

# Executive Summary Evaluations of Business Development Programmes

April 2015



**Department of Jobs, Enterprise and Innovation**  
**An Roinn Post, Fiontar agus Nuálaíochta**

*Strategic Policy Division*



## Executive summary

### Background

The Department of Jobs, Enterprise and Innovation (DJEI) requested that Forfás undertake a comprehensive evaluation of the suite of enterprise support programmes provided by the enterprise development agencies. This involves the systematic evaluation of approximately 50 enterprise supports. A framework was developed by Forfás in 2011 [The Framework], informed by international best practice, to provide guidance regarding core principles and methodologies and that is cognisant of the common challenges facing enterprise evaluation.<sup>1</sup> The evaluations were undertaken by Forfás, prior to its integration into DJEI.

The evaluations focus on the appropriateness, efficiency and effectiveness of supports with regard to:

1. Individual programme performance;
2. Programme performance in relation to other interventions; and
3. Alignment with national enterprise policy.

An Evaluations Steering Group is overseeing the process, chaired by Forfás, and includes representation from DEJI, the Department of Public Expenditure and Reform, IDA Ireland, Enterprise Ireland and independent evaluations expertise.<sup>2</sup>

The programmes have been categorised by thematic area:

- Entrepreneurship and start-up supports (completed in May 2012);
- Research, development and innovation supports (completed March 2013); and
- Business development programmes

This executive summary sets out the findings and recommendations relating to the evaluation of the Business Development Programmes. Individual, more detailed reports are available on line for each of the programme evaluations undertaken and links are provided at the end of each programme evaluation summary.

The evaluations were undertaken in an independent manner, ensuring the integrity of the evaluation process. Where evaluations of a programme had been conducted in the recent past by the enterprise development agencies, a review of that evaluation was carried out and in such cases the original time period for the evaluation has been used. Additional analysis was carried out by Forfás if deemed necessary. External evaluation experts were appointed for a number of the programmes.

### Scope of evaluations

Business Development Programmes (BDPs) are essentially different means of working towards the same end - to grow jobs and exports by building capability and capacity within firms. This is achieved through a range of activities including scaling and investment, new employment, reaching new markets, increasing productivity and investment in human capital. The BDPs evaluated reflect this mix of activities and are set out below along with the relevant input

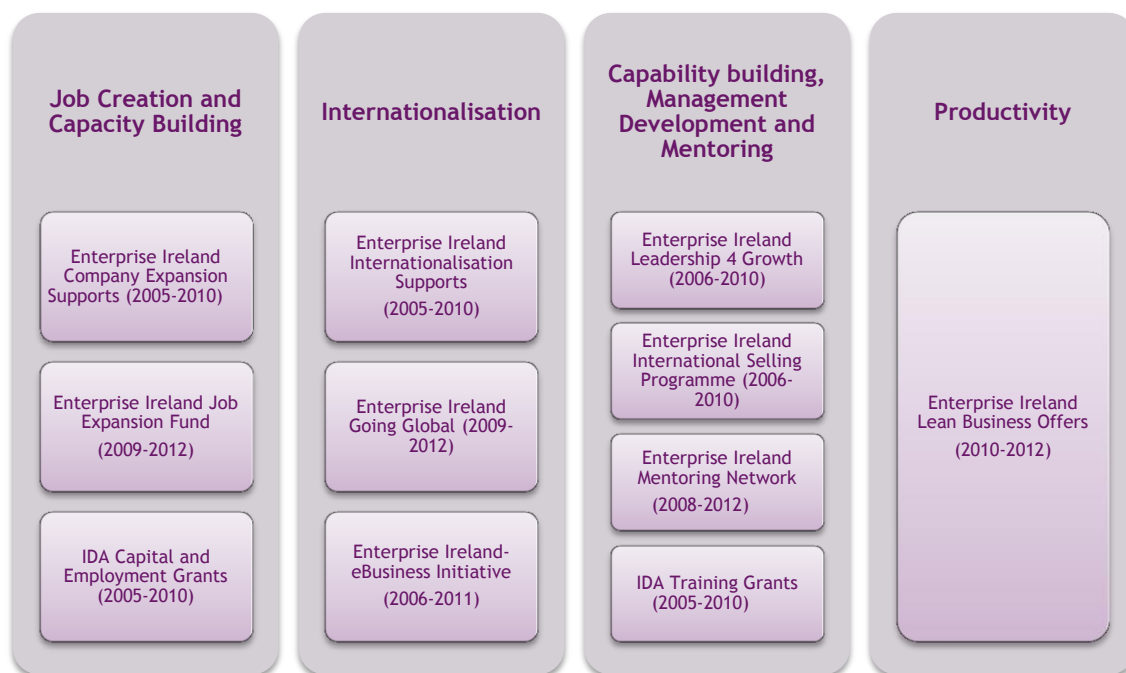
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<sup>1</sup> Forfás Framework for the Evaluation of Enterprise Supports, May 2011

<sup>2</sup> Professor Helena Lenihan, Department of Economics, Kemmy Business School, University of Limerick

(approval of expenditure) years. Broadly, the portfolio of BDP programmes has been categorised within four groups: job creation and capacity building; internationalisation; capability building, management development and mentoring; and productivity (Figure i).

**Figure i: Thematic Areas for Evaluation of Business Development Programmes and Period of Evaluation**



The evaluations cover 33 individual supports involving approved expenditures of approximately €750 million over the period of evaluation (2005-2012).<sup>3</sup> In some instances a number of individual incentives were grouped to facilitate a pragmatic and efficient approach to undertaking the evaluations. The thematic approach adopted allows for an initial assessment of the programme complementarities within a thematic area, as well as across the wider spectrum of BDP supports available.

The evaluations span different periods between 2005 and 2012, with timelines varying for each individual programme depending on a number of factors.

A brief overview of the individual programmes evaluated is outlined in Table 1.

<sup>3</sup> A listing totalling 93 BDP programmes/interventions that had approvals over the period 2003-2012 was reviewed by Forfás at the initiation of this evaluation process. A number of programmes have not been evaluated for the following reasons: the programme was discontinued; was a once off initiative and specific; was at too early a stage to facilitate informative assessment of impact; was very small in terms of expenditure

**Table 1: Brief Overview of Business Development Programmes**

Programme Name	Primary Focus	Target Companies
IDA Capital and Employment Grants 2 programmes	Targeted at attracting greenfield and expansion FDI projects and incentivising existing clients to move up the value chain, subject to regional aid guidelines.	New and existing FDI client companies
EI Company Expansion Supports 16 programmes	Suite of supports operated by EI with the objective of supporting firms that are undertaking or planning expansions that will create employment and grow exports	All EI companies
EI Job Expansion Fund (JEF) <sup>4</sup>	Specific scheme introduced in response to the economic downturn, with the objective of providing support to eligible companies (including those outside of EI's existing client portfolio) that are taking on a development plan that will increase employment in their company, based on growing the company's sales and exports	EI and non- EI companies
Internationalisation Supports EI 5 programmes	A suite of programmes with different individual objectives with the ultimate shared goal of gaining access to or increasing exports in foreign markets	Exporting and pre-exporting EI client companies
Going Global <sup>5</sup>	Introduced in response to Catching the Wave, A Services Strategy aimed at incentivising primarily services companies to explore the potential to export <sup>6</sup>	Services sector companies
EI eBusiness Management Initiative	Designed to improve the ICT capabilities in EI clients in order to increase international sales	All EI companies
EI Leadership for Growth	Aimed at accelerating the development of Irish companies, particularly scaling companies, to achieve strong positions in global markets through building leadership capabilities. Programmes targeted on a sectoral basis	EI client companies <sup>7</sup>
EI International Selling Programme	Export sales skills development programme targeted exclusively at maximising export sales for Irish companies	All EI companies

<sup>4</sup> Under the JEF, existing and potential clients must have been trading (i.e. generating sales) for at least five years before the date of application; and only companies who have received €200,000 or less in approvals from Enterprise Ireland in the last three years are eligible to apply for grant funding under the JEF

<sup>5</sup> The Going Global fund has now ceased

<sup>6</sup> Forfás (2007) Catching the Wave - A Services Strategy for Ireland

<sup>7</sup> Access for Enterprise Ireland-assisted firms can be facilitated on a case by case basis

Programme Name	Primary Focus	Target Companies
EI Mentoring Network	Provides access for client companies to experienced business people, that will provide a confidential sounding board for the CEO, help him/her accelerate growth, survive in difficult times and build management capability	All EI companies
IDA Training Grants	Aims to assist Enterprise Ireland client companies already located in Ireland to significantly upgrade the skills base in the context of improving the company's long term competitiveness and transformation	Existing IDA client companies
EI Lean Business Offers	Designed to encourage companies to adopt Lean business principles in order to develop a sustainable competitive advantage leading to a significant increase in profitable sales, exports and employment	All EI companies

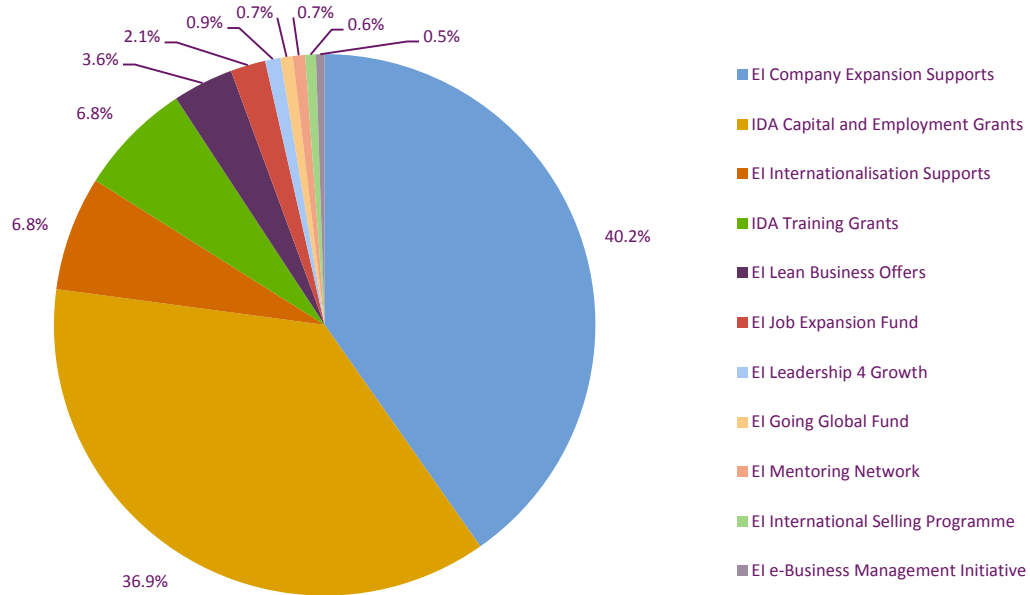
The nature of the evaluation informs the extent to which full impact can be determined and the reader is advised to read the individual evaluation reports which clearly set out the methodologies and basis for the findings before assuming a direct comparison between programmes can be made. In addition, it is important to note that the programmes are targeting different cohorts of companies of various sizes, ownership, sectors and stage of development. In this context, the supports have different starting points. Furthermore, there have been a number of changes to existing programmes during and since the period of evaluation. This points to the continuous and evolving nature of programmes with modifications instigated by changing economic circumstances, changing client needs and/or following an internal review of a programme's operational effectiveness. In summary, therefore, as with all evaluations, findings should be interpreted bearing in mind the study context, time period and methodological approach adopted.

### Annualised expenditure

Taken together, the evaluations relate to approximately €750 million in approvals by the enterprise agencies, however, as mentioned, the evaluations cover inputs over different timeframes.<sup>8</sup> To provide some indication of order of magnitude/scale for the suite of interventions that have been evaluated, the expenditure over the period of the evaluation is 'annualised' below (Figure ii).

<sup>8</sup> With regard to IDA Capital and Employment Grants, a total of 251 projects were approved over the 2005-2010 period to a value of €446m. 65 percent of the approved projects have started with an approvals value of €285.3m and it is this figure which is annualised in Figure ii. The remainder of the projects are recorded 'approved - not started' for a number of reasons such as the project was approved in principle as part of investment negotiations but the parent company made the decision not to proceed; the project was replaced at a later date by another project; or the project was delayed or cancelled

Figure ii: Programme Approvals (% of Total) - Indicative only (annualised).



Source: Agency Grant Approvals Data

Over 77 per cent of annualised approvals within the portfolio of evaluations relate to Enterprise Ireland Company Expansion Supports and IDA Capital and Employment grants, with Enterprise Ireland Internationalisation and IDA Training Grants making up a further 14 percent. Overall, approximately 56 percent of approvals relate to Enterprise Ireland supported companies with the balance targeted towards foreign-owned firms. A question that has come up over the course of the evaluations is whether or not there is merit in evaluating programmes with relatively low approvals and expenditure. However, given the findings and recommendations coming from the individual evaluations, their potential application across other supports and evidence of how supports are working effectively together, it is clear that there is significant added value to be gained from evaluating relatively small scale programmes. It is also clear that in most cases, the programmes play a specific role within the overall business development context and have realised benefits whether in qualitative and/or quantitative terms.

