

Strategic & Operational Review of the Enterprise Facilitator Pilot

Report

for

Scottish Enterprise
Highlands & Islands Enterprise
The Scottish Government

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1. Introduction

This report presents the findings of the Strategic and Operational Review of the Enterprise Facilitator Pilot, which was commissioned by Scottish Enterprise (SE) in partnership with Highlands and Islands Enterprise and The Scottish Government.

1.1 Background

The Enterprise Facilitator is a community-led programme that provides mentoring and business support by local entrepreneurs and business leaders aimed at assisting the growth of local businesses. Each project employs a full-time Enterprise Facilitator, who is an experienced business person, based in the community, who leads the support for participating businesses, which can include one to one business coaching. The programme involves intensive training delivered by the Sirolli Institute aimed at the development of local volunteers and support for the recruitment of the Facilitator.

This approach was pioneered by Ernesto Sirolli, and it has a strong track record of success, often in areas of disadvantage. It has been developed in a number of states in America, Australia, New Zealand, Canada and the north of England.

The pilot project was set up on a joint basis between Highlands and Islands Enterprise (HIE), SE, Communities Scotland (now part of the Scottish Government) and The Scottish Executive (now The Scottish Government). An open Challenge Competition led to two communities submitting bids – Kintyre and Eastern Perthshire – with both bids being selected. A third bid, supported by Communities Scotland, in Dundee, was set up in 2007, following a similar local Challenge Process. Each bid only became operational once the Facilitator had been appointed – Kintyre in February 2007, Eastern Perthshire in May 2007 and Dundee in June 2008.

Since the development of the pilots there has been significant change in the economic development landscape of Scotland: a change in Government; a restructuring of the Enterprise Networks; establishment of Skills Development Scotland; transfer of economic development responsibility to local authorities; Communities Scotland's non-regulatory functions being absorbed into The Scottish Government; and a Concordat between The Scottish Government and COSLA.

1.2 Study Objectives

The high level objectives of this strategic and operational review were to: assess the performance of the pilot programmes; and offer recommendations whether (and if so how) the pilots should be extended given the changed economic development landscape described above.

The more detailed objectives were to:

- assess, qualitatively and quantitatively, the progress made by the individual pilot projects to date against the original brief and objectives;
- review the effectiveness of the Sirolli model in terms of its contribution to the priorities and targets of The Government's Economic Strategy, in terms of:
 - the actual contribution of the three pilot projects
 - the scope of applying the model more widely; and
- identify a number of options for consideration by funding partners in relation to:
 - scale of the model
 - scope of the model
 - funding support
 - roll out
 - funding and support body or bodies.

1.3 Method

The key components of study method were:

Desk Review:

- a desk review of relevant documentation to further our understanding of the model and its application. These included:
 - the genesis of the Sirolli model – Sirolli's *Ripples from the Zambezi* – and its subsequent development
 - the three pilot bid documents
 - approval papers generated by SE and HIE
 - monitoring data from the three pilots;
- a review of economic development strategic frameworks to identify the model's fit and contribution; and
- a review of existing economic development support targeted at business start up and small business support.

Consultations

- consultations with the pilot funders:
 - SE – Head office and local Tayside office
 - HIE – Head office and local Lochgilphead office
 - Scottish Government - Business Growth Unit (now the Investment and Entrepreneurship Policy Unit) and the Scottish Centre for Regeneration;

- Enterprise Facilitator from each pilot;
- the Panel/Board from each pilot; and
- local authority officials:
 - Argyll & Bute Council
 - Dundee City Council
 - Perth & Kinross Council.

1.4 Structure of Report

The remainder of this report is structured as follows:

- **Chapter 2** provides background information on:
 - the genesis of the Sirolli model and its key distinguishing features
 - a description of the pilots focusing on the process and rationale for SE, HIE and Scottish Government support
 - each pilot:
 - genesis
 - description
 - performance to date – quantitative and qualitative;
- **Chapter 3** presents the key findings from the consultation programme;
 - describes the key qualitative findings from the consultations; and
- **Chapter 4** presents:
 - a set of conclusions based around the objectives of the study
 - recommendations aimed at taking the Enterprise Facilitator pilot project forward.

2. Enterprise Facilitator Pilot

2.1 Introduction

In Chapter 2 we present an overview of the operation and performance of the three pilot programmes: Opportunity Kintyre; GrowBiz (east Perthshire); and Dundee Sirolli Project. The focus is on the:

- process by which the pilots were established;
- budget;
- pilots themselves; and
- strategic fit.

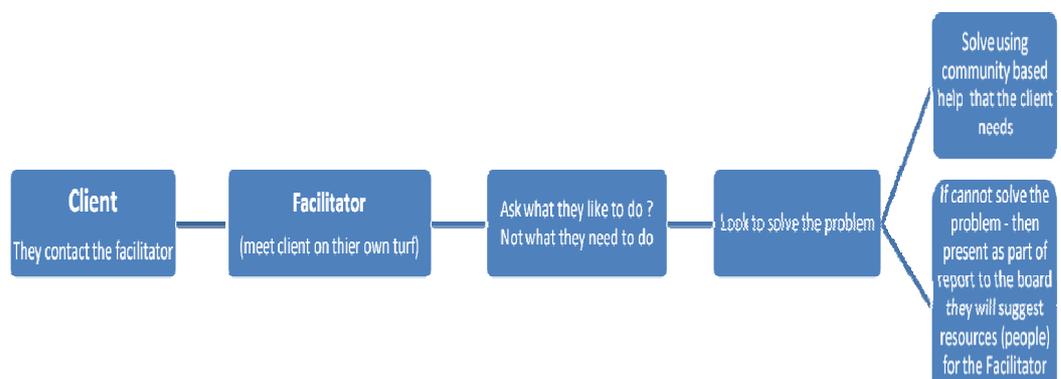
This analysis is supplemented with a brief overview of existing support to new and small businesses, and the wider economic context. We begin with a brief overview of the Sirolli model.

2.2 The Sirolli Model

The Sirolli model is a community-based enterprise model that was pioneered by the Sirolli Institute and has been successfully introduced in the USA, Australia, Canada and other parts of the UK.

The key components are illustrated in Figure 2.1.

Figure 2.1: Sirolli Model





The Enterprise Facilitator is the first main point of contact. Clients are expected to contact the Facilitator and the Facilitator will then travel to meet them where suitable. The Facilitator relies on the Panel/Board introductions, word of mouth, and general marketing to generate Clients - they themselves do not actively seek Clients.

Each Client is screened to determine which of the three elements – the Trinity of Management - of a successful business is their personal passion/or area of expertise: finance, marketing or production. This then enables the Facilitator to identify the area in which the Client requires assistance. The Facilitator capitalises on the Client's passion and begins to form a team from within the local community who have the necessary skills and experience to provide assistance with the other elements needed to operate a successful business. This team, which includes the client, produces the business plan which places equal importance on production, marketing and finance functions.

