u> <u>Achieved:</u></p> <p>A list of targeted companies was submitted to MDs in September 2008. This is on the basis that identified companies were at the stage to achieve maximum value from the process.</p>	<p>Feedback from the Focus Groups identified a need for guidelines related to both eligibility criteria and subsequent (proportionate) implementation of the Business Health Check. We believe that providing Client Executives with such guidance along with an oversight function from relevant Directors will ensure that a proportionate effort is applied to each Business Health Check.</p>

## Action plan from previous evaluation

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Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
<p>The use of dedicated BHC Delivery Specialists has been raised in the past, but rejected by Client Executives who were uneasy with the notion of uncoordinated access to their clients. However, we recommend that this concern could be overcome if working links with CEs and BHC Delivery Specialists were built in the following ways:-</p> <p>BHC Delivery Specialists could be located within each Division with a significant percentage of time dedicated to BHC activity. Responsibility for these BHC roles could rotate, enabling all CEs within the Division to benefit from delivering the BHC process, whilst also relieving the "intermittency problem".</p> <p>An augmented BHC Team would essentially extend the resource and role of the current central BHC unit by providing a larger pool of expertise, more mentors and a wider and more intensive set of technical assistance services.</p>	<p>This recommendation will be considered by the BHC Development Group and reviewed within the context of finite resources.</p> <p>BHC Development Group to consider by 30 June 2008</p>	<p><u>January 09 Update.</u> <u>Achieved:</u> Responsibility for undertaking BHCs remains an integral part of the Client Executive's role. A dedicated team will not be set up to complete BHCs. External assessors will be appointed on Director's approval. TMT have advised that this task has been built into the performance appraisal system ie Job Plans.</p>	<p>We believe that it is essential that the Client Executive continues to have overall ownership within Invest NI for any Business Health Check undertaken with their portfolio of companies. Any specialist assistance (either internal or external) should be there to assist the Client Executive in the delivery of the Business Health Check.</p>

## Action plan from previous evaluation

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Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
<p>It is recommended that TPOs should continue to be used, but only where it is demonstrated that they add more value than can be delivered through internal executive means.</p>	<p>Agreed. The balance on internal against external assessments will require a consistency of approach across the organisation but this may be dependent on circumstances within specific Divisions. As outlined in the response to recommendation 5 there is guidance available on the criteria for engaging an external assessor. There may be circumstances, however, where resource or conflicting work pressures may necessitate taking the external route but this will essentially be a decision for Directors to take.</p>	<p><u>January 09 Update</u></p> <p>The contract for external assessors is now in place and effective from 1 January 09. The contract is for one year with an option to extend for a further 2 years.</p> <p>External assessment can be used in cases where the organisation structure is complex, the company is large or there are known issues that need to be highlighted that the Client Executive does not feel comfortable in highlighting or discussing.</p>	<p>We agree with the assumptions behind this recommendation and notes that Invest NI has placed a greater focus on ensuring that Client Executives have a key role in delivering all Business Health Checks and are assisted by EDOs/internal specialists only in exceptional cases.</p>
	<p>External Assessors contract to be competitively tendered and in place by 30 June 2008.</p>		
	<p>Ongoing</p>		
	<p>30 June 2008</p>		