## Rationale for Government intervention

The BDPs encompass a broad range of individual programmes that are aimed at incentivising company investment in greenfield or expansion activities and/or enhancing capability in the areas of productivity, management and skills, internationalisation and transformational change. Although the emphasis may be different for each particular programme,<sup>9</sup> the rationale for government intervention is informed by the following market and capability failures:

**Relative costs:** Due to the comparatively small domestic market, Irish enterprises need to internationalise at an earlier stage of their lifecycle than enterprises in many other countries.

<sup>9</sup> The market and/or capability failure specific to the programme is set out in the individual programme full report

Government can assist in offsetting higher costs associated with exporting and share the burden of risk arising from scaling. From an FDI perspective, business development supports such as capital and employment grants are designed chiefly to alter relative prices facing firms. Ireland, as an island location on the periphery of Europe, imposes relatively higher costs for some firms.

**Incentive effects:** Government intervention can play a key role in incentivising behavioural change that can have a transformative effect on industry structure, productivity and growth potential. The incentive effect is evident when the aid changes the behaviour of a company to engage in additional activity which it would not have engaged in without the aid or would only have engaged in such activity in a restricted or different manner or in another location.

**Information asymmetry:** This is a key market failure for both Irish and foreign owned firms though impacting in different ways. For Irish owned enterprises, barriers to internationalisation may undermine efforts or willingness to attain or maintain a presence in overseas markets. Typical barriers to entry in new markets include access to networks and contacts in overseas markets; navigating unfamiliar business environments, including differences in language and culture; and overcoming procedural barriers such as product standards and other aspects of the legal and regulatory framework.<sup>10</sup> Most of these barriers are associated with lack of access to perfect and complete information, and overcoming them could imply prohibitive costs and intensive use of companies' resources. Government intervention is needed insofar as it provides a more efficient way to tackle the costs associated with searching for new market opportunities and entering new markets.

From an FDI perspective, information failures may prevent the efficient allocation of investments across countries. International investors do not have perfect information about all countries or investment opportunities and face large costs with gathering the necessary information. State enterprise agencies play a primary role in addressing these information gaps.

**Capability failures:** Investment by firms in education, training and management development is positively correlated with higher levels of productivity and innovation. More highly skilled workers are more likely to adapt to change and to be a direct source of innovation and more productive firms are more likely to use advanced technology.<sup>11</sup> Similarly, investment in management development has shown close correlations between labour productivity, sales growth and return on capital employed.<sup>12</sup> However, enterprises and individuals do not always invest optimally in education, training and management development for a number of reasons such as lack of awareness of the benefits, lack of access to, or relevance of, training available, prohibitive financial costs and lack of time.

These factors are particularly acute for SMEs. In addition, the long term returns to investment in education and training can act as a deterrent coupled with the fact that not all the benefits may accrue to the firm (for example, through staff turnover) although there are strong societal benefits from such investments in training and similarly in research and innovation. The State has a clear interest in addressing these barriers as the benefits from education and training accrue more widely than individual or firm level to the economy and society.

**A systems approach to enterprise policy:** The range of activity undertaken by the enterprise agencies in supporting firms has underlined the role of the state as an actor that is more than simply a provider of funding. BDPs address a number of barriers for enterprise. They go beyond

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<sup>10</sup> Internationalisation of Innovative and High Growth SMEs. BIS Economics Paper No. 5.2010

<sup>11</sup> Tomorrow's Skills: Towards a National Skills Strategy, EGFSN, 2007

<sup>12</sup> Management Development in Ireland, Management Development Council, 2010



the traditional view of the State's role to address market failures through corrective subsidies. Rather, BDPs reflect evolving thinking in industrial policy about the role for the State as a co-ordinator, networker, promoter and informer, in addition to investor. Internationally, this has been termed as a systems approach to enterprise policy. Implied in the systems approach is that governments interact with firms in numerous ways and that an essential government role is to engage in dialogue with business to ensure most efficient allocation of resources for enterprise support.<sup>13</sup>

### Economic context<sup>14</sup>

The evaluations of the BDPs cover the period from 2005-2012. This spans a dramatic period for Ireland's economy, encompassing a time of high growth driven by the construction boom, high levels of personal credit and consumption, to the subsequent collapse in domestic demand and recession, which became exacerbated by the global downturn.

Between 1994 and 2001, Ireland experienced one of the most prolonged periods of high economic growth recorded in any developed economy in the post-war period. In 2001 the nature of Ireland's economic growth fundamentally changed. The events of September 11<sup>th</sup> and the bursting of the dotcom bubble saw a fall in global demand, and resulted in what transpired to be a brief global downturn. Although Ireland's exporting sector remained resilient throughout this downturn, events and policies combined to engineer a shift in the makeup of the Irish economy.

A period of low interest rates, allied to record income levels, a pro-cyclical domestic fiscal policy, and a number of tax incentives designed to boost the domestic construction sector, combined to create a consumption bubble in Ireland that reached its peak in 2007.

The global financial crisis in 2008 resulted in the temporary freezing of international credit flows and the collapse of global consumer and business confidence. Ireland experienced a serious decline in its property and construction sector, a general collapse in consumer spending, a major deterioration in government revenue and a significant rise in unemployment.

The data is stark. The GDP growth rate in Ireland was over 5 percent in 2007 but fell sharply to minus 2.1 percent in 2008, with a further steep decline to minus 5.5 percent in 2009. However, in 2011 Ireland's GDP growth rate recorded positive growth of 1.4 percent.<sup>15</sup> While the downturn in the domestic market may have provided somewhat of a stimulus for Irish based firms to export, low growth rates in international markets presented significant challenges for them in their attempt to expand their presence in existing markets and/or to enter new markets.

The unemployment rate in Ireland remained fairly stable at around 4.5 percent since 2002 and then increased to 5.7 percent in 2008. In 2009 the unemployment rate in Ireland more than doubled to 12 percent and continued to increase to a peak of 15.1 percent in Q3 2011.<sup>16</sup> The unemployment rate has since declined to 12% in Q1 2014 in line with stabilisation and signs of modest recovery in the economy.<sup>17</sup>

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<sup>13</sup> Warwick, K. I(2013) Beyond Industrial Policy: Emerging Issues and New Trends, OECD STI Policy Papers, No. 2 and Lenihan, H. (2011) 'Enterprise policy evaluation: Is there a 'new' way of doing it?' Evaluation and Program Planning, 34 (4), 323-332

<sup>14</sup> Adapted from Making it Happen (2010) Forfás

<sup>15</sup> Central Statistics Office, Measuring Ireland's Progress 2011, published October 2012

<sup>16</sup> Ibid

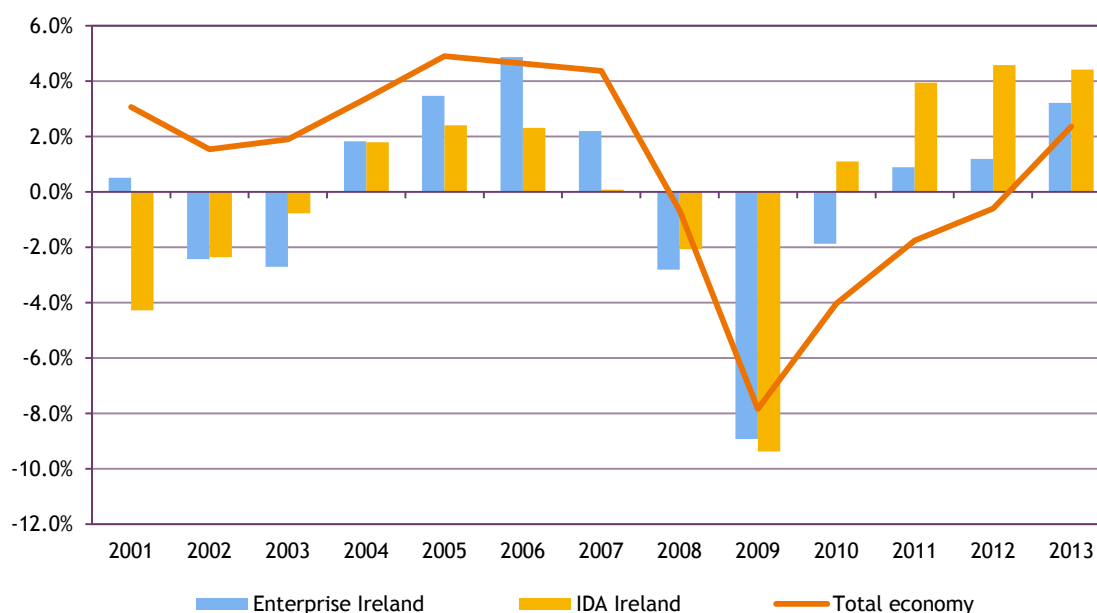
<sup>17</sup> Central Statistics Office, Quarterly National Household Survey Data

From an FDI perspective, the period 2008-2012 saw a decline and volatility in FDI flows internationally. The EU's share of global inflows has diminished over time as developing countries provided alternative and new investment opportunities over the 2008-2012 period. Although Ireland performed relatively well in a European context in terms of FDI mobile projects, it continues to face intensified competition from other locations throughout the world.<sup>18</sup>

### Agency supported company performance - headline data

From the evaluations perspective, employment and exports are two key headline indicators associated with the BDPs. The graphs below sets out the change in annual employment in the economy as well as employment in IDA and Enterprise Ireland supported firms.<sup>19</sup> Employment growth in the agency firms is behind the national average from 2001 to 2007, reflecting the very strong growth in the domestic sector over this period, in addition to the challenging international trading conditions in the early part of the decade.

**Figure iii: Average Annual Employment Growth - IDA, Enterprise Ireland firms and Total Economy 2001-2013**



Source: CSO QNHS, Forfás Annual Employment Survey

The employment impacts of the collapse in the domestic economy are evident in 2008-2009, in addition to crisis in international markets, the combination of which saw employment decline dramatically across Enterprise Ireland and IDA supported firms and the economy as a whole.

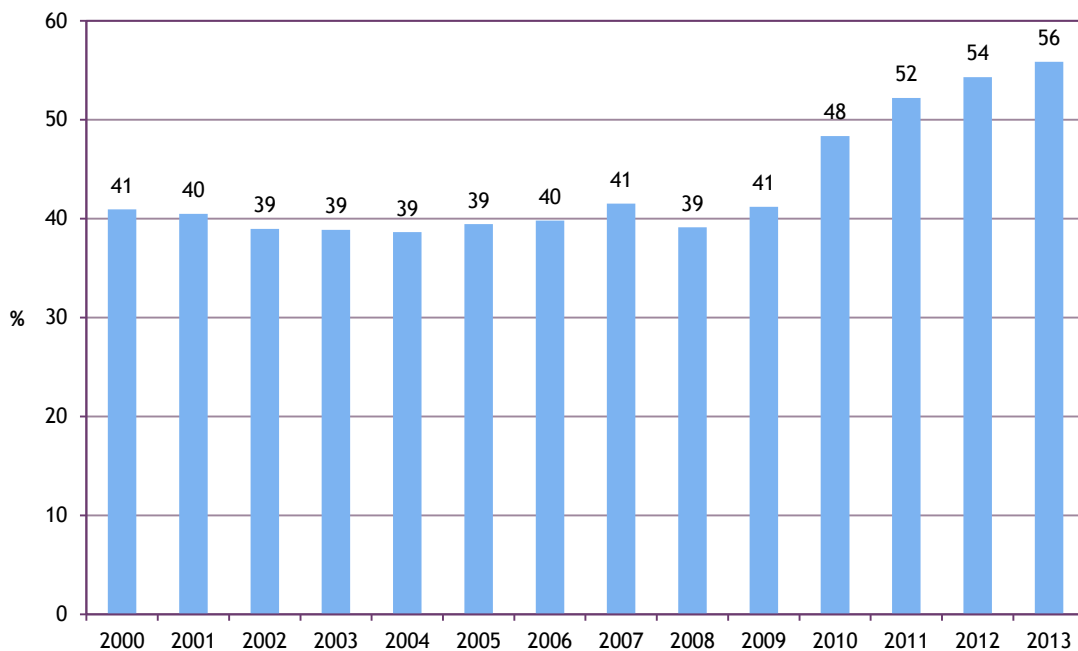
<sup>18</sup> In 2012 the EU attracted just over 19 percent of global FDI inflows. In value terms, inflows to the EU 27 have dropped from highs of \$70.2bn in 2000 and \$85.9bn in 2007 to approximately \$25bn in 2012. Source: UNCTAD (2013) World Investment Report - Global Value Chains: Investment and Trade for Development

<sup>19</sup> Given the significant differences in the employment structures of the internationally traded sector and the economy as a whole (that includes domestically trading sectors) the trends are not directly comparable

Notably, in a reverse of the trend from 2001-2007, employment growth in the exporting sectors has been more advanced than of the wider economy since 2009, reflecting the shift back towards exports as the driver of economic growth and persisting structural issues in the domestic economy.