The Facilitator then seeks, using the knowledge, experience and contacts with the Panel/Board, the direct help that the Client requires to build a successful business.

2.2.1 The Enterprise Facilitator Model

The Enterprise Facilitator project uses expertise, networks and resources available within local communities to support sustained local economic development.

Around 50 board members (the Local Board) are involved in developing a community-based enterprise development process. The Board is typically made up of local entrepreneurs and community leaders, who employ a full-time Enterprise Facilitator, based in the community, to lead the development of the local businesses.

The Local Board is led by a Chairman/woman and the role of the Board is to provide resources to the community and Enterprise Facilitator. The resources offered, although not by all Enterprise facilitator projects, typically include:

- experience;
- contacts;
- funding;
- marketing leads;
- advice; and
- any other relevant support that would contribute to the growth of the businesses brought forward for support.



The process involved intensive training for the local Board Members and the Enterprise Facilitator; training on the mechanics of managing the informal support provided by the Facilitator and the Local Board is conducted by the Sirolli Institute.

The training involves:

- preparation in the rules of governance of the model;
- how to handle issues such as marketing and promotion;
- the roles and responsibilities of participants; and
- the requirements for effective delivery.

Experience suggests that the Enterprise Facilitator model works most successfully for communities with between 5,000 and 50,000 residents.

2.3 The Process

2.3.1 Background

The Enterprise Facilitator project is a community-led programme designed to provide mentoring and business support from local entrepreneurs and community leaders, who volunteer their support, contacts and resources to nurture the growth of local businesses. The project employs a full-time Enterprise Facilitator, an experienced business person, based in the community, who leads the support for the businesses participating in the programme, which can include one to one business coaching.

The project was pioneered by US-based entrepreneur Ernesto Sirolli¹, and has a strong track record.

The project was initially established by Scottish Enterprise, The Scottish Executive, Communities Scotland (both now The Scottish Government) and Highlands & Islands Enterprise. The intention was that communities selected for the pilot stage would be chosen through an open Challenge Competition, with communities of between 5,000 and 50,000 residents encouraged to submit proposals against a standard template. A key requirement for these communities was that they secure commitments of at least £50,000 from their community, on top of the £150,000 being contributed to each of the three pilots by the national partners.

The process by which the pilots were established involved the following key stages:

- initial communication:
- the Challenge Process; and

¹ Sirolli E (1999) *Ripples from the Zambezi* New Society Publishers: Gabriola Island BC provides an interesting introduction to the development of the model. <http://www.sirolli.com/> provides further details of the worldwide development of the model.

- the award and launch.

2.3.2 Phase 1: Initial Communication

This aim of this Phase was to develop an awareness among potential applicants under the Challenge Process. A series of local awareness events were organised, targeted at community leaders and relevant organisations. Five events were organised across Scotland in September 2005, each involving an audience of 50-70 community representatives. The event was led by Ernesto Sirolli, who was to explain the Enterprise Facilitator model and issue the invitation for communities to respond to the Challenge Process. The events were supported by targeted publicity, and an announcement in the press, to generate further awareness. It was at this stage that a request for proposals was to be launched.

2.3.3 Phase 2: The Challenge Process

Communities responding to the *Request for Proposals* were allowed 60 days to prepare their response. This included compiling baseline information on the economy of the community and the case for selection for the pilot. Communities assembled local steering groups to lead the process. A key requirement for the proposal was the raising of at least £50,000 from within the community to support the pilot's development. The enterprise shown by the community in securing this funding commitment was one of the big determinants of the decision to award the pilot project. Only two communities came forward with a proposal – Kintyre and East Perthshire.

2.3.4 Phase 3: The Award and Launch

The award of the pilot programmes was made against pre-defined criteria, set out in the *Request for Proposals*. The decision was made by a Steering Group involving representatives of the funding partners and the Sirolli Institute. Following announcement of the winners, the formal project began with the recruitment and training of the Local Board by the Sirolli Institute, which provided a thorough grounding in the governance of the Local Board and building consensus among the participants. The Board then sought the recruitment and appointment of the Enterprise Facilitator, who also went through a training programme facilitated by the Sirolli Institute.

Subsequently a bid was successfully submitted by an urban community in Dundee, who went through the same challenge/bidding, recruitment and training process.

2.4 The Anticipated Budget - Funders

The anticipated budget for the project proposed in the July 2005 SE *Approval Paper* was some £650,000 to be spent over the three operational years of the pilots; the *Approval Paper* anticipated that £150,000 would be contributed by the local pilots (£50,000 each) and £500,000 from the four agencies. **Table 2.1**, over, presents a detailed breakdown of the anticipated costs in the original SE *Approval Paper*.

Table 2.1: Anticipated Budget for Enterprise Facilitator - July 2005				
		Start Up	Year 1	Year 2
Sirolli Institute Fees	Stage 1 Recruitment, Training Stage 2 on-the-job training, implementation/ operational support	£50,000	£24,000	£24,000
Enterprise Facilitator	Full time Salary Pension (10%) Employers NI 13%		£30,000 £3,000 £3,900	£30,000 £3,000 £3,900
Overheads	Rent (optional) Computer/Fax/Phone etc. Printing/Postage/ Advertising Car Mileage		£2,400 £3,000 £1,500 £5,500	£2,400 £3,000 £1,500 £5,500
Fees	Directors & Officers Liability Accounting Fees Other Costs		£1,500 £1,200 £2,000	£1,500 £1,200 £2,000
TOTAL		£50,000	£78,000	£78,000
Grand Total				£206,000
Total Cost of the three pilots				£618,000
<i>Additional project costs (for all 3 pilots)</i>				
	Web site, Print & promotion Project Management Baseline Analysis	£10,000 £10,000	£500 £5,000 £6,000	£500 £5,000
	TOTAL	£20,000	£11,500	£5,500
Total cost of 3 pilot projects				£650,000
Less contribution from the three pilot projects				£150,000
Net Cost for the Four Agencies				£500,000

Source: Scottish Enterprise Approval Paper for The Enterprise Facilitator Project – a Pilot Community Based Enterprise Development Programme, July 2005.

For each project 48% of the budget was expected to be consumed by Sirolli Institute fees; this would include the training of the Local Board and the Enterprise Facilitator. Within each project a further 36% of the total budget was for the Enterprise Facilitators' salary.

Table 2.2 details the anticipated spend profile over the three years on a 30-month project with a 'go live' date of April 2006.

Table 2.2: Anticipated Spend Profile - July 2005				
	2005-06	2006-07	2007/08	Total
Core Project costs	£140,000	£239,000	£239,000	£618,000
Additional project costs	£20,000	£11,500	£5,500	£32,000
Total	£160,000	£250,500	£244,500	£650,000

Source: Scottish Enterprise Approval paper for The Enterprise Facilitator Project – a Pilot Community Based Enterprise Development Programme, July 2005.