## Action plan from previous evaluation

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Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
<p>The delivery of the BHC as a tailored and proportionate response should continue to be promoted by Invest NI and both facilitated with training and aligned with quality assurance processes. At present (mis-perceived) targets are forcing a level of compliance with the full BHC model that is not appropriate for all clients.</p>	<p>Agreed. The Invest NI Draft Corporate Plan 2008-2011 acknowledges that not all of our clients have the same needs. Smaller developing companies require different skills, support and programmes than high-potential start-ups. These, in turn, differ from larger domestically owned companies and from the subsidiaries of multinationals. Invest NI, as outlined in the response to recommendation 7, is committed to targeting this intervention at those companies that will benefit most from it. During the period under consideration 49% of the beneficiaries employed up to 50 people, and 91% employed up to 250 people.</p> <p>A formal quality assurance process will be put in place by 31 December 2008. Divisions have been encouraged to use BHC mentors and CE Teams to deliver BHCs to ensure that all CE's are confident and capable of delivering the service.</p> <p>The Business Improvement Services (BIS) BHC Team has</p>	<p><u>Update March 2010</u></p> <p>Each BHC is quality assured by BIS and feedback given to assessor when necessary. September 09</p> <p>Greater emphasis will be placed on divisions completing all BHC's from April 2010 – decreased BHC budget will necessitate this. BIS will liaise with divisions to discuss and implement.</p> <p>Internal training delivered on an ongoing basis. It is likely that refresher training will take place in 2010/11.</p>	<p>The evaluation has identified two conflicting points:</p> <p>Senior Management, the Business Health Care team and a number of Client Executives have confirmed that all BHCs should be proportionate to the scope, scale and needs of the company in question; and</p> <p>There is a continuing doubt amongst a small number of Client Executives regarding the requirements for a Business Health Check.</p> <p>There is a requirement for amending current guidance to more fully address the issue of proportional effort.</p>

## Action plan from previous evaluation

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Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
<p>Assessing impact was difficult for the evaluation to undertake because of the current limitations of the monitoring data. More effective central monitoring systems should be put in place to provide useful, accessible and relevant data that facilitates tighter monitoring of performance and evaluation of impact.</p>	<p>worked tirelessly to provide training for internal assessors and this will continue.</p> <p>To be agreed and implemented by the BHC Development Group by 31 December 2008</p> <p>The introduction of CCMS across the organisation will provide a disciplined focus for client facing staff to ensure that monitoring information is captured and recorded centrally. Directors will be responsible for ensuring that the system is maintained and updated and all client facing staff have been trained during January 2008 in navigating the system. The four KPIs as noted in the response to recommendation 6 will provide evidence on performance and impact.</p> <p>Monitoring is one of the key areas that will be managed by the BHC Development Group. It is intended that a robust monitoring process will be in place by 31 October 2008.</p>	<p><u>Update March 2010</u></p> <p>CCMS provides the opportunity to capture monitoring information. Monitoring is updated by divisions on an ongoing basis within each relevant follow-on intervention from the BHC.</p> <p>Progress on specific BHC outputs/recommendations or planned actions is monitored by the Client Executive at either a 6 monthly or annual basis, as appropriate for the Action Plan. The information is captured and held by the Client Executive and then reflected in overall company performance as part of cumulative</p>	<p>The Evaluation identified that the outputs of companies who had undergone a Business Health Check was not tagged on the CCMS system and so was not routinely collated.</p> <p>However, the information is captured and held by the Client Executive and then reflected in their assessment of company performance for specific interventions.</p>

## Action plan from previous evaluation

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Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
Senior Management should re-assert its commitment to BHC as a foundational process in the way the organisation engages with its client base.	Review April 2009  31 October 2008	assistance.  <u>January 09 Update</u>  <u>Achieved.</u>	
A member of the Invest NI's Top Level Management should be allocated formal responsibility for BHC's management, delivery and promotion, and be accountable through the Chief Executive to Invest NI's Board for such.	The Top Management Team (TMT) recognise that the encouraging findings arising from the evaluation is an opportunity to embed the intervention across the organisation.  However, to embed this process will require all Client Facing MDs to demonstrate commitment to the process and each one of them to be accountable for group targets in this area.  To assist that process a BHC Development Group will be established to manage the intervention led by representatives of Invest NI senior team.	<u>January 09 Update</u>  <u>Achieved.</u>  BHC Development Group was established in May 2008 and led by the three client facing MDs.  The Group has met on three occasions.	There is a continuing perception within Invest NI of variable importance been accorded to the Business Health Check by assorted Directorates. A review of numbers of Business Health Checks completed by Directorate does indicate a high degree of variation in the numbers being undertaken.  This issue was raised in a number of meetings with Senior Management and the variation between Directorates was in part explained by: timing issues (both in terms that all relevant companies had already completed a Business Health Check and that companies were not in a position to avail of such services in