The broadly flat export intensity performance (i.e. exports as a percentage of total sales) of Enterprise Ireland client companies from 2000 to 2009 is reflective of the competing pressures in the domestic economy. Notably, since 2009, export intensity has increased considerably within the Enterprise Ireland client base, reflecting the necessity for firms to export in the face of weak domestic demand, the cyclical improvements in relative cost competitiveness and the refocused policy effort on exports (Figure iv).

**Figure iv: Enterprise Ireland client companies - Total Exports as a percentage of Total Sales in Manufacturing and Internationally Traded Services**



Source: Forfás Annual Business Survey of Economic Impact

**Implications for evaluation analysis**

The fact that the evaluation period for many of the programmes spans the boom and bust cycle described above presents a number of challenges. For the cohorts participating in the various programmes, the key objective is to assess the relative performance of those firms compared to others with similar characteristics in the context of a highly volatile economic cycle. In particular, it is important that all efforts are made to isolate the impacts of a programme and differentiate between what has arisen as a result of the programme and what has arisen as a result of external factors such as the recession, access to credit, collapse in demand in international markets or consolidation in the multinational sector.

## Enterprise policy context

During the period of the evaluation 2005-2010, national enterprise policy goals have remained broadly consistent although the emphasis may have changed. These can be generally summarised as the delivery of quality jobs and growth, increasing competitiveness and productivity, particularly through innovation and promoting a dynamic exporting sector. A number of key policy documents and strategies over the evaluation timeframe articulate the case for BDPs. These are summarised below.<sup>20</sup>

### National policy objectives

The **National Development Plans (NDP) 2000-2006 and 2007-2013** are the main cross-Government level policy documents setting out the overall objectives for the exporting sector. Notably, the 2000-2006 NDP focused on the success of the exporting sector in driving overall economic growth during the 1990s, stating that the productive sector was “essentially the driver of economic growth and as such is relied on to deliver jobs and wealth creation”.<sup>21</sup> In the early 2000s the challenge was set out as the need “to facilitate the conditions which allow for the further development of an indigenous enterprise culture which recognises the importance of high-tech, high value-added business which has at its heart a deep commitment to the role of research and innovation and recognises the strategic role of marketing in the global economy”.<sup>22</sup> In addition, the significant role of Foreign Direct Investment (FDI) was recognised. The NDP “aimed to ensure that Ireland has a business environment and infrastructure that is as favourable as any other location worldwide and hence capable of attracting the best quality FDI projects”.<sup>23</sup>

By the second NDP in 2007, there were clear signals that Ireland’s international competitiveness was eroding due to rising prices and overreliance on domestic-led growth. The NDP placed an emphasis on Ireland’s exporting sector (both foreign and Irish owned) in this context. The NDP 2007-2013 emphasised the need for Irish owned firms to diversify into more overseas markets and the need for continued focus on helping to underpin the overall competitiveness of existing overseas companies in Ireland. It also highlighted the contribution of FDI in terms of economic wealth generation, regional development, higher living standards and improved quality of life and the need “to continue to develop new value propositions and work processes that reflect [Ireland’s] strategic competitiveness in an increasingly competitive market place”.<sup>24</sup>

### Enterprise policy and strategy

The NDP plans are useful for identifying national level objectives for enterprise policy. In 2003, the then Minister for Enterprise, Trade and Employment appointed the Enterprise Strategy Group (ESG) to prepare an enterprise strategy for growth and employment in Ireland up to the year 2015.

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<sup>20</sup> More detailed analysis of these and other reports is provided in each of the individual evaluations as appropriate. In addition, agency strategies and corporate plans provide further detail regarding how BDP objectives are articulated and operationalised

<sup>21</sup> National Development Plan 2000-2006: Productive Sector Operational Programme, p.121

<sup>22</sup> Ibid

<sup>23</sup> Ibid

<sup>24</sup> National Development Plan 2007-2013: Enterprise Development Programme, p.166

Their report *Ahead of the Curve - Ireland's place in the Global Economy* which was delivered to the Department in 2004, set out a detailed policy framework for developing enterprise in Ireland.<sup>25</sup>

The ESG noted that enterprise in Ireland, while having highly developed ability in operations, lacked capability in two areas: international sales and marketing and the application of technology to develop high value products and services. Relevant to the BDPs, the report placed a particular emphasis on developing expertise in export markets and in product technology and service development, and in developing skills, education and training.

In 2010, Forfás published *Making it Happen - Growing Enterprise for Ireland*.<sup>26</sup> The report focuses on the future of a sustainable, competitive enterprise base to deliver jobs and growth over the period to 2015. It was prepared in the context of global and domestic recession and took into account immediate short-term needs and the scale of the unemployment challenge. The report emphasised the imperative to return to an economic model with exports as the key driver of sustainable growth for Ireland in the future.

The report presented priority recommendations to enhance the business environment, and to ensure that all firms in Ireland are well positioned for growth and that individuals are appropriately skilled to take advantage of opportunities as they arise. In relation to the BDP evaluations, *Making it Happen* was important in reinstating the need for enterprises to internationalise, to grow to scale and to achieve growth through exports.

The evaluations of the BDPs relate to the period from 2005 onwards and their objectives align with those contained within the ESG and Forfás strategies.

### Human capital and skills

Building capability within firms is a core objective of BDPs. In this context, policies relating to human capital and skills, and particularly in-employment education and training and management development set the context.

The *National Skills Strategy* was published 2007 by the Expert Group on Future Skills Needs (EGFSN).<sup>27</sup> The main findings in terms of developing the skills of those in-employment included:

- Participation in education and training has an unambiguously positive impact on earnings for employees, firms and the economy in general. However, due to a lack of recognition of this positive impact, or due to other obstacles, employees and firms do not always participate in education and training to their full potential. This failure justifies state intervention in the market for education and training.
- The trends in the changing profile of sectors will continue for the foreseeable future. By 2020, the services and high value added manufacturing sectors will have increased in relative importance which poses a significant productivity challenge for policymakers and for enterprise alike.
- Employees in all jobs will be increasingly required to acquire a range of generic and transferable skills including people-related and conceptual/thinking skills. In addition, the relative share of managerial, professional, associated professional and technical jobs is forecast to rise relative to others.

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<sup>25</sup> <http://www.forfas.ie/publication/search.jsp?ft=/publications/2004/Title,819,en.php>

<sup>26</sup> [http://www.forfas.ie/media/Forfas100924-Making\\_It\\_Happen-Growing\\_Enterprise\\_for\\_Ireland.pdf](http://www.forfas.ie/media/Forfas100924-Making_It_Happen-Growing_Enterprise_for_Ireland.pdf)

<sup>27</sup> <http://www.forfas.ie/publication/search.jsp?ft=/publications/2007/Title,684,en.php>

The EGFSN also regularly undertakes detailed sectoral studies on future skills needs requirements. These play an important role in identifying specific occupational and horizontal skills in high demand at sectoral level and provide recommendations as to how they can be addressed.<sup>28</sup>

The *Report of the Management Development Council* (MDC) was published in 2010. The MDC cited research carried out by McKinsey Consultants which found that the level of general management skills in Irish businesses was relatively poor, particularly in specific functional skills such as human resources, marketing and finance, and in forward planning and strategic management.<sup>29</sup> Highly proficient leadership, with ambition, vision and strong management teams, is fundamental if a firm is to identify and anticipate changing market dynamics and to fully understand its customer base. The report finds that the vast majority of exports and export-led employment by Irish owned firms is accounted for by companies which have invested in innovation and continuously adapt. The MDC recommended that a national system for management development be put in place in order to boost productivity, innovation and competitiveness amongst Irish SMEs.

## State aid guidelines

The agency programmes operate within State aid guidelines which set upper limits for the grant intensities permitted and requires that companies themselves co-fund the project being supported. The guiding principle is that aid should only be given where there is an incentive effect, used only where there are genuine market failures and/or to redress regional disparities.

The primary State aid guidelines relevant to BDPs include:

Regional Aid Guidelines (RAGs)	Capital/employment grants aimed at building capacity (employment) and redressing regional disparities. Grant intensities are determined by scale of company (globally) and by regional location. Under the Guidelines pertaining during the evaluation periods grant intensities range from between 0 percent and 35 percent toward eligible expenditures.
Training	Intensities are determined by nature of the training whether specific (to the firm/employment) or general (transferable).
DeMinimus Aid	Small amounts of aid provided to one company (up to a limit of no more than €200,000 in any 3 year period) are outside the terms of State Aid
General Block Exemption Regulation (GBER)	Allows Member States to grant such aid without first notifying the Commission. The GBER favours SMEs, research, innovation, regional development, training, employment and risk capital

The evaluation period spans two RAGs time frames i.e. 2000-2006 and 2007-2013. As a result the grant rates for regions in Ireland differ quite considerably between the time periods. These are noted within the individual programme evaluations where appropriate.

<sup>28</sup> For further information, see [www.skillsireland.ie](http://www.skillsireland.ie)

<sup>29</sup> Management Practices across Firms and Nations, McKinsey & Co, London and the Centre for Economic Performance, London School of Economics, June 2005

### Methodology and data issues

A number of aspects have been highlighted in the course of the evaluations relating to methodology and data. These are summarised below:

- The evaluations have highlighted that different methodological approaches are required depending on the nature of the programme and the quality of data available. No direct comparisons should be made between evaluations without first confirming the methodologies, timeframe etc., set out in the individual evaluations.
- Full cost benefit analysis (CBA) may not be possible or indeed appropriate depending on the nature of the support (for example, training supports). CBA methodology was based on guidance on parameters for CBA analysis from Department of Public Expenditure and Reform and the Enterprise Agency Economic Appraisal Model. In some cases, sensitivity analysis was undertaken on the CBA and positive results were found even in cases where more conservative assumptions were used.
- Deadweight and additionality have been assessed through econometric analysis in the first instance where possible, with survey evidence and qualitative evidence used for supplementary information. In some of the smaller evaluations, small population sizes may limit scope for econometric analysis and a greater reliance is placed on survey data and interviews.
- Feedback from consultants indicates that notwithstanding data issues mentioned above, the survey data (ABSEI, Annual Employment Survey and Grants Data) provided via the agencies is of very high quality, enabling the linking of data sets and sophisticated control group analysis.

For further detail on the methodological issues please see the Technical Annex at the following link:

[www.djei.ie/en/Publications/Evaluation-of-Enterprise-Business-Development-Programmes.html](http://www.djei.ie/en/Publications/Evaluation-of-Enterprise-Business-Development-Programmes.html)

### Overarching conclusions and recommendations

This section sets out a number of findings that were common to most (if not all) of the programmes evaluated. A synopsis of each programme evaluation is set out in the following section, together with programme specific actions.

To summarise the BDP evaluations have found that:

- In general, the programmes are delivering in terms of the high level goals of jobs and export growth and have delivered positive outcomes. They are appropriate, effective and for the most part demonstrate efficient use of public funds. The exception was the relatively small scale eBMI programme, in that it was not possible to definitively attribute outcomes to participation in the programme. In the case on internationalisation programmes, the highest effect on exports is achieved for companies that received this support in combination with other types of Enterprise Ireland supports.
- Where possible (or appropriate) to undertake, the CBA analysis has demonstrated a positive return for state investment. In addition, there has been significant behavioural additionality identified in areas such as skills and leadership, ambition and strategic capabilities, productivity and firm survival and sustainability. This is more difficult to quantify in terms

of economic impact but nonetheless equally important. On the whole, the results of these evaluations reflect positively on the work of the enterprise development agencies.

- At the same time, on a number of occasions the programme-specific objectives were insufficiently documented or explicit in terms of their particular role in contributing to the overall objective to deliver jobs and growth.
- In only a few cases targets were established at the outset and/or intended outcomes specific to the programme documented.
- In a number of instances, efficiency improvements can be made in the administrative processes involved.
- The evaluations also raise questions about the number of supports available, how they can be more effectively combined, and best practice and policy in relation to programme evaluations.

Overall, the evaluations have pointed to a number of areas which could be improved. These are presented below and cover the following themes:

- Programme design and policy alignment;
- Ex ante evaluation;
- Streamlining of supports;
- Process efficiencies;
- Synergies and overlap;
- Behavioural additionality; and
- Evaluation and policy practice.

### Programme documentation and policy alignment

Overall, the programmes have been found to be appropriate and effective. They have generally been found to be aligned with national policy and contribute towards the overarching goal of jobs and growth. On the other hand, the link between the design of the support and relevant policy is, for the most part, implicit rather than explicit. For many of the BDP evaluations, the programme rationale has not been adequately documented nor have the specific programme objectives been clearly articulated. Furthermore, the quality of background documentation varies considerably and programme evolution and rebranding has created difficulties for the evaluations.<sup>30</sup>

It is imperative from the outset to clearly define the programme rationale and objectives (in terms of short, medium and long term objectives) as their absence can create difficulties for evaluation.<sup>31</sup> For a number of the evaluations (and in the case of both agencies), information on the programme rationale and specific objectives had to be engineered from scratch and frequently through an intense iterative process between the consultants and the agencies in order to develop the programme logic model and to allow the evaluation to proceed.