It was anticipated that around 24% of the budget would be spent in the first year of activity, followed by 38% in the second year and a further 37% in the final year.

The actual spend on the pilot projects did not follow the profile as detailed in **Table 2.2** as the Dundee Sirolli did not become operational until 2007 and the other pilots were delayed as recruiting the Enterprise Facilitator took longer than originally anticipated.

2.5 The Pilots

2.5.1 Developing the Bid

Opportunity Kintyre

Opportunity Kintyre is a company limited by guarantee that was established by a steering group that represented the community living in Kintyre in South West Argyll.

Members of the community believed that the Enterprise Facilitator model would allow them to re-invigorate their area, which has suffered a number of economic and social setbacks in the recent past. A key expected outcome from the project was increased community confidence as a result of local people being trained to help their own community.

The pilot project was run by a steering group of 21 individuals from six local Community Councils areas:

- Tarbert and Skipness
- East Kintyre
- West Kintyre
- Southend
- The Laggan
- Campbeltown

A wider Steering Group or Community Panel was established, recruited from all sections of the community and geography, to ensure that the whole of Kintyre were representative. Some professional expertise within the Panel such as legal and accountancy support was also considered to be useful. OK set up an incorporated company limited by guarantee, Opportunity Kintyre Limited.

In total, OK now has a Community Panel of around 40 people. Within the Panel, there is a 'Core Management Team', and various sub-groups to manage Fund Raising, Public Relations, and Accounting & Business Affairs. The Panel is a collection of committed Kintyre people with a very wide range of skills, experience and talents. Each member offers support on a voluntary basis.



Eastern Perthshire – GrowBiz

The pilot built upon existing good partnership working within Eastern Perthshire. A steering group of eight individuals – primarily from the public sector - was established to develop the bid document, although public meetings aimed at gauging and harnessing community support were well attended by the private sector. The proposal was submitted 26 October 2005.

The pilot is focused on the geographic area that encompasses the catchment area for Blairgowrie High School – the wards of:

- Rattray & Glenshee;
- Alyth & Old Rattray;
- Coupar Angus and Meigle; and
- Rosemout and Blairgowrie.

It also includes Burrelton and Woodside, and Caputh and Spittalfield.

The members of the GrowBiz Panel come from all walks of life across the whole of East Perthshire. Members are drawn from local businesses (employed or retired people), community networkers and council officials. Panel members share their knowledge and their networks.

Dundee Central Sirolli Project

A group of local business people, voluntary organisation workers and local authority officers established the Dundee Central Sirolli pilot steering group. The five community areas of City Centre, Hilltown, Stobswell, Fairmuir and Law combine to make up the Central area, one of seven local community planning areas in Dundee. It has a population of just under 34,000.

Board members come from local businesses, community organisations, social enterprises and public services. There are just under 40 members of the Panel and they are actively looking for more.

2.5.2 Funding

Opportunity Kintyre

The proposal document – submitted 27 October 2005 – detailed anticipated spending of £193,488 over three years. Funding was anticipated at £194,468, with £150,000 being provided by HIE Network, Scottish Executive, and Communities Scotland. The additional £43,000 was expected to be provided by the community.



The proposal document highlights an expectation that £35,000 would be cash pledges requiring £9,000 to be raised from fund raising activities. However, it proved difficult for OK to collect many of the cash pledges and it therefore sought an additional £30,000 from the public sector funders to assist with running costs – this was split evenly between HIE, (the then) Scottish Executive and Communities Scotland.

GrowBiz

The proposal document anticipated expenditure over three years of £224,010. Of this £150,000 would be provided by SE, Scottish Executive and Communities Scotland, requiring the local community to raise funds of £56,003.

Perth and Kinross Council and Scottish Enterprise Tayside agreed to provide £10,000 each, the Nat West Bank would provide £3,000, in-kind support (office accommodation) was worth £4,000 and £15,000 development assistance support was expected. It was anticipated that the remaining £15,003 would be forthcoming from business donations and fundraising initiatives.

Dundee Sirolli

The bid document - submitted 29 March 2007 - anticipated spend of £218,200 to finance the pilot, of which core funding from SE, Communities Scotland and the Scottish Executive would contribute £150,000. It was therefore anticipated that the local community would provide £68,200. The bid document highlights pledges of £27,100 of cash (primarily from Dundee City Council and SE Tayside) and in-kind contributions of £41,100.

Overview

The Funders anticipated budget for the pilots outlined in the SE *Approval Paper* envisaged a total spend of £618,000 (excluding additional costs of £32,000), an average of £206,000. The bid documents envisaged total spend of £635,698 – around 3% above that anticipated by the funders. OK anticipated spending around £12,500 less than the funders anticipated, with GrowBiz (£18,010) and Dundee Sirolli (£12,200) anticipating spending more.

2.5.3 Performance

None of the bid documents present targets – either in activity or output/impact terms. The lack of targets was an important principle behind the pilots: to create a locally-led, self-finding development vehicle that could be run without the complicating factors of targets, monitoring and evaluation; the evaluation of the projects would therefore be based on the long-term growth of the communities in the pilot, against the baselines that they set out in the original bid documents.

The SE *Approval Paper* suggested the following impacts by end of year three of operation:

- around 100 businesses will be supported per pilot programme;
- each supported business should be capable of producing a sales increase over three years of at least £50,000; and
- additional GVA² worth £2.5m³.

These estimates were derived from the incomplete *Evaluation of the Business Gateway*. The findings in the *Final Report* suggest that these are probably an over-estimate of the likely impact. However, if the logic used in the final report (which reflects SE's current evaluation model) and the assumptions used in the final approval paper for the new Gateway model were applied, SE would now estimate that the:

- total GVA impact for 100 typical Gateway assists would be just over £400,000 net of displacement and deadweight;
- number of jobs would be 16 net additional jobs for every 100 assists.

If the activity levels are below these assumptions then the impacts are likely to be even smaller.

Below we report the results from each of the three pilots, focusing on:

- activity:
 - number of Clients
 - number and types of assists; and
- impacts:
 - business creation
 - job impacts.

The outcomes and impacts are reported separately as comparisons would be inappropriate given different starting dates, and the passive nature of the Enterprise Facilitation process. The data will probably understate true outcomes/impacts as the Facilitator is not allowed to follow up and check progress with Clients.

² GVA is an indicator of wealth creation and measures the contribution to the economy of each individual producer, industry or sector in the UK. GVA is generally regarded as the best measure of the sum of economic activity within an area. The importance of value added as a concept lies in its focus on the wealth created by a company rather than on its sales (which, could in large part, reflect the resale of expensive items the company has purchased) or on employment (which could be largely low skill, low value added jobs).