## Action plan from previous evaluation

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Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
<p>MDs should each personally undertake one BHC every two years to demonstrate senior commitment to and competence in BHC. Directors personally should undertake one full BHC each year and work in a way to promote and support the embedding of the BHC within their commands.</p>	<p>It is anticipated that the remit of the Group will cover all aspects of the management, delivery and promotion of the intervention.</p> <p>BHC Development Group to be established by early-March 2008.</p> <p>TMT and SMT are committed to the future development of the intervention as outlined in the Draft Corporate Plan 2008-2011. The BHC Development Group's remit will include embedding best practice across the organisation and this particular recommendation will be considered by that Group.</p> <p>To be considered by BHC Development Group by 30 June 2008</p>	<p><u>January 09 Update</u></p> <p><u>Achieved:</u></p> <p>The Development Group recognise that senior management commitment to undertaking BHCs will help to embed best practice within the organisation, therefore it has been agreed that each client-facing MD and Director should undertake one BHC per year.</p> <p>MD and Director involvement will be in the form of accompanying an Invest NI internal assessor at key stages in the process. The focus should relate to those potential seeking companies.</p>	<p>the current business environment) and perceptions of relevance to the sector.</p> <p>The latter point was the source of much discussion and mainly related to the applicability of the BHC to companies of scale.</p> <p>This has not been undertaken.</p>

## Action plan from previous evaluation

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Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
<p>The scope and sophistication of data to track BHC volumes and flows should be significantly improved. Ideally, data should be captured for each of the flow process stages set out in the evaluation report. This will permit clarity on volume through the system and help identify where corrective action is needed in managing various BHC stages.</p>	<p>The introduction of CCMS across the organisation will impact positively on the tracking of client company data. There is evidence already of Divisions adopting best practice and the challenge will be to roll it out across the organisation.</p> <p>To be monitored by the BHC Development Group on a quarterly basis.</p> <p>To be co-ordinated by the BHC Development Group and best practice rolled out by 31 October 2008</p>	<p><u>January 09 Update</u> Best practice has been rolled out and there have been fewer instances where CCMS has not been updated.</p> <p>The BHC team will monitor and compare information with CCMS on an ongoing basis.</p>	<p>We are uncertain as to the monitoring method employed by the BHC team.</p>
<p>Formal consideration should be given to tracking time inputs made by executives in delivering BHC activity. This to help ensure tighter management of the consistency of BHC effort, and better track time inputs to the process so as to better assess Value for Money.</p>	<p>Invest NI recognises the rationale behind this recommendation, but the BHC is one of a number of important tasks undertaken by client facing staff, and given the varied range of activities undertaken tracking client executive time would be difficult. In the wider context of improving</p>	<p><u>January 09 Update</u> The Development Group have considered this recommendation but in recognising the varied range of activities carried out by client executives have decided that time tracking is not feasible. However,</p>	<p>The Evaluation has highlighted ongoing concerns regarding the amount of time expended on the BHC by Invest NI staff. However, we believe that the solution to this issue is not through enhanced monitoring of activity through CCMS, rather it is through the creation of clearer guidelines on</p>

## Action plan from previous evaluation

D

Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
Invest NI should maintain its commitment to repeating BHC activity (indicatively on a three to four year cycle). There is some evidence of diminishing impact returns in repeat BHCs and this should be factored into the scope and reach of repeat BHC work.	<p>value for money this will be considered by the Development Group, but the emphasis will need to be placed on ensuring client facing staff are confidently equipped to deliver the tool, are targeting it at the right companies, and a consistent approach is adopted across the organisation.</p> <p>To be considered by BHC Development Group by 31 December 2008.</p>	<p>the use of CCMS will identify and flag up those BHCs where there is a time-lag.</p> <p>This goes hand in hand with ensuring that CCMS is updated correctly.</p>	<p>the proportionality of activity for BMCs. Thereafter the responsibility for apportioning time to individual Business Health Checks will rest between the Client Executive and their respective line manager.</p>
	<p>It is not a mandatory requirement for client companies to undertake a BHC before receiving assistance from Invest NI. Repeating the BHC cycle, in principle, will be undertaken on an as required basis. Directors, in conjunction with client facing staff, will assess the position on an annual basis and select companies accordingly. To date about 10 repeats have been undertaken.</p> <p>Where it is considered appropriate for a company to undertake a repeat BHC, but it is reluctant to do so, it is important that follow up</p>	<p><u>January 09 Update</u></p> <p>This recommendation will be monitored.</p>	<p>Feedback from the evaluation process highlighted the rapidity with which Business Health Checks become obsolete, particularly in companies which are experiencing fast growth and/or operating in challenging market conditions.</p> <p>If the Client Executive is using the Business Health Check as their principal method of contact with the company it is essential that it is routinely updated. Feedback from companies and Client Executives put this in a range of between 3 to 5 years. However, the concept of proportionality</p>