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<sup>30</sup> In some instances the documented rationale repeats the programme aims, as distinct from setting out the reason why the State should intervene

<sup>31</sup> Storey, D. J. (2000). Six steps to heaven: Evaluating the impact of public policies to support small businesses in developed countries. In D. L. Sexton & H. Landstrom (.Eds.), *The Blackwell handbook of entrepreneurship* (pp. 176-193). Oxford: Blackwell



The Lean Business Offer provides a good example of clear objectives, tiered approach and target cohorts.<sup>32</sup> On the other hand, although the eBMI is noted for its flexible approach, the lack of clearly documented objectives at initial design stage and subsequent iterations provided challenges to evaluate its effectiveness.

### **Recommendations**

- Clearly articulate the rationale for State intervention and the relevant link to policy at initial design stage and document any subsequent modifications and/or iterations, with reference to any changed policy context.
- Develop a programme documentation template that would be used to capture rationale, alignment with policy, and a standardised programme logic model that includes objectives, inputs and expected causality in terms of outputs, outcomes and impacts. (See also ex-ante evaluations below).

*The Forfás evaluations framework provides clear guidance in this regard.*

IDA/ Enterprise Ireland

### **Ex-ante evaluations - key to embedding an evaluation culture**

The overall aim of undertaking the suite of evaluations is to embed a culture of evaluations across the agencies, applying a consistent evaluations framework. Although some progress is being made, there is as yet no consistent process of ex-ante evaluation undertaken across the agencies.

It should be noted that Enterprise Ireland in particular undertakes regular reviews of its programmes, focused primarily on operational and management aspects, and makes the necessary modifications to enhance them. These reviews have merit, but should not be interpreted as a full evaluation that seeks to determine effectiveness. Where a full evaluation (inputs, activities, outputs, outcomes and impacts) is undertaken by an agency of its own programmes it is crucial that its independence is assured (see recommendation re: evaluations policy and practice below) and that consistent and best evaluations practice is followed, for example, through use of the Forfás evaluations framework.

The attribution of benefits and estimation of additionality specific to a programme presents a challenge for evaluations. Effective control groups are important in this respect. The Forfás framework and OECD has provided guidance in this regard, for example, establishment of control groups through time series analysis or through the use of propensity score matching.<sup>33</sup> These techniques have been used where possible and/or appropriate throughout these evaluations. The quality of the control group depends significantly on scale and data availability. The preferred option is to establish a control group ex-ante in order to allow for comparative measurement. Given that the agencies deal with most (if not all) companies within particular cohorts (e.g. exporting Irish owned firms), this can prove to be problematic, but nevertheless should be given due consideration at the outset. This is particularly relevant at programme design and/or pilot

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<sup>32</sup> Although it is also suggested that baseline metrics be collated and that targets be established at the outset

<sup>33</sup> OECD Committee on Industry, Innovation and Entrepreneurship (March 2014) Evaluation of Industrial Policy: Final Report; Forfás (2011) Framework for the Evaluation of Enterprise Supports

stage, for example, using a regional/sectoral or matching approach (based on company characteristics) to control groups.

In principle, the scale and depth of ex ante evaluation should, of course, be commensurate with the scale of the programme.

### **Recommendations**

- Introduce a system of ex-ante evaluation across the enterprise agencies, informed by the Programme Logic Model set out in the Forfás Evaluation Framework. The ex-ante evaluations should cover all policy issues, such as alignment with national policy, the rationale for government intervention, complementarity with other existing supports (where relevant). The objectives need to be particular to the intervention and targets set as appropriate. It is important that the right metrics have been identified that can clearly demonstrate achievement of specific objectives.
- Establish ex ante control groups in order to assess impact from programmes.<sup>34</sup> Results from the process of establishing the control group should be documented. At a minimum baseline metrics for the treatment group should be collated at the outset.
- Gather information regarding receipt of other supports as part of any evaluation survey (interim/ex-post) taking account of the ‘holistic approach’ taken to supporting companies and the fact that a company may receive multiple supports for various aspects of development. Although it is a challenge to calculate the impact of one support in the context of others being received by a firm, the robustness of a programme evaluation would be strengthened by having complete information to hand.

**Enterprise Ireland /IDA**

### **Streamlining of supports**

Particularly with regards to Enterprise Ireland, the current range of products appears unnecessarily complex - not only from the perspective of evaluations, but also for the client company and for the Development Advisor who is marketing the product to the client company. It is also likely that the expense of programmes is administratively inefficient. Notably, Enterprise Ireland has made some improvements recently to its website in order to better help clients navigate the various supports available. It is important to build further on this.

The evaluations of the BDP programmes started out with an assessment of approximately 90 different Enterprise Ireland client offers. It was challenging to fully comprehend the different nature and distinct objectives of the client offers, prioritise them and assign them to thematic areas. In a number of instances, some programmes are ‘different’ because of the technicalities of aligning with EU funding mechanisms and State Aid Guidelines; in some cases the evolution of a programme resulted in a new programme name; in others a number of programmes are fundamentally the same but are branded differently to attract interest from specific cohorts (e.g. sector specific, region specific); in some cases a programme is established for a very specific purpose and for a limited time frame (e.g. Employment Subsidy Scheme).<sup>35</sup>

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<sup>34</sup> Recognising that this can be challenging given the cohort of companies Enterprise Ireland supported

<sup>35</sup> The ESS was not evaluated as part of this suite of programmes - it was introduced for a limited period and is no longer in operation

### **Recommendations**

- Streamline and simplify the full suite of client offers available. Develop a clear schematic according to theme (e.g. start-up/ RDI/ job creation/ internationalisation/ management development & capability/ productivity) and according to target cohorts.
- Set out the primary objective of the intervention and its role in contributing to Enterprise Ireland's overarching mandate to deliver growth in employment and exports.

**Enterprise Ireland**

### **Process efficiencies**

Evaluations of the IDA Capital and Employment Grants and IDA Training Grants have highlighted the need for stronger management information systems (MIS). This is particularly with regard to recording the status of a project and specific reasons why they may not have started.

### **Recommendation**

- Improve management information systems to record the status of all projects; to optimise the process for multiple approvals for one company to the extent possible; and to manage the treatment of those projects that 'never start', including recording the reasons for not starting and 'closing off' the records after an appropriate time period.

**IDA**

### **Synergies and overlap**

One aspect that merits further attention by the agencies relates to potential synergies that could be realised in terms of how supports are sequenced and/or combined. The evaluations of IDA capital and employment grants and training grants suggested a more whole of company approach be adopted. Moreover, one of the key findings from the evaluations of Enterprise Ireland's internationalisation supports was that there is clear evidence that firms receiving multiple supports outperform those that receive none or one. Therefore, to complement the programme evaluations undertaken to date, there is a strong argument for a more 'holistic evaluation' that looks across the entire portfolio of enterprise supports to assess more aggregate level results.

### **Recommendation**

- Undertake further analysis to develop the understanding of the enhanced outcomes that can be achieved through effective sequencing and/or combinations of supports. This would include an assessment of performance of grant assisted companies by stage of development and combinations of grants received against key outcome variables including sales, exports, value added and employment. This analysis will be undertaken by Forfás as part of the work concluding the overall evaluations project.

Forfás/ Enterprise Ireland /IDA

### **Behavioural additionality**

As stated earlier, the behavioural changes and additionality arising from participation in the agency programmes evaluated are important to consider. In addition, the evaluations can illustrate behavioural consequences from participation in programmes that can be considered strategically in terms of future programme development or how they can combine with other supports. Some of the behavioural changes highlighted in the evaluations are summarised as:

- **Enterprise Ireland Company Expansion Supports:** entry to new markets, raised strategic ambitions, enhanced management capability, investment in RDI, new product development and overall viability;
- **IDA Capital and Employment Grants:** sustained activity, jobs or output during the economic downturn, increased skills, and demonstrated to the parent company that Ireland is supportive environment;
- **Enterprise Ireland Internationalisation Supports** better understanding of overseas markets, greater access to customers and partners and increased confidence;
- **Leadership, Skills and Training Supports** increased personal confidence, networking, enhanced understanding of change process and transformation, increased focus, enhanced competitiveness, improved sustainability; and
- **Lean Business Offer:** greater job satisfaction among employees, better working environment, continued investment in skills development and improved basis for weathering the economic downturn.

While these behavioural changes and spillovers are not always quantifiable from a value added perspective, it is clear that they are contributing overall to the creation and sustainability of jobs and growth. More importantly (though not always measured), the programmes can accelerate decision-making by firms to invest in capital, employment, new markets, skills and productivity, thereby impacting the overall pace of change and opportunities in the economy.

### **Recommendations**

- Place an increased focus on behavioural changes in future programme design, monitoring and evaluation, with particular emphasis on how behavioural additionality associated with programmes can complement and enhance the effects of other supports (for example, management and capability development in combination with company expansion or RDI). The behavioural changes anticipated through the intervention should be articulated in the programme logic model. Ex post evaluations should also investigate unintended spillovers with a view to how they can be integrated in to future programme objectives and metrics as relevant.

**Enterprise Ireland /IDA**

- Further progress an approach that captures the inherent value of behavioural change in deadweight assumptions, with the objective of factoring adjusted deadweight into programme design and evaluations.<sup>36</sup>
- Based on further analysis, consider adjusting the deadweight factored into the ex-ante economic appraisal model currently used by the agencies when assessing individual project applications.

**Forfás/DJEI**

### **Evaluations policy and practice**

The evaluations have highlighted the benefits of a strategic and systematic approach to evaluations policy and practice. The approach taken should facilitate a more informed understanding of the ‘system’ of interventions (as distinct to what can be garnered from individual programme evaluations). Evolving thinking on enterprise policy internationally also reinforces the importance of evaluations as a central policy tool in developing modern industrial and innovation policy.<sup>37</sup>

Furthermore, significant evaluations expertise aligned with deep knowledge of enterprise policy has been built up across the agencies in the course of these evaluations. It is important that this expertise is retained and harnessed for future evaluation cycles. In this regard, the role of evaluations in enterprise policy could be considered and articulated in the forthcoming Medium Term Enterprise Policy.

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<sup>36</sup> For example, this could draw from work by Hart and Linehan on recalibrating additionality to allow for leverage effects. See Hart, M. and Lenihan, H. (2006) ‘Estimating additionality and leverage: The interplay between public and private sector equity finance in Ireland (2000-2002)’, *Venture Capital: an International Journal of Entrepreneurial Finance*, 8(4), 331-351.

<sup>37</sup> OECD Committee on Industry, Innovation and Entrepreneurship (March 2014) *Evaluation of Industrial Policy: Final Report*

### **Recommendations**

- When developing the Medium Term Enterprise Policy during 2014/2015, assess the implications for enterprise policy of the overarching findings arising, taking into account the evaluations undertaken to date across the three thematic areas of entrepreneurship, RD&I and Business Development Programmes.

**Forfás/DJEI**

- Establish clear guidance on governance, independence, expertise, frequency of evaluations and feedback loop into policy development etc. This may be given added urgency in the context of current proposals for ongoing evaluation of State Aids by the European Commission.

**DJEI**

## Individual programmes - key findings and recommendations

Individual programme evaluations are set out as follows:

1. Job Creation and Capacity Building
2. Internationalisation
3. Capability Building (management and skills development)
4. Productivity Improvement (competitiveness)

Full reports are available on-line for each of the individual programme evaluations, and the following section sets out a brief synopsis of main findings. Note, all data relates to that provided by the enterprise agencies *at the time of the evaluation* and do not reflect changes in the interim.

### 1. Job creation and capacity building

- 1.1 IDA Capital and Employment Grants
- 1.2 Enterprise Ireland Company Expansion Supports
- 1.3 Enterprise Ireland Job Expansion fund

#### 1.1 IDA Capital and Employment Grants

Foreign direct investment (FDI) has been a long-standing government policy in Ireland since the late 1950s and capital and employment grants have been the primary interventions used to attract investment in Greenfield and expansions.<sup>38</sup>

The capital and employment grants operate within the context of EU Regional Aid Guidelines (RAGs) that determine the maximum grant intensities allowable depending on size of firm and geographic location. Grants are provided to overcome cost disadvantages, regional disparities and to address information deficits and only for projects that demonstrate a discernible incentive effect.

The target population is mobile overseas MNEs establishing here to export to overseas end markets and/or affiliates.<sup>39</sup> The main objective of the grant aid is to incentivise investment into Ireland (and more specifically the Border Midlands and West region and weaker South and East Regions) and to support existing IDA clients to move into higher value products, services and activities.

The evaluation covers the period 2005-2010 and Fitzpatrick and Associates were commissioned by Forfás to undertake the analysis.<sup>40</sup> A total of 251 projects was approved over the 2005-2010 period. 54 percent of approved projects have started, involving 123 companies and 136 projects, and these form the basis of this evaluation. The approved grant aid amounted to €285.3 million and indirect costs are estimated at €12.4 million. Projected company investment amounted to

<sup>38</sup> More recently supports for RD&I have superseded them in scale

<sup>39</sup> Supports are not provided to overseas entities that establish here to serve the domestic market. Foreign owned companies that tap into Ireland's natural resources fall into the remit of Enterprise Ireland

<sup>40</sup> This evaluation was undertaken over the period May-December 2013

€1.47 billion, bringing overall total investment to a projected €1.77 billion. IDA contribution amounts to 16 percent of total investment costs. Grants actually paid amount to €142.1 million, equating to a drawdown rate of circa 50 percent. About 54 percent of all grants were approved during 2005 and 2006 - prior to a change in RAGs that covered 2007-2013.