³ A 50% additionality is assumed under the CCM model

Activity

The activity data outlined below demonstrates that a significant number of individuals have approached the Enterprise Facilitator for assistance. True to the Sirolli philosophy each Enterprise Facilitator has a passive role in generating activity, waiting for the individual to approach them. As might be expected activity in Dundee is at a lower level due it becoming operation some time after OK and GrowBiz.

Opportunity Kintyre

Between 9 March 2007 and 29 January 2009 the OK Enterprise Facilitator provided 516 businesses assists to OK's 101 Clients, generating 51 Client outcomes. The types of assistance and outcomes are detailed in **Table 2.3**.

Table 2.3: Cumulative Activity Statistics Summary - OK				
Type of Assistance	No.	%	Client Outcomes	No.
Business Concept	100	99%	New Business	8
Team Building	90	89%	Expansion	2
Product	85	84%	Diversification	
Marketing	69	68%	Retention	4
Financial Management	46	46%	Acquisition	2
General Operations	68	67%	On Hold	17
Exit	3	3%	Abandoned	6
Research &/or Referrals	55	54%	Closed	1
			MinorTune-up	11
Total	516		Total	51

Source: Opportunity Kintyre

GrowBiz

Between 11 June 2007 and 28 January 2009 the GrowBiz Enterprise Facilitator provided 695 businesses assists to 130 Clients, generating 123 Client outcomes. The types of assistance and outcomes are detailed in **Table 2.4**.

Table 2.4: Cumulative Activity Statistics Summary - GrowBiz				
Type of Assistance	No.	%	Client Outcomes	No.
Business Concept	135	100%	New Business	20
Team Building	134	99%	Expansion	7
Product	124	92%	Diversification	1
Marketing	123	91%	Retention	0
Financial Management	122	90%	Acquisition	0
General Operations	3	2%	On Hold	57
Exit	1	1%	Abandoned	6
Research &/or Referrals	53	39%	Closed	1
			MinorTune-up	31
Total	695		Total	123

Source: GrowBiz

Dundee Sirolli Project

In the period to the end of January 2009 the Dundee Sirolli Enterprise Facilitator provided 180 businesses assists to 50 Clients, generating 3 Client outcomes. The types of assistance and outcomes are detailed in **Table 2.5**.

Table 2.5: Cumulative Activity Statistics Summary – Dundee Sirolli				
Type of Assistance	No.	%	Client Outcomes	No.
Business Concept	31	62%	New Business	1
Team Building	44	88%	Expansion	0
Product	14	28%	Diversification	1
Marketing	31	62%	Retention	0
Financial Management	11	22%	Acquisition	0
General Operations	20	40%	On Hold	1
Exit	1	2%	Abandoned	0
Research &/or Referrals	28	56%	Closed	0
			MinorTune-up	0
Total	180		Total	3

Source: Dundee Sirolli Project

Impacts

Opportunity Kintyre

In the period to end of January 2009 the activity of the Enterprise Facilitator highlighted in **Table 2.3** generated 14 business creation impacts and 23.5 jobs impacts. **Table 2.6** presents the details.

Table 2.6: Cumulative Impact Statistics Summary - OK			
Business Creation		Job Creation	
New business started	8	Jobs created	12.5
Business expanded	2	Jobs retained	11.0
Business retained	4		
Total	14	Total	23.5

Source: Opportunity Kintyre

GrowBiz

In the period to end of January 2009 the activity of the Enterprise Facilitator highlighted in **Table 2.4** generated 27 business creation impacts and 89 jobs impacts. **Table 2.7** presents the details.

Table 2.7: Cumulative Impact Statistics Summary - GrowBiz			
Business Creation		Job Creation	
New business started	20	Jobs created	29
Business expanded	7	Jobs retained	60
Business retained	0		
Total	27	Total	89

Source: GrowBiz

Dundee Sirolli

In the period to end of January 2009 the activity of the Enterprise Facilitator highlighted in **Table 2.5** generated one business creation impact and two jobs impacts. **Table 2.8** presents the details.

Table 2.6: Cumulative Impact Statistics Summary			
Business Creation		Job Creation	
New business started	1	Jobs created	2
Business expanded		Jobs retained	
Business retained			
Total	1	Total	2

Source: Dundee Sirolli

2.6 Strategic Rationale

The Enterprise Facilitator pilots were agreed in 2005 and approved in 2006, sponsored jointly by the (then) Scottish Executive, SE, HIE and Communities Scotland. This section explores the extent to which the objectives of the project were aligned to the original and ongoing priorities and objectives of the key strategic frameworks of the national funding partners.

2.6.1 [Smart Successful Scotland: Strategic Direction to Enterprise Networks 2004](#)

'A Smart Successful Scotland' (SSS) launched in 2001, and "refreshed" in 2004, set out the strategic direction of the Enterprise Networks. The strategy aimed to contribute to Scotland's growth and productivity by:

- **Growing businesses:** taking forward entrepreneurial dynamism and research and development to deliver innovative companies growing in scale;
- **Learning and skills:** developing skills to make best use of Scotland's human capital and to prepare for tomorrow's labour market; and
- **Global connections:** taking forward aspects of physical and electronic infrastructure, together with building the global connections of Scottish businesses to create world class locations, part of Europe and connected to the global economy

The Enterprise Facilitator projects fit well with the strategy's objectives around 'Growing Businesses' themes that sought to create greater entrepreneurial dynamism and creativity, to increase the business birth-rate and foster and entrepreneurial culture. It was initially anticipated that each pilot could support up to 100 new businesses, a significant fillip to local business stocks. Although not every new business supported by the Facilitator would do so, a number would create new employment opportunities within their own localities.

The pilot projects also address the spatial dimension of the refreshed SSS with their focus on rural development and strengthening communities in both the city and countryside.

2.6.2 SE Operating Plan 2006-09

SE's Operating Plan for the period 2006-09 is based on the three pillars of SSS. As part of the Growing Business agenda SE sought to encourage a culture of enterprise through prioritising help for existing businesses to grow and for individuals to start new businesses. Key to this is Business Gateway's activity in supporting start-ups and encouraging the enterprise culture, with a target of assisting 9-10,000 new businesses over the period of the plan. The Enterprise Facilitator pilots sit easily within this broad ambition.

2.6.3 HIE Operating Plan 2006-09 – A Smart, Successful Highlands & Islands

The HIE Operating Plan for 2006-09 is also based on SSS - but with refinements to allow for the different social and geographic context compared with SE's sphere of influence - and sought to develop a Smart, Successful Highlands & Islands with a vision:

- to become a region of half a million residents in twenty years' time;
- to create a further 20,000 full-time equivalent quality jobs over that period;
- to raise income levels by 10-15 per cent in real terms; and
- to be an international shop window for the best our country has to offer.