## Action plan from previous evaluation

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Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
<p>Greater emphasis should be given to tracking and evaluating the impact of BHC in client firms. Consideration should be given to identifying suitable Key Performance Indicators (KPIs) by which BHC impact can be assessed and ensuring that these are recognised by CEs and clients alike as indicators for subsequent monitoring. Given developments in Government thinking, greater consideration should be given to monitoring the rate of BHC interventions on delivering Gross Value Added, although at the level of individual firms this metric is not routinely reported.</p>	<p>action is taken by the Client Executive. 'Repeats' will be a monitoring function for the BHC Development Group.</p> <p>Ongoing monitoring</p> <p>This will fall within the remit of Directors to ensure that impact is being assessed and monitored. The four Key Performance Indicators (KPIs) are profitability, turnover, export sales and value added per employee.</p> <p>The BHC Development Group will monitor performance on an ongoing basis and will issue guidance to ensure consistency across the organisation.</p>	<p><u>January 09 Update</u></p> <p>This work will be ongoing.</p> <p>10/12 case studies will be presented to highlight the benefits of undertaking a BHC and this will increase commitment and uptake.</p>	<p>should also be applied for each subsequent Business Health Check.</p> <p>We believe that subsequent monitoring of companies completing the BHC should rest with the appropriate Client Executive and their Line Manager.</p> <p>We believe that the continued development of new case studies and best practice events which demonstrate the benefits of using the Business Health Check to the Client Executive should address the key market failures of asymmetric information and the demonstration effect</p>
<p>Client and Senior Client Executives should each undertake three BHCs per annum to ensure adequate penetration of BHC into the client base and to ensure they remain</p>	<p>Invest NI recognise the rationale behind this recommendation but this will be an issue for Directors to manage. The tool will be utilised on an as needs basis, and some client</p>	<p><u>January 09 Update</u></p> <p>As part of their role CE s should complete 1 BHC each year. However, this will be on the basis</p>	<p>The Evaluation found that on average Client and Senior Client Executives undertook two BHCs per annum. Target setting was at the discretion of each Directorate</p>

## Action plan from previous evaluation

D

Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
familiar with the BHC process.	<p>executives will have a larger portfolio of clients than others. It is anticipated that the BHC Development Group will consider this recommendation.</p> <p>BHC Development Group to consider by 30 June 2008</p>	that identified companies are at the stage to achieve maximum value from the process. This figure will be reviewed annually.	and the tool was utilised on an as needs basis (with need being defined by each unit). Respondents stated that target setting should continue to be at the discretion of the Client Executive and Line manager in order to ensure the direct link to company need.
<p>Knowledge-sharing mechanisms should be enhanced and supplemented to facilitate the operational sharing of BHC capability and experience across the organisation. Consideration should be given to:-</p> <p>(a) Developing and tailoring BHC review questions in particular areas of focus.</p> <p>(b) Whilst inexperienced CEs should not be left to learn on the job alone, shadowing and the use of teams, which the BHC Steering Group are now promoting, should be encouraged.</p> <p>(c) The feasibility of cross divisional sector BHC feedback fora</p>	<p>This is already happening in some Divisions and the challenge will be to extend best practice across the organisation. Divisions are encouraged to use BHC mentors and CE teams to deliver BHCs to ensure that all Client Executives are confident and capable of delivering the service.</p> <p>The BHC Team has already undertaken 10 specific clinic sessions on areas such as interpreting / inputting data.</p> <p>This has been actively promoted by the BHC Team and some Divisions already have 'champions' in residence. This will continue to be embedded across the organisation.</p>	<p><u>January 09 Update</u></p> <p><u>Achieved:</u></p> <p>Best practice is being rolled out.</p>	<p>Although the Evaluation did highlight that most Client Executives interviewed understood the BHC process (through a combination of best practice events and shadowing of colleagues). There was an ongoing concern regarding guidelines on the proportionality of effort. A number of Client Executives were unsure how much effort was needed to be expended on smaller/dormant companies (there are clear guidelines as to what constitutes a full Business Health Check).</p>