Looking at the regional perspective, the change in RAGs is evidenced by the fact that over the 2007-2010 period, the less developed NUTS II BMW region accounted for 56 percent of approvals compared to 21 percent of approvals in 2005-2006 under the previous RAGs regime - although drawdown rates in the Midlands (at 20 percent) and West (at 38 percent) are well below the average.

In terms of country of origin, the US accounts for 87 percent of project approvals, with Japan, France, Great Britain each accounting for between 2-3 percent each.

Employment growth for the treatment group of companies increased considerably post grant approval, with aggregate growth rates of 14 percent over the three years prior to approval compared with 25 percent growth over the three years post approval. However, some 55 of the 123 companies also received support under other schemes, including RD&I, Training and Environmental grant aid.

Analysis indicates that the bulk of total employment was in companies that received these other awards over the period, which makes it difficult to definitively attribute increased employment to the capital and employment grant (only). Nevertheless, employment did increase for those that *only* received capital and employment grant. The treatment group also compares favourably with a control group (using matched pairs) for whom employment declined over the same period.

The main company objectives were to establish operations in Ireland (20 percent) or to expand existing operations here (55 percent). Survey responses indicate that 75 percent of firms reported that their objectives were either wholly or partially achieved - expansions were more likely to report full achievement of objectives. Companies cited increased employment, capacity, skills and global status as the top ranking effects of the support from IDA.

### **Appropriateness, efficiency and effectiveness**

FDI remains crucial to Ireland's enterprise policy. The capital and employment grant (although increasingly restricted under RAGs) remains an important element of Ireland's overall attractiveness in light of relative cost competitiveness and intensified global competition for investment. Overall policy objectives and qualitative targets have largely been met. There is a dominance of expansion rather than new name investment, and a dominance of US firms in both new name and expansions over the 2005-2010 period.

Cost Benefit Analysis (CBA) estimates a return of €3.09 for every €1 euro of state expenditure (including both direct and indirect costs), estimated over a 10 year period.<sup>41</sup> Company survey findings also point to behavioural additionality in that the availability of grant support has had positive impacts in terms of ensuring longer-term presence of a subsidiary in Ireland, enhancing the strategic importance of the subsidiary within the parent organisation and in advancing the Irish executive from a purely local role to an influential global decision making position.<sup>42</sup> The availability of grant aid was also deemed important in showing the parent company that Ireland is supportive, making hiring people more attractive and reducing investment costs.

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<sup>41</sup> Sensitivity analysis was also undertaken, and a positive CBA was reported in all instances

<sup>42</sup> A total of 123 companies were surveyed - the response rate was 54 percent



Companies are very positive about the quality and professionalism of their relationship and interaction with IDA at all levels. Some consideration needs to be given to the administrative costs involved in the context of relatively low levels of approved projects that actually go ahead (54 percent started, 46 percent not started), taking into account the role of grant aid and approval in principle in the negotiation process.

### **Recommendations**

- Prepare a formal programmatic description of IDA Capital and Employment grants with clear objectives, targets and associated metrics.
- Improvements should be made to management information systems to record the status of all projects; to optimise the process for multiple approvals for each individual company to the extent possible; and to manage the treatment of those projects that ‘never start’, including recording the reasons for not starting and ‘closing off’ the records after an appropriate time period.
- From a strategic policy perspective, the evaluation highlights the increased dominance of the US as the main origin of FDI to Ireland. There is a need to consider how the nature of the Irish FDI offer to other parts of the world should be re-positioned in terms of its relevance, effectiveness and efficiency.<sup>43</sup>

The full evaluation report can be found at the following link:

[www.djei.ie/en/Publications/Evaluation-of-Enterprise-Business-Development-Programmes.html](http://www.djei.ie/en/Publications/Evaluation-of-Enterprise-Business-Development-Programmes.html)

### **1.2 Enterprise Ireland Company Expansion Supports**

Company Expansion Supports (CES) incorporate a suite of programmes operated by Enterprise Ireland with the objective of supporting firms that are undertaking or planning an ambitious expansion that will create employment and grow export sales. The programme operates under RAGs with grant aid intensities determined by regional location, scale of company, demonstrated need for financial support, and potential increased employment and growth.

Indecon Consultants were commissioned by Forfás to undertake the evaluation in line with the Forfás Evaluation Framework. The evaluation period covers funding approved over the period 2005-2010.

The target population is established small and medium sized enterprises (SMEs) currently employing more than ten people, or larger firms involved in manufacturing or eligible internationally traded services activities. The programme was delivered as either a bundling of different incentives tailored to the business plan of the firm (and approved by Enterprise Ireland’s Investment Committee), or as a stand-alone grant geared toward a specific purpose, often on the basis of a competitive call.<sup>44</sup>

Funding provided for job creation, capital investment and R&D is typically in the form of redeemable preference shares, while supports for recruitment of key managers and training/management development is in the form of grants.

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<sup>43</sup> Refer also to FDI Policy Statement, (Forfás/DJEnterprise Ireland, forthcoming)

<sup>44</sup> For example, the business plan could include a mix of expansion supports and training

The total amount approved under the CES was €311.5 million for the 2005-2010 period, of which €204.9 million (66 percent) had been drawn down at the time of the evaluation (May-October 2013). 69 percent of supported projects have been completed with a further 26 percent started but not yet complete. Enterprise Ireland funding contributed in the range of 24 - 29 percent toward total eligible costs of the project. Enterprise Ireland indirect costs for the period are estimated at €17.6 million (5.6 percent of the CES funding approved). A total of 1,589 different companies have been assisted through the CES programme. The majority of firms employ less than 100 people, with 75 percent employing fewer than 50 people. A reasonable sectoral mix is represented, although Food and Drink represents the highest proportion of those supported at 21 percent, with Construction and Engineering and Software each representing 18 percent.

Almost two-thirds of respondents (65.8 percent) from the company survey undertaken indicated that CES played a significant or very significant role in contributing to increased export sales; and 75 percent indicated that exports would have been lower than their current level in the absence of support (averaging 18.3 percent lower). In terms of employment impacts, 79.3 percent of survey respondents considered that the CES had a significant or very significant impact on employment levels in their firm.<sup>45</sup> A weighted average estimate indicates that without the support, employment would be 18 percent below current levels.

Other positive impacts reported by firms include that the programme assisted in increasing the strategic ambitions of management for the company (75.1 percent of respondents); contributed to overall viability of the firm (71.9 percent); assisted the company to enter new markets (66.7 percent); encouraged investment in RD&I and development of new products (62 percent and 63.6 percent respectively); as well as a range of other impacts relating to management capability, skills, productivity and cost competitiveness (ranging from 59 percent to 41.8 percent).

### **Appropriateness, efficiency and effectiveness**

The evaluation period spans the boom and recessionary periods pre and post 2007. The CES programme was appropriate and aligned with enterprise policy throughout the period. Although the ultimate objective remains one of growth, the emphasis during the 2005-2007 period was on addressing deficiencies in the existing industrial base in Ireland in terms of enhancing capabilities, competitiveness and productivity. The emphasis post 2008 was primarily on job creation and export led growth, and the rationale for state intervention was strengthened in the context of a failing Irish banking sector.

The analysis indicates that the supported firms have weathered the recession better than non-assisted firms. Econometric analyses indicate that the CES has been effective and has had a positive impact on the outcomes of supported firms. The survival rate for the group of supported firms is estimated at 80.9 percent (2005-2012) compared with the control group of 63.6 percent. They also experienced an employment premium within the year following grant approval of 8 percent (that is directly attributable to the CES) as well as increased overall sales of about 12 percent and export sales of 11 percent when compared with a control group. Cost per job created for this programme is estimated at €14,000.<sup>46</sup>

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<sup>45</sup> Response rate for companies surveyed in receipt of CES funding only was 24.7 percent (221 responses from a population of 895); and 69.6 percent of companies in receipt of both CES and Job Expansion Fund (32 responses from a population of 46)

<sup>46</sup> The enterprise agencies also report a cost per job sustained in their annual report. The cost per job sustained is calculated on a consistent basis across the agencies and takes into account all agency

A CBA estimated a return of 2.81:1 over the period 2005-2010 (or 2.08:1 if the one year high for 2006 CBA is excluded).<sup>47</sup> A low impact scenario indicates that the outcomes remain robust if a lower payroll related impact is assumed (2.55:1). The level of overall deadweight is assessed at between 47.1 percent and 76 percent (based on survey responses and econometric modelling). This aligns with the ex-ante project appraisal model used by the agencies that assumes deadweight of between 70 percent and 80 percent for company expansion projects.<sup>48</sup>

Responses from companies surveyed show a high level of satisfaction with the interaction with the Enterprise Ireland team (84 percent very satisfied or satisfied), and with support for queries (82.9 percent); the highest areas of reported dissatisfaction relate to the administrative process associated with applying for the support (10.7 percent) and with claiming payment following funding approval (11.2 percent).

### **Synergies**

In general, companies see the CES as being one component of a range of inter-related and integrated business supports provided by Enterprise Ireland (62.2 percent of survey respondents). Only a small proportion of firms (3.7 percent) cite a high degree of duplication or overlap with other Enterprise Ireland business supports.

### **Recommendations**

It is recommended that Enterprise Ireland:

- Provide greater clarity in relation to the objectives and role of individual measures within the tailored company expansion system of supports, and on how individual supports are connected to Enterprise Ireland strategy and national policy objectives;
- Further streamline and simplify the processes around application for and drawdown/claim of funding, to help speed up the timeframes for client companies in accessing funding and minimise cash flow implications; and
- Consider the merits of additional advice in certain areas to client companies, subject to resource constraints. In particular, the provision of enhanced guidance to firms in preparing funding applications, and additional advice during the implementation phase of expansion projects. This is particularly relevant to smaller firms.

The full evaluation report can be found at the following link:

[www.djei.ie/en/Publications/Evaluation-of-Enterprise-Business-Development-Programmes.html](http://www.djei.ie/en/Publications/Evaluation-of-Enterprise-Business-Development-Programmes.html)

### **1.3 Enterprise Ireland Job Expansion Fund**

The Job Expansion Fund (JEF) was introduced in 2009 primarily in response to the economic downturn post 2007. It aims to support companies that are taking on a development plan that will increase employment in their company, based on growing the company's sales and international

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expenditure on all firms in the period. Only jobs created during, and sustained at the end of each seven year period are credited in the calculations

<sup>47</sup> The analysis shows a CBA for 2006 of 4.22: 1 in the central impact scenario

<sup>48</sup> Forfás (2003) The Economic Appraisal System for Projects Seeking Support from the Industrial Development Agencies

trade. The JEF was allocated on a competitive basis and was open to existing as well as potential Enterprise Ireland client companies that meet the requirements of the Industrial Development Act 1986.<sup>49</sup> Indecon Consultants were commissioned by Forfás to undertake the analysis supporting the evaluation.

The take-up of the programme was extremely low over the years 2009-2010. As companies can only drawdown supports after they undertake expenditure on supported projects, the cash flow implications arising, as well as the recessionary impacts likely affected the low take up in the earlier years. Almost 98.6 percent of the total €10.9 million approved for the period 2009-2012 relates to the years 2011 and 2012. Estimated indirect costs amounted to just under €319,000.

A total of 97 individual firms were approved for support under the JEF. Almost two-thirds (64.8 percent) of JEF funding approved in 2011 and 2012 has been provided to firms employing fewer than 50 persons, while supports have also been approved across a diversified sectoral profile of companies.

At the time of the evaluation (May-October 2013) €1.7 million had been paid to assisted companies,<sup>50</sup> and only 8.7 percent had fully drawn down their approved funding. Nearly 35 percent of assisted companies have not drawn down any of the approved funding, while a further 56.5 percent have only partially drawn down funding. The main reason firms cite is that they have experienced a significant decline or loss in business (20 percent of respondents) and 7 percent experienced cash flow problems that have hampered their drawdown of JEF funding for projects.

Research showed that a high proportion of firms indicated that the JEF has assisted them across a range of areas, including in relation to: contributing to the overall viability of the company (77.8 percent of survey respondents cited a very significant or significant impact); improved cost competitiveness (69.1 percent); assisting the company to enter new markets (59 percent); improving the skill base of employees (67.4 percent); and enhancing management development and capability (63.6 percent).<sup>51</sup> High levels of satisfaction among JEF-assisted companies are also found in relation to the design and delivery of the programme.

It is too early to draw any firm conclusions regarding programme economic impact given the short time period since the majority of funding approvals were in 2011-2012. Nevertheless, early indications suggest a positive outcome in terms of the impacts of the JEF in stimulating export sales and job creation. Based on a counterfactual relating to a control group of non-assisted Enterprise Ireland client companies, the analysis suggests that JEF-assisted firms significantly outperformed in terms of export and employment growth, while they also appear to have weathered the recession better than non-assisted firms. For example, on average for firms assisted by JEF in 2011 the analysis suggests a positive growth differential in favour of assisted companies amounting to 17 percent in the case of export sales and 18 percent in relation to employment.