The continued development of Inverness is expected to act as an economic driver for much of the Highlands, and achieving the desired balanced growth will require resources to be targeted towards the less prosperous, and often more fragile, parts of the region. Strengthening communities, building capacity and leadership and growing businesses are all important planks in the operating plan. The Enterprise Facilitator pilot in Kintyre fits well with this approach.

2.6.4 Approval Papers

Strategic fit is not in itself sufficient to guarantee support from the Enterprise Networks for the Enterprise Facilitator pilots. SE/HIE executives were required to provide a wider justification – this is contained within the appropriate *Approval Papers*. No "approval paper" was available for the Dundee Sirolli model - paperwork was prepared to seek approval for funding support, but as it included a minute to the Minister it is restricted.



Scottish Enterprise

SE Small Business Services Division sought approval for the expenditure of £127,000 to fund the Enterprise Facilitator pilots in July 2005. It identified the pilots' fit with the SSS priority of "A Culture of Enterprise and Growing Businesses of Scale", and as contributing to the rural and social inclusion agendas as well as towards more effective partnership working given the involvement of HIE, Communities Scotland and the Scottish Executive itself. A number of other factors were considered, as discussed below.

Options Appraisal

The Approval Paper considered three main alternatives to the proposed approach:

- to develop a project without up-front training and recruitment support offered by the Sirolli Institute;
- to develop an alternative "supplier" to the Sirolli Institute; and
- to develop a hybrid variation on the model.

A due diligence report found that the Sirolli model was robust with a sound methodology and distinct advantages in terms of cost, bureaucracy and community involvement. The four funding partners therefore agreed with the recommendation that they adhere as closely as possible to the "ideal" model, as reflected in the Approval Paper.

Financial Appraisal

The total cost of the three pilot projects was estimated at £618,000. SE's contribution was set as £127,000, made up of annual expenditure of £40,000, £44,000 and £43,000 over the period 2005-06 to 2006-07.

The budget assumed an even division of cost between the four partners but acknowledged that this division might have to change in the event that no project was located in the SE or HIE area or did not fit with the function of one or more of the agencies.

No issues concerning EU State Aids regulations were anticipated.

Risk Assessment

The financial risk was considered very low as the failure of the pilot in all three locations was seen as unlikely.

The operational risk was also viewed as being low due to the "light touch" approach to project management involved. The reputational risk was however considered to be higher as the "light touch" approach may have resulted in a lack of due recognition of SE's involvement should it prove successful.



Economic Appraisal

It was anticipated that around 100 businesses would be supported per pilot project, each capable of sales of £50,000 after three years. Assuming 50% additionality under the CCM model this would generate additional GVA of £2.5m. This was considered to be above other forms of intervention used by SE.

Monitoring and Evaluation Arrangements

The “hands-off” nature of the Siroilli Model suggested that the usual active monitoring usually associated with SE projects was considered to be inappropriate for this project. Instead, annual and mid-year reports would be received from the Local Boards that would highlight the main activities and key achievements of each pilot. A benchmarking exercise at the start and end of the projects was expected to gauge the impact of the projects on the local communities and wider Scottish economy.

Argyll and the Islands Enterprise (AIE)

In April 2006 AIE approved expenditure of £50,000 for Opportunity Kintyre for the purpose of undertaking an Enterprise Facilitator Pilot.

Strategic Rationale

The Kintyre steering group believed that the enterprise facilitation process offered a way to address some of the difficulties faced by people in the peninsula, and in particular to enable the community to engage more effectively with the various bodies charged with the economic development of the area.

The project will provide impacts under the following measures of *A Smart Successful Highlands and Islands*:

- a culture of enterprise and more businesses of scale;
- success in key sectors;
- more people choosing to live, study and work in the Highlands & Islands; and
- building community capacity and leadership.

Market Appraisal

The project was described as unusual in that it was not intended to address a conventional market failure but rather to increase the demand for advice and support to start and expand businesses. This in turn was expected to create opportunities to satisfy demand for services. The root cause of failure to exploit this unsatisfied demand for services appears to be low community confidence and this is what the pilot project aims to address.



Financial Appraisal

Total project costs were estimated at £200,000, half of which represented the fee due to the Sirolli Institute.

Cost were to be split equally between HIE, Communities Scotland, Scottish Executive and Opportunity Kintyre with HIE serving as the conduit for all £150,000 of public sector input. Opportunity Kintyre would raise its share with a mixture of cash pledges and in-kind contributions. A financial risk was identified in terms of a potential mismatch with in-kind contributions or failure to redeem the cash pledges in full, but this was not considered significant enough to halt the project. HIE Business Starts & Growth team would provide £50,000 over the two years 2006-07 and 2007-08.

There were no State Aids issues associated with the project.

Risk Assessment

Risks were considered low:

- financial risk - due to the phased release of funds and the HIE contribution of only £50,000;
- reputational risk - localised to the Kintyre community; and
- operational risk - as the nature of the project is such that it is driven by the community and will not involve significant amounts of time from HIE staff.

Economic Appraisal

There were limited targets for the project. It was expected to assist 25 applicants and train/mentor 50 individuals (the members of the Local Board). The project was considered fully additional due to the high fee due to the Sirolli Institute that could not be met without public sector support. The nature of the training and facilitation package provided was such that it was considered that there is little or no displacement attached to the project.

Monitoring and Evaluation

The Opportunity Kintyre application was submitted by a steering group of 21 representatives from the six community councils in Kintyre. They will continue as a steering group for the duration of the project. In addition, HIE approval was conditional on quarterly reports of activities, outcomes and financial monitoring being submitted to HIE.

2.6.5 Continued Strategic Fit

The following section summarises the strategic fit of the Enterprise Facilitator pilots with more recent strategic priorities.



Scottish Government Economic Strategy 2007

In 2007, the new Scottish Government introduced a new Government Economic Strategy setting out how it will support businesses and individuals and focus the Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

The Strategy identifies five Strategic Priorities critical to economic growth:

- learning, skills and well-being;
- supportive business environment;
- infrastructure development and place;
- effective Government; and
- equity.

The new economic strategy differs from SSS in that it more clearly distinguishes responsibilities for business development between the Enterprise Networks and Local Authorities. The Enterprise Networks are now focused on supporting investment and innovation by companies and sectors which have growth potential and are of national or regional significance. Local Authorities have assumed responsibility for supporting local businesses serving local markets.

The Sirolli Model, with its focus on local enterprise in local markets, still fits within the Government Economic Strategy but is less clearly a responsibility of HIE/SE with their focus on high profile, high impact development.

The Enterprise Facilitator project also fits with some aspects of the new strategy's Equity priority for economic growth. In addressing Social Equity the strategy supports social enterprise, as part of investment in an enterprising third sector, ensuring the provision of start-up assistance and encouraging efforts to provide supported employment. In terms of Regional Equity it seeks to ensure the most remote areas of Scotland can contribute to, and benefit from, economic growth. The Enterprise Facilitator project has a role in approaches to both these policies.