## Action plan from previous evaluation

D

Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
should be explored to facilitate knowledge development.	The BHC Development Group will monitor this on a quarterly basis.		
(d) The beneficiary impact of the BHC should be promoted to CEs via a designated BHC champion.	To be co-ordinated by the BHC Development Group and best practice rolled out by 31 October 2008 Ongoing		
Timing and administration efficiencies should be sought in delivering BHC activity, using the following routes:-	Some Divisions are already utilising administrative staff to support the client executives, and best practice will be encouraged across the organisation.	<u>January 09 Update</u> <u>Achieved.</u>	
(a) Greater use of administrative staff should be made to ease the time requirements of BHC on CEs. Specifically, administrative staff could be used to process questionnaires and support the back-end BHC delivery processes.	Winning Moves Ltd is now delivering the Benchmark product which was previously known as the DTI Benchmarking Index. On-line questioning techniques will be available, as part of the solution, from April 2008.	Best practice has been rolled out and shared within the organisation.	The evaluation highlighted that the average duration of a Business Health Check is in excess of the recommended 6-8 weeks. Delays are largely attributable to difficulties in setting up meetings and the iterative approach to report writing.
(b) The use of on-line questionnaire techniques, ideally through the web, should be explored to reduce processing and analytical burdens on CEs.	To be co-ordinated by the BHC Development Group and best practice rolled out by 31 October 2008.	An on-line tool is available but better understanding is needed. Winning Moves will have an increased control and monitoring role.	However, with clearer guidelines on proportionate effort in relation to delivery of BHCs there will be opportunities for efficiencies to be made in terms of time expended. We are supportive of the use of online diagnostic tools particularly for those companies which are judged as needing only an introductory/high level Business Health Check.

## Action plan from previous evaluation

D

Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
<p>Personal targets for BHC delivery should be retained. However, there should be greater clarity in the ways in which target numbers are set, greater consistency in their scale across the organisation and a clearer proposition on the benefits of achieving personal targets.</p>	<p>April 2008</p> <p>Divisional targets will be set but based on client requirements. The area of target setting will be considered and clarified by the BHC Development Group to ensure that consistency of approach is adopted across the organisation.</p> <p>Guidance on target setting and company identification to be communicated by BHC Development Group by 30 April 2008</p> <p>Selection to be endorsed by BHC Development Group by 31 May 2008.</p>	<p><u>January 09 Update</u></p> <p><u>Achieved:</u> Targets have been set at Divisional level and MDs advised.</p>	<p>The evaluation has highlighted that Directorates attach differing levels of importance to the Business Health Checks and that this is reflected in the number of Health Checks being completed. There was also no desire for targets to be set above the Directorate level. Rather than target setting the Evaluation highlighted that there should be a focus on both quality and proportionate effort, with the BHC team continuing to undertake quality reviews and updating the guidance in respect of scaling of BHCs.</p>
<p>There must be greater clarity across the organisation on the acceptable parameters of an appropriate BHC. Training processes should include instruction on how the BHC process can be scaled and greater use of</p>	<p>Determining the acceptable parameters of an appropriate BHC will be considered by the BHC Development Group. This will be conveyed to client facing staff through knowledge sharing fora and other means of</p>	<p><u>January 09 Update</u></p> <p><u>Achieved</u></p> <p>No formal guidance has been issued but through mechanisms</p>	<p>Although the mechanisms put in place by the BHC team were judged to be useful (for those who chose to engage with them). A number of respondents stated that there was a need for additional guidance related to proportionate</p>