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<sup>49</sup> Under the scheme, existing and potential clients must have been trading (i.e. generating sales) for at least five years before the date of application; and only companies who have received €200,000 or less in approvals from Enterprise Ireland in the last three years are eligible to apply for grant funding under the JEF

<sup>50</sup> Since the completion of the evaluation further amounts have been paid out to firms and the drawdown has increased to 44 percent of approvals to end 2012. Note, clients have 3 years post approval to employ the approved staff. At the time of creating the employment, firms can only claim 50 percent of the eligible costs with the balance claimable one year later. Drawdown therefore can take place over a number of years

<sup>51</sup> The survey population was 94 firms with a response rate of 68.1 percent

### **Appropriateness, efficiency and effectiveness**

The JEF is aligned with national enterprise policy objectives to develop new export markets to support job creation. The Fund was developed in the context of the economic recessionary period post 2007.

In terms of efficiency, the analysis found that the majority of investment in company expansion projects has been funded through assisted firms' own resources, and this suggests that the JEF is likely to have resulted in leveraging significant private sources of funding.

While it is too early to draw firm conclusions regarding the impacts of the JEF, and despite the relatively low draw down rates at the time of evaluation, indications suggest positive outcomes in terms of exports, job creation and wider benefits (as set out above).

### **Synergies and complementarities**

The majority of JEF-supported companies consider that the Fund is one component of a range of inter-related and integrated business supports provided by Enterprise Ireland. In terms of synergies, it is notable that only 14 percent of firms believe that the JEF has some synergies/complementarities with other Enterprise Ireland business supports, while over one-quarter are of the view that the JEF is an independent initiative with no relationship to other Enterprise Ireland business supports.

### **Recommendations**

- The recommendations set out for the CES above (section 1.2) are also directly relevant to the JEF.
- When introducing a new programme ensure that the objectives, target population and funding mechanism are sufficiently different to warrant its introduction as distinct from modifying an existing one. Such distinctions should be clearly documented.<sup>52</sup>

The full evaluation report can be found at the following link:

[www.djei.ie/en/Publications/Evaluation-of-Enterprise-Business-Development-Programmes.html](http://www.djei.ie/en/Publications/Evaluation-of-Enterprise-Business-Development-Programmes.html)

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<sup>52</sup> Taking into account EU Guidelines for different forms of funding

## 2 Internationalisation

2.1 Enterprise Ireland Internationalisation Supports (2005-2010) and

2.2 Enterprise Ireland eBusiness Management Initiative

### 2.1 Enterprise Ireland Internationalisation Supports (2005-2010) and Going Global Fund (2009-2012)

Enterprise Ireland provides a range of direct financial supports to assist firms in their internationalisation strategies.<sup>53</sup> The Internationalisation Supports encompass a suite of individual programmes, including: Market Research for SMEs; Market Research Programme; Technical Feasibility; Business Accelerator; and Trade Fair Participation. The ex-post evaluation is reported on for the *entire suite* of internationalisation supports, although each programme was individually and collectively evaluated. The evaluation period spans 2005-2010.<sup>54</sup> Although primarily aimed at supporting internationalisation and export growth, each of the programmes has a different core objective ranging from researching new markets (and specifically outside of the UK for the Market research Programme); assessing new product/service viability; and in-market activities. The evaluation does not extend to an assessment of the services provided by Enterprise Ireland by its personnel based in overseas offices.<sup>55</sup>

Technopolis was appointed by Forfás to undertake the evaluation of the internationalisation supports (including the Going Global Fund) which was undertaken from May to December 2013.

The target population for the internationalisation supports are primarily existing Enterprise Ireland client companies. The supported companies tend to be smaller scale relative to other Enterprise Ireland clients. All sectors are eligible for support although the ICT services sector represents 25 percent of total projects supported, followed by Business Services at 9 percent.

For the suite of internationalisation supports, a total of 3,156 grants were approved to 2,124 companies during 2005-2010. Enterprise Ireland provides up to a 50 percent contribution toward eligible costs, which is paid directly to the company on satisfactory completion of the project. Total approvals amounted to €52.9 million in the period 2005-2010, of which €36.3 million was drawn down at the time when the evaluation was being undertaken. Indirect costs are estimated at €738,000. The drawdown rates average 69.7 percent over the period, although with higher drawdown rates evident during the crises period post 2008 when drawdown rates increased to 72 percent (2009 & 2010).

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<sup>53</sup> Although Enterprise Ireland's Overseas Offices also have a role in helping companies to internationalise they have not been included in this evaluation

<sup>54</sup> Some of the individual programmes have been running since 2005 or longer. Others were terminated in the period since then or were set up during the evaluation period

<sup>55</sup> No direct financial support is provided to firms by Enterprise Ireland's international office network

## International Support Programmes - Direct Input Costs 2005-2010

Programme	Direct Financial Input costs (drawn down) €000
Technical Feasibility	24,572
Trade Fair Participation	4,844
Business Accelerator	3,327
Market Research for SMEs	2,879
Market Research Programme	1,262
Going Global <sup>56</sup>	2,151 [2009-2012]

Source: Enterprise Agencies Grant Approvals Data

According to the company survey undertaken for the internationalisation programmes, two thirds of the respondents were satisfied or very satisfied with the financial support provided.<sup>57</sup> 61 percent of respondents were satisfied or very satisfied with the quality and relevant of contacts provided and the administration processes and 60 percent with the relevance of information and advice provided. There is some room for improvement in other aspects such as market intelligence, access to international mentors and participation in trade fairs (where satisfaction ratings were in the order of 50 percent). Overall, companies were highly satisfied with the relationship with, and professionalism of, Enterprise Ireland personnel. However, a small number of companies (18 out of 85 responses) were less positive about their experiences, with survey comments mainly relating to the suggestion that market advisory teams develop further expertise or knowledge in particular market niches, the request for more proactive approaches by Development Advisors and more emphasis on follow-up and implementation.

#### Appropriateness, efficiency and effectiveness

The internationalisation support programmes were found to be aligned with national policies and they clearly contribute to Ireland's export policy objectives. Enterprise Ireland undertakes regular reviews of its programmes which provide an evidence base for any adjustments required to ensure that they meet the needs of Irish SMEs and deliver results.

<sup>56</sup> The Going Global Fund has now ceased. Firms that typically would have applied to the Going Global Fund would now be directed towards the Enterprise Ireland Strategic Market Research Grant and further to the Market Access Grant if necessary. These grants are available to all Enterprise Ireland clients. The Going Global Programme was introduced specifically in response to *Catching the Wave, A Services Strategy for Ireland* (Forfás, 2007). An interim evaluation was carried out by Forfás as part of the evaluation of internationalisation supports. The evaluation findings were generally positive, however, as an interim evaluation it is too early to assess economic impact. Further detail is provided in the full evaluations report

<sup>57</sup> A 22.7 percent response rate was received from the 1,265 companies issued with a request to participate in an on-line survey. The number of responses obtained permits reliable statistical test and some econometric analysis for the internationalisation support programmes as a whole

The programmes have proven to be an effective mechanism to help companies to overcome those barriers to trade related to getting a better understanding of overseas markets, access to prospective customers or partners, and gaining confidence to explore new markets. In these cases more than 50 percent of the companies rate between 4 and 5 the level of achievement of these objectives (5 being highly achieved).

The highest effects on export growth are achieved when this programme is combined with other types of Enterprise Ireland supports. Control group analysis shows an increase in exports of about 34 percent as a result of the support received under the internationalisation supports programme. However, companies that received support under other Enterprise Ireland business development programmes achieved circa 52 percent higher exports in any given year after their participation. The more interesting finding is that companies that made use of *both* the internationalisation supports and other forms of Enterprise Ireland business support programmes achieved an average export growth of 59 percent.

The CBA shows that for every euro invested the programme has generated between €4.18 and €6.11 in terms of total net additional economic impact for the economy.<sup>58</sup> Furthermore, for every euro invested, the programme was found to have generated €55 in additional exports - or an aggregated total of €2.7 billion from 2007-2012. In addition, the companies interviewed are reasonably positive about the administrative process.

### **Recommendations**

- Further analyse the synergies between the internationalisation support programmes and other types of support at company level in order to develop a better understanding of how these complementarities can be exploited to deliver higher economic benefit. The econometric analysis has demonstrated that the impact of the combined use of internationalisation and other Enterprise Ireland programmes has a greater impact and is even more effective at increasing exports. [Forfás]
- Design a simpler and more streamlined programme that encompasses the current individual schemes and explicitly integrates and exploits the roles of the international offices, while retaining the flexibility required to continue to address specific company needs. [Enterprise Ireland]

The full evaluation report can be found at the following link:

[www.djei.ie/en/Publications/Evaluation-of-Enterprise-Business-Development-Programmes.html](http://www.djei.ie/en/Publications/Evaluation-of-Enterprise-Business-Development-Programmes.html)

## **2.2 Enterprise Ireland eBusiness Management Initiative**

The eBusiness Management Initiative (eBMI) involves a relatively small level of expenditure when compared with other programmes offered by Enterprise Ireland. The programme was initiated as the Internet radically changed the global marketing landscape. The Internet is a key enabler for SMEs to reach international markets and to overcome barriers to entry, and the initiative was introduced to address the market failure of SMEs that do not have the necessary capabilities to develop eBusiness activities.<sup>59</sup>

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<sup>58</sup> The net value added benefits are captured over the period 2007-2011 allowing for a two year time lag for impact

<sup>59</sup> See also, Arnold, E., Thuriaux, B., *Developing Firm's Technological Capabilities*, Technopolis, 1997



At the time of the evaluation (July-December 2013), grants totalling approximately €4 million were approved to support 262 companies through 309 projects over the evaluation period (2006-2011). The companies supported represent a small proportion of Enterprise Ireland total client base (at circa 4.2 percent) and were generally smaller firms. The grant supported up to 50 percent of the total cost of the company project, to a maximum of €20,000. The grant covers training and advice, but not the costs incurred in implementation of recommendations made by the consultant (e.g. the building of a website). Total grants paid to date at the time of evaluation were €2.6 million (a drawdown rate of 65 percent) that leveraged company expenditure of €7.3 million. Indirect costs for Enterprise Ireland are estimated at €476,000. The average amount approved per grant was €13,000 and the average amount paid was €8,500, considerably below the maximum eligible.

Although a relatively small programme, its evolution and flexible approach to delivering to company specific objectives means that the evaluation findings are broad ranging. The programme activities fall under four main categories: Search Engine Optimisation; Digital Analytics; Strategic Online Campaign; Customer Relationship Management.

The original aim of the programme was to enhance ICT capabilities in order to improve productivity and to maximise competitive advantage. Since 2007, in response to client company needs, a stronger focus was placed on helping companies to utilise an online presence as an enabler to reach potential international clients and to enhance customer relationships. The specific activities were determined by the needs of the firm and spanned a broad spectrum.

The company specific objectives included the aim to: improve reputation and brand in overseas markets (92 percent); improve overseas marketing strategy (85 percent); enhance online presence and/or main website (83 percent); increase productivity (30 percent); and increase percentage of sales (60 percent) and purchases made via the internet (22 percent).<sup>60</sup> A significant number indicated that they joined the programme to develop ICT skills and capacity (47 percent).

The outcomes were assessed across three dimensions: digital marketing, ICT capabilities and Internationalisation.

In terms of digital marketing, more than three quarters of companies surveyed state that they have improved the company website as a consequence of the support. However, only half state that the objective of improving online presence has been fully or mostly achieved and only 45 percent state that the objective of improving customer relationships has been fully or mostly achieved. Although less than half (41 percent) continued with related activities after the grant ended, those that did stated that that the consultancy project helped them to understand the potential impact that online marketing could have on their company's ability to expand.

In terms of ICT capability building, 72 percent agree or strongly agree that skills developed have been sustained since the grant came to an end, while 50 percent agree or strongly agree that those skills have been expanded across all company activities.

Results were less positive in terms of internationalisation. Approximately half of the respondents state that their objectives had been mostly or fully achieved in terms of improving the (i) main website for specific overseas markets (ii) reputation and brand in overseas markets, and (iii) overseas marketing strategy. Nevertheless, survey responses indicate that companies are optimistic about the *future* potential positive effects that implementing different online tools would have on their sales to external markets.

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<sup>60</sup> There were 12 different objectives cited by firms in response to the survey. Between 53 and 59 companies answered the question relating to objectives

In terms of impact, although the participating companies showed an increase in exports, a counterfactual analysis and comparison with a control group found that there was no effect on exports *due to participation* in the eBML. The same is true for export intensity.

Nevertheless, eBML client companies had an annual productivity value that was in the order of €11,700 per employee higher than the control group in every year after the payment of the grant (equating to 7.7 percent higher productivity). There is some debate as to whether or not this is an unintended consequence, given that the original aim of the programme was focused on enhancing productivity (as distinct from internationalisation objectives).