As part of the Scottish Government's reorganisation of the delivery of local economic development services Business Gateway (BG) – which has responsibility for delivering business support services to new and small growing businesses - was transferred from Scottish Enterprise to Local Authorities. BG did not previously operate within the Highlands and Islands but would do so under the new arrangements.



SE Business Plan 2008-2011

The Scottish Enterprise Business Plan for 2008-11 is based on the new Government Economic Strategy. The focus is on improving productivity, currently suffering shortfalls in enterprise, innovation, investment and skills. The SE business plan is structured around objectives in the first three areas:

- **Enterprise:** responsive and focused enterprise support, helping growth companies and industries to reach their full potential;
- **Innovation:** stimulate innovation to support business growth including exploiting new products, processes and technologies; and
- **Investment:** helping to create the right conditions for growth companies and industries to have access to property, markets and finance to help them grow.

One of the principal outcomes of the Scottish Government's Enterprise Networks Review, as noted above, is a redefinition of the respective responsibilities of Scottish Enterprise and local authorities in relation to economic development. The Scottish Government has given Scottish Enterprise a very clear remit to focus on priority sectors and on supporting those businesses, of whatever size, that have high growth potential and that are important to the national or regional economy.

Local government is expected to play a complementary local role in economic development, providing business advisory support to local firms through the Business Gateway and assuming the lead in local regeneration projects, alongside its existing functions like transport and planning.

SE will work selectively with a much smaller number of businesses, predominantly those with whom they have, or will establish, an account management relationship. This means that for the majority of firms, including those serving mainly local markets, public sector advice and/or guidance will be sought through the Business Gateway, overseen by local authorities.

This narrowing of the remit makes it harder to justify supporting the continuation or expansion of the Enterprise Facilitator pilots through Scottish Enterprise. With its focus on local opportunities, problems and solutions the Enterprise Facilitator project sits more comfortably within the purview of Local Authorities under the new economic strategy.

HIE Operating Plan 2008-11

The HIE Operating Plan for 2008-11 is also based on the new Scottish Government Economic Strategy. To improve the region's performance and its contribution to the economic growth of Scotland, HIE will deliver an integrated strategic approach to development, focusing its activities under three broad headings:

- supporting high growth businesses and sectors, so raising growth rates across the area;
- creating the infrastructure and conditions to improve regional competitiveness; and
- strengthening communities, especially in the fragile parts of the area.

HIE's Strengthening Communities remit stems from the statutory recognition that social and economic development are complementary (and necessary) to achieving growth in a remote, sparsely-populated area. In such communities, market failure, limited commercial opportunities and limited provision of local services has resulted in an enhanced role for community-led development. Creating stronger, more dynamic and sustainable communities is thus integral to the work of HIE and its activities to tackle the challenges of solidarity and cohesion. These challenges are greatest in the fragile areas, but are also significant in rural parts of the Highlands and Islands away from the main settlements. HIE's Strengthening Communities activities contribute to the following Government Economic Strategy strategic challenges:

- economic growth - enabling social enterprises and stronger communities to foster growth;
- population - creating the conditions for talented people to live, work and remain in the area;
- solidarity - developing social enterprises and an enterprising third sector to offer opportunities for those more distant from the workforce;
- cohesion - ensuring remote and fragile areas contribute to, and benefit from, economic growth; and
- sustainability - taking forward community renewable energy and other environmental initiatives

Like SE, HIE seeks to target its business development activities at support to high growth businesses and sectors seeking regional or national impacts. The Enterprise Facilitator does not sit comfortably with this remit, and is more appropriately positioned as part of the local economic development portfolio delivered by Business Gateway and the Local Authorities.

2.7 Existing Support

A desk based review has revealed that the main sources of start up and small business support is through the Business Gateway (BG). BG offers several types of support including:

- starting up;

- looking for finance and grants;
- growing business;
- looking at international trade; and
- help with employing people.

In the Highlands and Islands areas there is support offered through the Local Authorities, each area has an Area Development Manager who can help with issues such as: business development; inward investment; marketing; community development initiatives; and employment initiatives.

2.8 Change in the Wider Economic Context

Four years ago, when the Enterprise Facilitator Pilots were first considered by the four funding partners, the economic situation in Scotland was very different from the one in which the country finds itself at the start of 2009.

Then the situation and prognosis was positive: unemployment was falling as employment was rising; business stocks were growing as new companies started-up and existing ones expanded, particularly in key sectors such as financial services. Credit, although it might not have seemed so to everyone at the time, was both relatively easy and cheap to obtain.

Today the global financial crisis that started in 2007, and grew steadily in severity throughout 2008, has seen the collapse and nationalisation of some of the UK's leading financial institutions, something all but unthinkable in 2005. The financial crisis has inevitably had repercussions for the wider business world. It is generally accepted that the country will be in recession through much, if not all, of 2009. Business closures and unemployment are likely to increase significantly this year.

This change in the economic environment is likely to have a number of implications for the Enterprise Facilitator programme:

- increased users of the service:
 - unemployment is a contributing factor in the decision of some people to become self-employed. With unemployment expected to rise significantly, it is likely that the number of people seeing this as an alternative to the dole queue will rise, and so the number of potential users of the Enterprise Facilitator will grow too;
- increased demand for the service:
 - with tightening financial conditions affecting SMEs the demand for the mentoring approach offered by the Facilitator is likely to increase as opposed to the expense of employing professional or consultancy services;



- reduced availability of service:
 - with the onset of more difficult and demanding business conditions it is possible that the local entrepreneurs and community leaders making up the Boards may have less time and energy to devote to this “pro bono” activity; and
- reduced funding for the service:
 - as for the delivery of support, the recession and, in particular, the restriction of credit facilities may make it more difficult for the local communities to raise the necessary funds required to keep the pilot projects running.

3. Consultations

3.1 Introduction

Our approach to this study recognises that a strategic and operational review is required rather than an evaluation of the Enterprise Facilitator project. The key difference between a strategic review and an evaluation (interim or full) is that beneficiary surveys are not part of a strategic review. Beneficiary surveys – in this case mentored/supported businesses – would be used in an evaluation to assess, amongst other things, quantifiable outcomes, outputs and impacts. We have therefore, in addition to the desk based review undertaken a consultation programme with:

- the funders;
- the Enterprise Facilitator;
- Board/Panel of each pilot; and
- the Local Authorities in which the pilots are located.

3.2 The Funders

The discussion with funders centred around the following key issues:

- understanding of the Sirolli model;
- involvement with and knowledge of the pilot, including realised and potential impacts of the pilots;
- potential for the pilots to achieve sustainable community regeneration and local economic growth, and operate as a sustainable model;
- the extent to which the model addresses the equity agenda; and
- the future development of the model:
 - expansion beyond the three pilot areas
 - policy lead on any future roll out
 - management of any future roll out projects
 - funding of any roll out.