## Action plan from previous evaluation

D

Recommendation	Management Response Agreed / Rejected / Alternative	Monitoring Update August 2011	Evaluation 2012
case studies made to show a wider spectrum of appropriate BHCs.	communication.  To be considered by the BHC Development Group and guidance communicated by 30 June 2008.	such as knowledge sharing for a and 1:1 meetings advise is being conveyed to client facing staff. Advice is offered when required by the BHC team. Feedback on the new format is positive and CEs find it less onerous.	effort on the delivery of BHCs.
An evaluation of BHC should be re-commissioned in early 2010 to further review and check progress. This should be resourced at a level that allows a statistically robust impact assessment survey of beneficiaries, enabling a detailed and rigorous Value for Money assessment to be undertaken.	It is anticipated that the next evaluation will be undertaken in 2011 / 12.  2011/2012 financial year	<u>August 2011 Update</u>  Terms of Reference to appoint a Consultant to undertake an Evaluation is underway.	This evaluation provides an update to the evaluation carried out by SQW.

## Case Studies

E

### Manufacturing Company (Chemicals)

The enterprise is a long established family owned medium sized company. The interview was conducted with the new HR Director. The role holder had not been in position when the BHC was completed but had discussed the process with her Managing Director. The respondent had previous experience of BHC with her previous employer and was responsible for the implementation of the Action Plan.

### Rationale for undertaking the Business Health Check

The respondent stated that the rationale for the Business Health Check was two fold:

- ◆ the owner was in the process of handing responsibility to his family and so they were looking for ideas to take the business forward; and
- ◆ that the Client Executive had suggested they might wish to undertake a Business Health Check as they were in the process of seeking Selective Financial Assistance.

The company itself had a traditional ethos, but was successful. There was a reticence to use management techniques, apparently for their own sake. Rather tactics merged into strategy and there was a great reliance on sticking with what they knew and not engaging outside of the family.

### Commentary on the implementation process

The respondent believed that the Client Executive had undertaken the BHC. This worked well because they had explained the process to the Manager who had in turn championed the approach. They had also been upfront as to how long it would take. The Client Executive also persuaded the company of the merits of engaging with the staff and a number of focus groups were undertaken.

The process from start to finish took upwards of 4-5 months to complete. At the end of which they were provided with an Action Plan which in the six months the respondent had been in place, had formed the basis of her 'to do' list and engagement with Invest NI.

### Impact on business/understanding of Invest NI

As a result of undertaking the BHC, the business has become more confident in the use of management tools and continues to use the Action Plan from the BHC. In addition, the respondent (who is a recent recruit) in combination with her HR responsibilities is seeking to implement EFQM Bronze Level as the company is bought into the process of external accreditation of business improvement processes.

The staff feedback from the focus groups identified a number of training issues which were picked up in terms of two separate BITP projects (which are at different stages). The company also secured Selective Financial Assistance from Invest NI.

Although the company initially agreed to use the BHC as they felt it might help them get their Selective Financial Assistance, the Client Executive was 'pushing at an open door' The company was looking for ideas and if left up to their own devices probably would not of used the BHC or the EFQM model.

They also believe that it has provided the Client Executive with a better insight into their needs and it is now a much more open discussion. The meetings are also more regular.

### Any suggested improvements to the service

There was overall satisfaction with the intervention, however they did believe that it was suited to a company which was that bit larger, although everyone can benefit from a Business Health Check.

## Case Studies

E

### Manufacturing Company (Trailers)

The enterprise is a highly successful Northern Ireland based limited company which has broken into the wider UK and international markets and is the market leader in its field in the UK. The interview was conducted with the Finance Director of the firm, who led on the delivery of the BHC and also has previous experience of EFQM gained with his former employer.

#### Rationale for undertaking the Business Health Check

The rationale for undertaking the Business Health Check was as a result of a request to secure funding under the Selective Financial Assistance. The company is a long term client of Invest NI and has built up a long lasting relationship with the Client Executive, when they suggested that there would be merit in undertaking a BHC, the company thought this acceptable. The Finance Director also acted as an advocate to the rest of the Senior Management Team due to his previous experience of EFQM.