### **Appropriateness, efficiency and effectiveness**

The programme is an appropriate mechanism to build capabilities among client companies when capability failures exist, including managerial deficits, lack of technological understanding, learning ability or absorptive capacity to make use of a new technology. The initiative was primarily an awareness, advisory and training intervention. In some cases, the recommendations provided by the consultant were not implemented, which in turn created mixed effects on final outcomes.<sup>61</sup>

The evolution of the programme demonstrates Enterprise Ireland's ability to adapt to the changing needs of its customer base. Nevertheless, from an evaluation perspective, the lack of clarity at programme design stage and in documenting the 'shift' from a primary productivity objective to an internationalisation objective should be addressed in future programme design. The eBML programme has since been replaced with the eMarketing Improvement Assignment programme. The findings of this evaluation were delivered to Enterprise Ireland over the course of the evaluation and were taken into consideration in the design of the new programme.

### **Recommendation**

- Enterprise Ireland should ensure that the changes and relevant improvements to the new eMarketing Improvement Assignment programme are clearly documented and that the new programme objectives are articulated in a programme logic model. A future ex-post evaluation should be undertaken (around 2017) of the eMarketing Improvement Assignment.

The full evaluation report can be found at the following link:

[www.djei.ie/en/Publications/Evaluation-of-Enterprise-Business-Development-Programmes.html](http://www.djei.ie/en/Publications/Evaluation-of-Enterprise-Business-Development-Programmes.html)

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<sup>61</sup> An external consultant is appointed to deliver services to the client, drawn from Enterprise Ireland's directory of service providers.

### 3 Capability Building

- 3.1 Enterprise Ireland Leadership for Growth
- 3.2 Enterprise Ireland International Selling Programme
- 3.3 Enterprise Ireland Mentor Programme
- 3.4 IDA Training Grants

#### 3.1 Enterprise Ireland Leadership for Growth

The Leadership for Growth (L4G) programme was introduced in 2006 and specifically designed to accelerate the development of CEOs with ambition to grow world class Irish companies. The objective is to develop and enhance the leadership ambition, mindset and capability of the participating CEOs to lead innovative, scalable companies capable of achieving sustained international growth. It was targeted more particularly toward scaling companies within the Enterprise Ireland portfolio. The programme offers a blended learning approach that includes executive education, one-to-one leadership coaching, contact with networks of CEOs and inputs from VCs and practitioners from US industry. The L4G programmes were tailored for specific sectors and targeted primarily at the software and lifesciences sectors in 2006, 2007 and 2009 and at the construction sector in 2008 and 2010.

The evaluation methodology is based on the Kirkpatrick model and complemented by the use of specific tools of the Philips' Return on Investment (ROI) model to carry out the business impact analysis.<sup>62 63</sup> Over the five year period 2006-2010 the programme inputs were €9.28 million (including €5.29 million direct costs for Enterprise Ireland, €2.97 million in company contributions and €0.39 million in indirect Enterprise Ireland costs). A total of 141 CEOs participated on the programme. Based on survey responses the satisfaction rating was very high at 98 percent and CEOs found the networking aspect of the programme as being the most inspirational. 64 percent of survey respondents indicated that they made significant changes in the company and 13 percent transformed the company as a result of participation on the L4G programme. A total of 77 percent believed that the programme had a positive impact on their businesses.

A quantitative analysis of the performance of companies subsequent to their participation on the L4G programme when compared with a control group showed the following: software companies performed better in terms of average annual productivity growth (sales per employee) of between 3 percent and 16 percent and in terms of export growth of between 2 percent and 29 percent; for construction firms a shift in focus on export markets is clearly demonstrated by the annual average increase in exports for the cohort group of between 84 percent and 168 percent compared with the control group's export growth performance of between 5 percent and 8 percent; they also experienced a higher performance in terms of productivity growth at 11 percent (2008 group) and

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<sup>62</sup> The Kirkpatrick model is a four level methodology for evaluating training programmes, developed in 1959. The four levels of this methodology include determination of how learners react to the learning process, the success of skill acquisition by learners, the extent to which workplace behaviour after the training indicates skill acquisition, and measurable results, including increased profits or decreased defects observed

<sup>63</sup> The research and analysis on which this evaluation is based was carried out by Karen Cohalan of Enterprise Ireland as the basis of a research thesis, Henley Business School, May 2013. Full access was provided to background data and analysis to Forfás. In its review, Forfás ensured this work is aligned with the Forfás Evaluation Framework and sought supplementary information from Enterprise Ireland where necessary

30 percent (2010 group) in comparison with the control group which experienced a decline in productivity performance.

Although the employment performance was less favourable, it is important to contextualise this within the recessionary period post 2007 and the enhanced overall performance in terms of productivity, sales and export growth. The introduction of operational efficiencies by firms as a result of the programme should increase profitability and position the company for longer term sustainable growth. For 3 out of the 5 programmes, employment performance was less favourable in the participating companies than the control groups, with a decline of 6 percent in the first software group and by 20 percent and 5 percent in the case of the construction programmes.

### **Appropriateness, efficiency and effectiveness**

The L4G programme is aligned with national policies to enhance leadership and management capabilities within Irish owned firms in order to drive growth and scale. The cost per participant for the evaluation period averages at €62,600 (including company contribution averaging 33 percent). Participating companies achieved considerable improvements in their business performance and the improvements were sustained beyond the year immediately following their engagement on the programme. When compared with the control group, annual sales for participating companies grew by a compound annual growth rate (CAGR) of 10 percent a year more and exports by a CAGR of 55 percent more. They also improved their sales per employee ratio by a CAGR of 15 percent more than the control group.

### **Recommendation**

- Enterprise Ireland has already taken action to address some of the issues raised since the completion of the initial review in May 2013. Recommendations focus on the need for development of an evaluations policy, ex-ante evaluation and a closer collaboration with programme providers from the early planning stage.

The full evaluation report can be found at the following link:

[www.djei.ie/en/Publications/Evaluation-of-Enterprise-Business-Development-Programmes.html](http://www.djei.ie/en/Publications/Evaluation-of-Enterprise-Business-Development-Programmes.html)

## **3.2 Enterprise Ireland International Selling Programme**

The International Selling Programme (ISP) is an accredited export sales development programme delivered by Dublin Institute of Technology (DIT) and was implemented in 2006. It targets 90 client companies per annum involving three groups. The programme involves classroom delivery, the development of a realistic international sales plan, one-to-one sessions for the participant with a business advisor and the involvement of the participant's CEO/Senior manager over two days to help translate the programme learnings to the workplace. The overarching objective is to increase exports by supporting companies to develop the skills and sales structure required to 'win' in international markets. Enterprise Ireland approved a total of €4.05 million over the evaluation period 2006-2010 to support 302 participants from 281 companies. A total of €3.64m has been drawn down to date (giving a drawdown rate of 90 percent).<sup>64</sup> Company contribution amounted to €1.7m.

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<sup>64</sup> The research and analysis on which this evaluation is based was carried out by Professor Robert Galavan on behalf of Enterprise Ireland. This evaluation was completed in May 2011 and was undertaken in line with the Kirkpatrick model which is appropriate for a programme of this type.

Survey results indicate that participation on the programme has led to substantive changes in the behaviour of participants and on company activities.<sup>65</sup> Almost 90 percent of respondents reported that their international sales plan was implemented reasonably, very or extremely well. 53 percent reported a significant or very significant impact on export sales contracts won and an additional 31 percent reported a reasonable impact.

Turnover in the sample companies increased from a mean of €5 million to €8.4 million, and across all of the sectors export sales increased over the period of the evaluation (even in the case of Construction and Consumer Food which experienced a decline in overall sales).<sup>66 67 68</sup> Net profitability in the sample companies increased from a mean of approximately €81k to €527k.<sup>69</sup> Respondents also reported new export markets involving over 40 countries and regions.

Over the total evaluation period (2006-2010), on average 76 percent of those who start the programme graduated, ranging from 64 percent in 2006 to 83 percent in 2010.

### **Appropriateness, efficiency and effectiveness**

The programme is aligned with national policy and the objectives have become more ambitious and refined since its implementation. The data demonstrates significant average increases in turnover and profitability in the sample, although the proportion that can be directly attributed to participation in the ISP cannot be definitively established.<sup>70</sup>

### **Recommendations**

- Monitor and assess how the ISP is working in combination with other direct financial supports such as R&D, scaling and internationalisation grants.
- Future evaluations should seek to establish robust control groups at the design stage of the programme in order to better evaluate direct attribution.

The full evaluation report can be found at the following link:

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Forfás have reviewed the 2011 evaluation and sought additional/updated data where possible and aligned it with the Forfás Evaluation Framework. Forfás has also provided recommendation based on this analysis

<sup>65</sup> There were 64 eligible responses out of a survey population of 237, giving a response rate of 27 percent

<sup>66</sup> With a 95 percent confidence that it can be claimed that these improvements will be seen in the full population of companies taking part in the programme over a similar time period

<sup>67</sup> Construction & Timber

<sup>68</sup> Consumer Food, Horticulture & Seafood

<sup>69</sup> With a 95 percent confidence that it can be claimed that these improvements will be seen in the full population of companies taking part in the programme over a similar time period

<sup>70</sup> The evaluation was based on the Kirkpatrick framework to Level 4 Analysis

### 3.3 Enterprise Ireland Mentor Programme

The Mentor programme provides access for Enterprise Ireland HPSU and established client companies to experienced business people. Support is also made available to locally traded services companies and micro-enterprises through the Local Enterprise Offices (LEOs) and Údarás na Gaeltachta.<sup>71</sup> Enterprise Ireland mentor panel currently involves 330 active mentors all of whom are senior executives, entrepreneurs or owner managers who advise clients based on their own business experience.

Mentor assignments are focused on providing advice and guidance on a range of business areas including, for example, selling into specific markets and sectors, growing the business through partnerships and alliances, establishing agents and/or distributors overseas, contract negotiation and preparing for funding and raising finance. The aim is to help Irish business owners overcome obstacles to growth with the objective of sustaining and growing jobs through exports.

The evaluation spans the period 2008-2012 and is based on an evaluation commissioned by Enterprise Ireland and undertaken by FMR research which was completed at the end of 2012. Forfás reviewed the original evaluation, supplementing it with some additional data/analysis as required for completeness in line with the Forfás Evaluation Framework.

Over the period of the evaluation, the direct costs amounted to €4.7 million which includes the per diem rates provided to the mentor and the management services sub-contracted by Enterprise Ireland. The mentor is paid a per visit fee of €175 and any out of pocket expenses. Indirect costs involving Enterprise Ireland staff were estimated at €926k bringing the total cost of the programme to €5.6 million (€1.1 million annually). Client companies are not required to make a financial contribution to the programme costs.

A total of 1,860 assignments were completed over the period which exceeded Enterprise Ireland's set targets of 1,280. Approximately 77.5 percent were Enterprise Ireland clients, and were primarily early stage and small scale companies. Almost half of the total supported firms were established between 2010 and 2012 and 31 percent between 2005 and 2009. In terms of turnover 39 percent of companies were pre-revenue, 23 percent had less than €100k turnover, 18 percent were between €100k and €500k, 8 percent were between €500k and €1 million, 11 percent were between €1 and €5 million and the remaining 2 percent had more than €5m.

Approximately 35 percent of the companies are involved in the ICT sector, 20 percent are involved in professional, scientific and technical sectors and 18 percent in manufacturing. About 55 percent were located in the main urban areas of Dublin, Cork and Galway.

#### **Appropriateness, efficiency and effectiveness**

The mentor programme is an important business support programme, and is well developed having been refined over the years since it was first set up.

Given that the mentoring intervention is highly customised and focused on each client's specific need, there are no uniform metrics that can be used as outcome measures. The nature of the intervention also makes it difficult to definitively attribute an impact to the mentor service (only)

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<sup>71</sup> The CEBs also provide mentor services directly, using their own networks. See also Review of Business Mentor Services in Ireland, Forfás 2014. The CEBs were restructured as Local Enterprise Offices in early 2014

and particularly so when such support is integrated with other financial/business development supports.<sup>72</sup>

Survey findings indicate that:<sup>73</sup>

- 82 per cent of respondents felt participation met their business needs;
- 79 per cent felt the mentor was helpful to them in achieving their objectives;
- 67 percent of clients felt better prepared to face challenges because of mentor help;
- 59 percent considered the support of the mentor to be the most suitable type of support for their business ; and
- 47 percent said their business had grown because of mentor help [123 clients].

Analysis of total costs and number of assignments over the period indicates a cost per client of approximately €3,000. However, more recent annual data for 2012 indicates a cost per client of €2,000 which appears to point to some economies of scale achieved with the greater number of engagements in that year (490 compared with an average of 340 over the preceding four years).

The challenge facing Enterprise Ireland in terms of its mentor network is how to extend the service to a varied client base using a diverse mentor pool, while also creating greater consistency.

### **Synergies**

The main synergies relate to the integration of the mentor programme with other Enterprise Ireland programmes and it functions well as both a stand-alone service and as an integrated component within others. There are areas of connection with other mentoring provision in Ireland, particularly the mentor services provided by the LEOs. There is potential for the Enterprise Ireland Mentor Network and the LEOs to strengthen the overall approach and restrict overlaps and inefficiencies.