As the views offered by the funders were largely compatible with each other we present a composite report.

3.2.1 The Sirolli Model & Involvement with the Pilots

There was a good understanding of the key concepts on which the model is based - a community-based, private-sector led programme that provides mentoring and support from local business people and community leaders. They volunteer their support, contacts and resources to nurture the growth of local businesses. The employment of a full-time Enterprise Facilitator (EF), based in the community, is crucial to the model.

The consultees fully understood that the EF:

- is, typically, both an experienced business person who has run their own business and has provided business support;
- leads the support for the businesses participating in the programme;
- has a passive role in that he/she is unable to follow-up on how the Client progressed with potential business contacts; and
- offers a different approach from historical public sector funded programmes and initiatives.

Involvement has typically been at the strategic/implementation level – initial promotion of the model, attracting and reviewing bids, and now a light coordinating role or overview, with The Scottish Government, SE and HIE responsible for operations and monitoring.

There were some general concerns which have become apparent during the roll out of the pilot. However, these concerns relate to normal practice public sector policy and the funding of programmes and initiatives where proactive marketing and monitoring are staple features of operation, and are not necessarily an issue with the delivery of the model in practice:

- passive nature of the Enterprise Facilitator which means that he/she is unable to follow-up on how the Client progressed with potential business contacts through the Panel, which means less active monitoring of the success of the pilot;
- no quality assurance checks are in place under the Sirolli Model to check that individuals who have offered their expertise to assist local businesses actually have the appropriate credentials;
- the model has worked well in countries where the public sector is not typically involved. Indeed, the model is intended to be self-sustaining in terms of funding which should come from the community and private sector; and
- the provision of £50,000 of funding to be provided by the community was pledged in all three bids, but there are concerns as to whether this has all been provided.

3.2.2 Impacts

The funders had less of a handle on the scale of quantitative impacts than on qualitative impacts – a function of the light touch approach to monitoring that does not provide the regular detailed activity, outcomes, outputs and impacts information that forms the traditional approach to public sector monitoring of business start up/development interventions.

There was an acknowledgement that progress had been reported in terms of new businesses being created and existing businesses being helped to expand, with resultant job creation impacts, but there were some concerns as to how robust these claims were. However, it was recognised that it is too early to make judgements on this – public sector funded programmes are typically evaluated after three years of operation to give time for the impacts to realise – for some longer-term projects, such as the Enterprise Facilitator project, a five year time frame for evaluation is often more appropriate.

The reported qualitative benefits due to the existence of the pilots were seen as being:

- increase in confidence within the local community, particularly in Kintyre and East Perthshire where the models had been established for a longer period of time; and
- direct influence on community capacity building.

It is the work, time, presence and visibility of the Enterprise Facilitator that is seen as being key to these benefits.

3.2.3 Sustainable Economic Growth

The pilots were viewed as having the potential to draw the business-to-business community together through the project's self-help concept and focus. This could generate more and bettered informed start-up businesses, leading to increased survival rates. Existing businesses could gain through informal local networks from the Panel, delivering local opportunities and solutions for local businesses. This networking aspect is seen as being very important for delivering economic growth/regeneration.

However, this was crucially dependent upon the need and ability to raise sustainable funding from the communities, including the private sector, – a key question when reaching a view of whether the pilots have been successful. The potential for the pilots to achieve sustainable community regeneration and local economic growth was therefore viewed as being limited, indeed non-existent, for one consultee. The change in the business support landscape since the pilots were introduced, with Business Gateway passing to local authority control could mean business support is better integrated locally – the issue then is can the Sirolli model add value to this?

In the longer-term consultees offered the view that sustainability of the Sirolli model could only be achieved if there is more reliance on establishing ongoing, sustainable, local/private income streams and less reliance on public funding. Some felt that the model has succeeded in other countries, such as the USA, where the political structure and environment operates in a completely different way and is more conducive to a private sector approach to funding.

Long-term sustainability of such a model is also dependent on the continued service of key enthusiastic individuals. Although each Panel consisted of a significant number of local business and community leaders, there was concern that Panel meetings can attract less than one third of members.

3.2.4 Equity Agenda

The Sirolli model does not attempt to address this explicitly - there is no active statement – but it can be seen to address the equity agenda in terms of:

- rural economic development – both the OK and GrowBiz pilots are based in with rural economies; and
- social inclusion – the Dundee Sirolli pilot is based within an area of socio-economic disadvantage.

The passive nature of the role of the Enterprise Facilitator means that the traditional equality groups – females, ethnic minorities, disabled etc – cannot be specifically targeted; however the informal nature of the model was seen as making it easier for the equality groups to engage.

3.2.5 The Future

The key issue in relation to OK, GrowBiz and the Dundee Sirolli project continuing beyond the pilot stage was one of funding. There was limited if any appetite for the current funders to provide additional monies – their role in the pilot was to provide the initial core funding to enable the model to be tested in Scotland. Indeed the view offered was that continuation funding, if being true to the Sirolli model, should come from the local community and locally-based organisations. This would be a key measure of the pilots' success – if they were valued by the communities that they serve then funding should be forthcoming. The level of the continuation funding for the three pilots would be significantly below that provided under the pilot projects – it would cover the EF's salary and associated employment costs, together with business expenses.

The issue of roll out of the Sirolli model beyond the three pilot areas was seen as more problematic. The model does not sit comfortably within the remit of either SE or HIE, and the Scottish Government view is that support for business start up and small businesses is the responsibility of Local Authorities, as part of the Concordat with COSLA and the Single Outcome Agreements with Local Authorities.

Additional 'earmarked' funding from the original funders is therefore unlikely to be forthcoming – again their role was to provide funding to test the model, and any subsequent roll out in new areas would be the responsibility of the local community and local partners.

The funders expected that the scale of the funding required for the model to be introduced in new areas would unlikely be less than that required for OK, GrowBiz and Dundee Sirolli – some £100,000 would be required for the Sirolli licence and training, with some £50,000 required to fund the post of Enterprise Facilitator. Funding would be the responsibility of the local community – either directly (and this was felt to be unachievable and unsustainable) or indirectly through local authorities (Business Gateway), or Community Planning Partnerships. It was felt that raising the £100,000 required by the Sirolli Institute for the training of the Panel and Enterprise Facilitator would be a major challenge and therefore a significant constraint on the ability of the model to be rolled out elsewhere in Scotland⁴.

It was felt that the policy lead of any roll out should be the responsibility of the local authority, Business Gateway or Community Planning Partnership – whoever provided the funding – although there may be a role for The Scottish Government in promoting the model providing it had proved itself to be successful.

The management of the model should be the responsibility of the Panel, rather than any of the (new) funders. However funders felt that while arrangements will have to be set-up according to the principles outlined in the Sirolli model – i.e. the project would still need to maintain its passive nature – this could result in a conflict in terms of the proposed Business Gateway functions, service delivery and monitoring requirements.