One principal motivator to the Managing Director was the benchmarking exercise.

#### Commentary on the implementation process

The BHC was delivered by an extensive team from Invest NI staff and they engaged with a wide range of staff. Shop floor staff felt engaged with the process and the respondent felt they were very frank with the assessors. Management felt it provided a good mechanism for bringing issues to the fore in a neutral environment.

Although the benchmarking activity did not produce any new insights (due to difficulties in finding comparable companies), management were satisfied with this as it vindicated their belief that they knew their market. The area which they felt it was most useful was in relation to the development of new performance management systems.

#### Impact on business/understanding of Invest NI

The overall impact of the BHC was to encourage take up of new performance management techniques and the adoption of six sigma. The latter point came from the shop floor and their desire to take on new skills.

The respondent felt it reinforced that the company was generally proceeding on the right lines. It also strengthened the working relationship with the Client Executive and provided an opportunity to implement several new interventions including BITP and six sigma.

#### Any suggested improvements to the service

There was a perception that this tool is useful for companies of a certain scale and/or have mechanisms in place which the BHC can assess.

## Case Studies

E

### Services (Software)

The company is a leading University spin out in the high tech service sector. The respondent did not undertake the Business Health Check but was now responsible for the all working relationships with Invest NI.

#### **Rationale for undertaking the Business Health Check**

The respondent stated that the BHC was carried out due to the advice of the Client Executive. It had been carried out over 2 years prior to the interview.

#### **Commentary on the implementation process**

The respondent stated that there was general satisfaction with the process, however there was a perception that Invest NI kept asking for information and it just never seemed to be used. There was a strong relationship with the Client Executive, however the respondent stated that he already had a good knowledge of the range of Invest NI interventions and was capable of applying for them himself.

#### **Impact on business/understanding of Invest NI**

The respondent felt that the real benefit of the BHC rested with the information it afforded Invest NI. He felt that it provided a useful mechanism for the Client Executive to be able to get a more robust understanding of the issues facing his company and then be able to support the projects he was seeking to promote. He recognised the usefulness of the EFQM model as a good means of diagnosing problems and providing a framework for subsequent implementation.

#### **Any suggested improvements to the service**

The frequency of change within this company and its sector quickly made the Action Plan redundant. If Invest NI need such a tool it should be updated more frequently but also be less intrusive than a full Business Health Check.

## Case Studies

E

### Services (Leisure Wear)

The company is one of the largest suppliers of sportswear on the island of Ireland. The interview was conducted with the Chief Executive.

#### Rationale for undertaking the Business Health Check

The respondent stated that the idea to conduct the Business Health Check came from the Client Executive. The respondent agreed to undertake the BHC for two reasons:

- thought it would help the Client Executive get a better perspective of his companies needs; and
- thought it was an opportunity to get some free consultancy and there could be an opportunity for him to learn about his company.

#### Commentary on the implementation process

The BHC was delivered by an external consultant, who was very professional and spent a number of days on site. He conducted a number of interviews and focus groups with a range of people, in particular shop floor staff, who got an opportunity to highlight a number of issues regarding training.

#### Impact on business/understanding of Invest NI

The respondent stated that the company had grown quite rapidly and had not put in place sufficient procedures particularly on the HR side, this was the key recommendation of the BHC. As a result of the Business Health Check the company decided to employ an HR manager to address both the immediate training issues raised by shop floor staff but also develop a more robust performance management system.

The BHC also strengthened the working relationship with the Client Executive who the respondent believes now has a greater understanding of the company needs and they continue to use the Action Plan to implement a series of Invest NI interventions.

#### Any suggested improvements to the service

The respondent stated that now that he has been through one BHC he has seen the benefits and would definitely undertake a future one, perhaps after three to five years. He also stated that although he appreciated the input from the external consultant, he would prefer a greater role for the Client Executive thereby ensuring the link with Invest NI. (It should be noted that the client company has also used the consultant for several further assignments, which he has paid for separately). The respondent concluded that he would be willing to make a financial contribution for any subsequent BHC.