### **Recommendations**

- Many of the recommendations set out in the initial evaluation by FMR Research have been addressed by Enterprise Ireland over the past year, particularly in relation to clarifying the role of the mentor, managing expectation of both mentor and client, and putting in place Codes of Conduct.
- The recently completed Forfás review of business mentor services in Ireland also reinforced the need to create and pilot other forms of mentoring including for example, peer-to-peer networks, mentor clinics, on-line services etc.<sup>74</sup>
- Create a single business mentors database for use internally by the main State supported services, building on the existing databases held by Enterprise Ireland and individual LEOs. This database would be centrally managed and maintained by Enterprise Ireland, with the aim of widening access to mentors as appropriate, reducing duplication and increasing

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<sup>72</sup> Only 21 of the companies surveyed were able to attribute quantified benefits to mentoring - the majority expressed benefit in qualitative terms

<sup>73</sup> Involving 267 clients (from a total population of 1,000), 168 mentors (from a total population of 330) and 47 Enterprise Ireland Development Advisors in addition to follow up interviews and consultations with Enterprise Ireland

<sup>74</sup> Review of Business Mentor Services in Ireland, Forfás, 2014, [http://www.forfas.ie/media/15072014-Review\\_of\\_Business\\_Mentoring\\_Services\\_in\\_Ireland-Publication.pdf](http://www.forfas.ie/media/15072014-Review_of_Business_Mentoring_Services_in_Ireland-Publication.pdf)



efficiencies. The search function will allow information to be distilled regarding expertise, e.g. functional and/or sectoral, experience, interests, regional reach etc.

The full evaluation report can be found at the following link:

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### 3.4 IDA Training Grants

The IDA training grants are used by IDA in support of its transformation agenda as set out in its current strategy Horizon 2020. It aims to assist companies already located in Ireland to facilitate a significant upgrading of the skills base in the context of improving the company's long term competitiveness and transformation. The evaluation covers the period 2005-2010. Fitzpatrick and Associates were commissioned by Forfás to undertake the evaluation (November 2013 to May 2014) in line with Forfás Evaluation Framework. The grant operates under EU Guidelines and Ireland's EU approved Training Support Scheme and provides support toward eligible trainer and trainee costs.

The target population is IDA existing client companies across all sectors. During the 2005-2010 evaluation period a total of 107 Training Grants was approved. 84 of these projects had started as at December 2013, involving 72 firms and a total grant of €41.1million. Company contribution is estimated at €96 million.<sup>75</sup> Indirect costs are estimated at €349,829 for the period. These 'approved and started' projects are the focus of this evaluation. Average grant size is about €490,000 per project. A total of €17.6 million has been drawn down to date, giving a drawdown rate of 43 percent (which is lower than the drawdown rate for Capital and Employment grants).

Nearly 74 percent of projects were approved in the 2008-2010 period. In 37 percent of cases the training grant forms part of a wider investment package. A company survey found that in 83 percent of cases, the firm's objectives were wholly or largely achieved - the main objective being to alleviate skills deficits, followed by introducing new processes, new products and/or to raise value added.<sup>76</sup> Companies also ranked the following as the main impacts of the grant: improved competitiveness; increased productivity; increased Irish status in the company globally; and improved sustainability in Ireland. Of note is the fact that external validation or training qualification was involved in only 42 percent of cases. All approved projects are of course subject to ex ante review by external project assessors.

In terms of impact, employment was used as a proxy on the basis that it is a metric of overall company activity levels, and training grants should ideally lead to such activity being higher than would otherwise have been the case. Average annual employment in the grant recipient firms is 11.9 percent higher in the three years post grant approval than in the three years pre-grant approval. This compares favourably when equated with a matched company control group, where employment is 3 percent lower over the same period (i.e. employment declined). Further analyses point to higher growth rate in total sales, in total sales per person and in value added per person for the treatment group in comparison with the control group.

Behavioural change is evident in the increased levels of training expenditure in training grant recipients over time when compared with their peer group.

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<sup>75</sup> Based on analysis of the approvals in terms of categories 'specific' and 'general' training - each of which determines the permissible grant rate of 25 percent for specific and 60 percent for general

<sup>76</sup> A total of 123 companies were surveyed with a total response of 66 companies, or 54 percent of the sample



### **Appropriateness, efficiency and effectiveness**

The evaluations found the training grants to be an appropriate intervention, and aligned with enterprise policy. Training grants form a consistent component of the IDA suite of interventions and have been utilised to a greater extent post 2008 where there was an enhanced focus on sustaining as well as growing employment.

Although a relatively small proportion of IDA total grants provided to firms, training grants still involve a sizeable fund in excess of €40 million over the five year evaluation period.

Based on direct and indirect costs of the support, the cost per trainee is estimated at €4,259 and at an average cost per trainee day of €61.<sup>77</sup> Comparisons with other programmes indicate a competitive cost per training day, although cost per trainee is relatively high as the duration of training is comparatively long. Caution is needed as attempting to compare average training costs in an area that involves very different types of training can be of limited value.

In terms of programme efficiencies company satisfaction ratings were lower in terms of financial claims and drawdown process, an area which could be improved to limit the gaps between approvals and commencement, between commencement and completion and between completion and drawdown.

The training grants were found to be effective in terms of meeting overall policy objectives, company satisfaction ratings in terms of achieving their own aims and positive impacts. The mix of incentives offered through IDA, of which training grants are a part, are seen by firms as key to retaining Ireland's attractiveness for FDI.

### **Recommendations**

- Improve management information systems in terms of tracking progress and status of projects, collating project level information on project targets and performance to facilitate programme level monitoring and evaluation, refine the classifications of new name and expansions and address issues relating to outdated client company information.
- Consider how best to incentivise greater use of external input to training in IDA clients (e.g. HQ, other plants, external expertise) and of accreditation (where relevant)
- Establish quantified targets for training grants, linked to higher level overall IDA targets (such as the transformation agenda);
- Establish whether or not the training grant is a 'programme' or a funding mechanism. As a defined programme, clear documentation is needed to set out objectives, targets, metrics and desired outcomes.

The full evaluation report can be found at the following link:

[www.djei.ie/en/Publications/Evaluation-of-Enterprise-Business-Development-Programmes.html](http://www.djei.ie/en/Publications/Evaluation-of-Enterprise-Business-Development-Programmes.html)

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<sup>77</sup> These costs per day are likely to be underestimates because much training, especially internal and on-the-job training, is less than full time. Assuming that training is typically half time would double the estimated daily cost. Cost per trainee is not affected by this problem.

## 4 Productivity Improvements

### 4.1 Enterprise Ireland Lean Business Offer

The Lean Business Offer (LBO) was established in 2009 and this interim evaluation covers the period 2009-2012. The LBO aims to support companies to develop a sustainable competitive advantage by adopting Lean principles, leading to a significant increase in profitable sales, exports and employment. The LBO is made up of three interventions of increasing scale and complexity that can be undertaken sequentially or individually depending on the needs, skills and experience of the company in question. The interventions include:

- **Lean Start** - a short project aimed at introducing Lean skills and achieving cost reductions in a pilot project. Companies are supported to access expertise to help identify issues and areas for potential improvement, to implement change and to achieve savings and improvements in capacity and capabilities to deliver.
- **Lean Plus** - a medium scale project of not less than 6 months and involving expenditure of up to €70,000. The aim is to realise significant productivity improvements and to embed a culture of continuous improvement with a longer-term plan to pursue company-wide improvement.
- **Lean Transform** - extensive holistic programme to deliver company-wide transformation in culture and performance with productivity and business performance targets achieved.

The programme is available to all Enterprise Ireland client companies involved in manufacturing and/or services activities. The grant assistance is available for consultant expertise and/or trainer fees, and in the case of the Lean Transform, for a project manager.<sup>78</sup>

Technopolis was appointed by Forfás to undertake the evaluation in line with the Forfás Evaluation Framework.<sup>79</sup> Between 2009 and 2012, Enterprise Ireland approved a total of €14.04 million under the Lean programme involving a total of 403 projects and 343 companies.<sup>80</sup> At the time of this interim evaluation (June-Dec 2013) many of the (primarily) larger scale projects were still underway or at an early stage and total grant drawdown amounted to €6.3 million (45 percent of approved amounts). The majority of the grants approved have been for Lean Start (70.2 percent), with 20.3 percent relating to Lean Plus and 9.4 percent relating to Lean Transform. The higher proportion of the approved total relates to Transform projects (at 75.8 percent). Indirect costs incurred by Enterprise Ireland are estimated at €1.07 million for the period, bringing total costs of the programme to €15.1 million based on approved projects. Company expenditure is estimated at €44.6 million. Participants to date are predominantly from manufacturing sectors (86 percent) with the largest share of participants coming from the Food, Drink and Tobacco sector. Given that the concept of Lean originated in manufacturing, this is not a surprise. However, it is increasingly recognised that the Lean approach, tools and techniques are applicable to services, and Enterprise Ireland is actively encouraging increased participation from companies involved in services sectors and activities. Nearly half of participants are from the South and East Region (46 percent) a third from the Border, Midlands and West region and 21 percent from the Dublin area.

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<sup>78</sup> Only Enterprise Ireland approved consultants may be appointed

<sup>79</sup> The evaluation was undertaken over the period July-December 2013

<sup>80</sup> A complete dataset is available for 285 companies that participated in the LBO using a range of sources including the Forfás Annual Business Survey of Economic Impact (ABSEI) and Enterprise Ireland client database

A total of 137 companies responded to the survey, amounting to a 44 percent response rate.<sup>81</sup> The evidence shows that the programme is having its desired effect in terms of leading companies from a demonstration of Lean principles through to more substantial business change projects. However, larger scale companies typically undertake a Lean Transform project and do not have predecessor projects in Start or Plus. An estimated total of over 6,000 people have been trained as a direct result of the programme. In addition, it is estimated that a further 1,600 people have been trained since their LBO project was completed.<sup>82</sup> 60-65 percent of respondents reported a significant level of direct benefits in the form of improved capabilities and improved awareness of Lean principles, tools and techniques. 58 percent of respondents reported that a Lean champion has been appointed and 53 percent that a continuous improvement team has been established. Other benefits reported include higher staff morale and engagement, restructuring the company business model, and the implementation of regular reviews of key performance indicators.

In terms of outcomes, Lean client companies had an annual productivity value that was of the order of €37,000 per employee higher than in the control group.<sup>83</sup> This likely underestimates the longer term impact, given that the analysis cannot pick up any programme effects on capacity increases (for the same inputs) that have yet to impact on sales. The econometric analysis also revealed that the increase in productivity was not at the expense of jobs. The Lean programme has had a positive impact on sales (of the order of 40 percent) and employment (11 percent). Companies report wider effects on their competitiveness through the application of Lean principles including improvements in delivery schedule adherence (42 percent), significant impact on product/service quality and customer relationships (30 percent) and on exports (26 percent). 72 percent of survey respondents agreed that the support provided by the LBO has helped their company to weather the negative consequences of the recent economic downturn.

A full CBA was not undertaken as this is an interim evaluation. However, the expenditure and benefits to date can be compared at a project level and the analysis suggests that total productivity gains are circa €662 million.<sup>84</sup>

### **Appropriateness, efficiency and effectiveness**

The introduction of the LBO was highly appropriate in the context of challenging economic conditions that required companies to focus on enhancing productivity in order to weather the downturn. The LBO is fully in line with national enterprise policy. The programme is well designed and clearly described and documented. It allows for companies to join the programme at a point most relevant to their skills and experience and/or to develop their Lean capabilities in a staged process. The econometric analysis undertaken for this interim evaluation provides strong evidence for improved productivity leading to increased competitiveness which will in turn lead to increased sales, exports and employments. These factors should be tested in a future ex-post evaluation.

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<sup>81</sup> Surveys were issued to 305 LBO participant companies. The 16 companies that were interviewed were excluded from the survey, and in the cases where companies had been supported in the eBMI programme as well a number of these were 'allocated' to the eBMI evaluation that was being undertaken at the same time

<sup>82</sup> Based on a grossing up of the 2,366 staff trained reported by survey respondents to the total population of participant companies

<sup>83</sup> Based on sales per employee

<sup>84</sup> Based on €37,000 per employee

### ***Recommendations***

- The Lean programme should be continued in its present form
- Forfás and Enterprise Ireland should undertake an ex-post evaluation at the end of 2015 when a larger group of companies will be expected to have progressed through the programme and develop a series of detailed case studies for a representative sample of the larger scale Lean Transform projects.<sup>85</sup>
- In the immediate term, Enterprise Ireland should develop key indicators for each Lean Transform project from the outset in order that a baseline for each project can be established and that relevant data is collected at the end of the project. An analysis should also be undertaken to determine the reasons for the low take up by medium-sized firms.

The full report can be found at the following link:

[www.djei.ie/en/Publications/Evaluation-of-Enterprise-Business-Development-Programmes.html](http://www.djei.ie/en/Publications/Evaluation-of-Enterprise-Business-Development-Programmes.html)

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<sup>85</sup> No Lean Transform projects had been completed when this evaluation was started