## Case Studies

E

### Manufacturing (Lifting equipment)

This is the Northern Ireland branch plant of a multi national enterprise. The interview was conducted with the local Director.

#### Rationale for undertaking the Business Health Check

The respondent stated that the company had wanted to pilot the use of the EFQM model in order to undertake an audit of their activities and move towards a process of seeking external accreditation. The Business Health Check provided the company with an opportunity to undertake the pilot on behalf of the entire groups.

#### Commentary on the implementation process

The respondent stated that he had taken a personnel interest in the process and was the local champion. The project had been delivered by a joint team of consultants and Invest NI staff. They had spent about three to four days on site and had conducted extensive interviews with all levels of staff. The output of the process was the delivery of an Action Plan.

#### Impact on business/understanding of Invest NI

Although the company had hoped to implement EFQM itself, by Invest NI delivering the BHC had two positive impacts:

- Acted as a catalyst and allowed the pilot to be sited in Northern Ireland as opposed to other regions; and
- There were direct benefits to the Northern Ireland site, including the embedding of expertise through the decision to recruit an EFQM manager.

In terms of the relationship with Invest NI, the respondent stated that the Action Plan provided a useful mechanism for identifying a range of useful interventions to address issues raised in the BHC, including:

- Lean Manufacturing Techniques
- IIP Gold; and
- Training.

In short, the BHC provided an opportunity for the Northern Ireland site to pilot a group wide intervention, which subsequently enhanced the profile of the NI base and will lead to further investment.

#### Any suggested improvements to the service

The respondent was an advocate for the process and stated that he believes that it should be repeated at least every three years to ensure that it is kept up to date. He also stated that the BHC was equally useful to companies of all scales.

## Annual Business enquiry data

F

## Northern Ireland Annual Business Inquiry 2009 and 2010 reporting unit results - Estimates and Quality Estimate information

Year	Description	purchases £million	GVA at Basic Prices £million	Employment	GVA per head
2009	Agriculture, fishing, production, construction, distribution and services	37,895	17,989	542,661	33,149
2010		38,756	18,664	537,166	34,745
2009	Agriculture, forestry and fishing	59	29	1,184	24,157
2010		45	32	1,182	27,313
2009	Production Industries	9,839	4,873	89,715	54,316
2010		10,491	4,999	86,633	57,709
2009	Mining and quarrying	195	106	1,997	52,857
2010		216	80	1,951	41,012
2009	Manufacturing	7,855	4,167	80,351	51,854
2010		8,520	4,393	79,081	55,555
2009	Electricity, gas, steam and air conditioning supply	1,396	286	2,258	126,817
2010		1,362	380	2,511	151,443
2009	Water supply, sewerage, waste management and remediation activities	393	315	5,109	61,560
2010		393	146	3,089	47,194
2009	Construction	4,107	2,093	53,120	39,399
2010		3,978	2,261	49,443	45,728
2009	Distribution and Service Industries	23,889	10,994	398,642	27,580
2010		24,242	11,371	399,909	28,435
2009	Wholesale and retail trade; repair of motor vehicles and motor cycles	17,093	4,428	140,810	31,447
2010		17,504	4,785	143,485	33,352
2009	Other Service Industries	6,795	6,566	257,832	25,468
2010		6,739	6,586	256,424	25,683
2009	Transport and storage	1,807	1,105	26,599	41,525
2010		1,474	1,380	27,270	50,603
2009	Accommodation and food service activities	790	660	46,589	14,174
2010		658	620	45,871	13,527
2009	Information and communication	630	789	17,616	44,768
2010		486	740	16,026	46,190
2009	Real estate activities	423	413	10,090	40,915
2010		364	537	10,180	52,766
2009	Professional, scientific and technical activities	615	1,294	29,723	43,536
2010		745	1,124	27,632	40,674
2009	Administrative and support service activities	741	925	44,009	21,021
2010		878	1,031	41,609	24,773
2009	Others	1,790	1,381	83,207	16,597
2010		2,134	1,153	87,835	13,130