3.3 The Enterprise Facilitators

The discussion with each of the three Enterprise Facilitators (EF) centred around the following key issues:

- understanding of the Sirolli model;
- adherence to the Sirolli model;
- roles and responsibilities;
- nature of the support provided and impact on business performance;
- performance of pilot performed over time;
- scale and nature of community engagement with the pilot;
- impact on economic growth and regeneration;
- the equity agenda;
- impact of the pilot to date;

- scope for further impacts in the future;
- key factors in achieving sustainable community regeneration and local economic growth, and constraints to achieving this; and
- long-term sustainability of the model.

As the views offered by the Enterprise Facilitators were largely compatible with each other we present a composite report.

3.3.1 The Sirolli Model

There was a clear understanding and commitment to the principles of the Sirolli model - encourage regeneration by harnessing the passion and ideas of local people, helping them to rebuild their own communities from within. The Sirolli Method is viewed as a simple but powerful way of developing and harnessing local strengths with minimal bureaucracy. The Sirolli approach differs from the traditional top-down model and offers community empowerment. It takes people in the community with ideas and gives them practical, individual mentoring, channelling their passion, and gives them access to local people who possess the skills to help propel the original idea from their mind into the marketplace.

An Enterprise Facilitator with proven business experience is employed and can be contacted by anyone who has a business idea. Free and confidential meetings are set up at the Client's chosen place and time. Thereafter, the Facilitator will provide information tailored to the person and will act as a go-between, introducing them to others in the community, or the Panel, who can offer support.

The EF confirmed that each model has sought to adhere strictly to the Sirolli model principles, particularly in their dealings with Clients - with the resourcing of Client needs through the Panel. Some minor variations have been introduced to reflect local circumstances – e.g. raising the visibility of the EF, language and cultural differences, and publicity of success.

3.3.2 Role, Responsibilities and Support

The EF's agreed that their key role is to act as a sounding board for potential new start and existing businesses in their area, to listen to Clients and their ideas, and to guide them as to which aspect of the trinity – product, marketing, finance - they may require assistance. The service is free. The role of the EF is to facilitate a journey of discovery where the ultimate outcome will be to set up a business, which is sustainable, or to sustain an existing business. The Enterprise Facilitator provides Clients with known contacts who may be able to help the business to establish trinity management, it is the up to the business to make contact and for the businesses to agree on the terms of assistance e.g. payments.

The Enterprise Facilitators were clear that they do not provide business advice or training, but rather they act as a mechanism to put people in touch with people who may be able to assist the business. Businesses are still encouraged to attend specific training sessions and other business events run by the public sector.

Each Facilitator offered the view that their pilot adheres to the Sirolli model, with the resourcing of Client needs through Panel members. They so no need to differ from the Sirolli concept as it was felt to work. The only variations to the model have been with regard to the language and cultural differences, with a requirement to use examples of relevance to the local communities and a degree of publicity and other awareness raising activities through the media.

3.3.3 Performance

None of the pilots offered targets to the funders within their bid document and they were not subsequently provided with targets when the bid was accepted. Although they have no targets in terms of new starts/job creation as discussed above, each pilot does have clear objectives and milestones (e.g. self-funding after three years, local funding sources etc.) and each Facilitator suggested that performance had been above expectations. The key performance measure was the level of engagement with members of the local community with a business idea and local businesses – the number of contacts, given that they were not allowed under the Sirolli model to make the first call was beyond their expectations.

Each was able to provide information – reported in **Chapter 2** – of reported business start and job creation impacts. Each suggested that over time these impacts would increase, first because there is a time lag between support and impact, and second, because as the model becomes embedded within the local community there would be increased individuals and businesses seeking their support.

Community engagement was already significant. In Dundee, the pilot that have been live for the shortest time, the EF has had over 260 introductions to individuals, business and community groups, of which 140 have been self generated and 120 generated by the Panel. The GrowBiz EF has had 535 introductions, 171 self-generated and 364 generated by the Panel. The OK Facilitator has generated just over 230 introductions, the Panel 570, a total of over 800.

3.3.4 Sustainability and Community Regeneration

Community regeneration and economic growth would come from the new businesses created and the expansion of existing businesses. The EF's viewed success to date as being positive and as the reputation of the model grew so would their level of engagement with the community resulting in continued positive outcomes. These in turn would maintain community enthusiasm for the model, encouraging new members to be recruited to the Panel, both as replacement for those who leave, and as part of a growth strategy. This would widen the network of contacts available to the EF to tap into when working with Clients.

Each Facilitator agreed that community economic growth generated by OK, GrowBiz and Dundee Sirolli models would only be sustainable if the model continued beyond the pilot period. Central to this was the ability of their Panel to generate the required funding, which would be significantly less than that required during the pilot stage. It was suggested that around £50,000 would be required to pay the EF's salary and associated employment costs, together with modest businesses expenses. This would be cash rather than in-kind.

It was recognised that sustainability could only be achieved if the local community – and this would include local public sector agencies – were sufficiently convinced of its success, and its ability to continue to be successful, such that funding would be provided from within the community. Each pilot would therefore require to prove itself to be a success well before the end of the pilot phase to enable the requisite funding to be in place to provide them with continuation of employment.

There was an expectation that the public sector agencies would need to continue to provide a significant proportion of the required funding as the expectation was that generating the full £50,000 from the local business community, individuals and community groups would prove difficult, if not impossible. Fund raising activities were an ongoing feature of the pilot phase but the expectation was that this would need to be supplemented with significant funding from public sector partners.

3.3.5 Equity

The EF was available to all in the community who wished to seek their advice – there were no restrictions beyond geography. The passive nature of their role has meant that they had been unable to approach the traditional equality groups that were typically the targets of many public sector funded initiatives. The rural location of OK and GrowBiz meant that rural economic development was being addressed, and the location of the Dundee Sirolli project in an area of social and economic disadvantage meant that the social inclusion equity agenda was being addressed.

3.4 Board/Panel Members

We met with Board members of each Panel and attended Panel meetings in Kintyre and Dundee. The discussion focused on:

- understanding of the Sirolli model and adherence to it;
- development of the pilot;
- roles and responsibilities of the Panel;
- pilot performance;
- impact of the pilot to date and future potential;
- sustainable community regeneration and local economic growth;
and

- long-term sustainability of the model.

3.4.1 The Sirolli Model

Our discussion revealed that all three Panels had both a clear understanding of the Sirolli model and an enthusiasm for the bottom up community led approach to economic development and regeneration. There is a clear recognition amongst Panel members that it is based on a grass roots, bottom-up, purpose driven business development and mentoring approach, where the work is defined and driven by the needs of the community. The philosophy of the trilogy of business management – production, marketing and financial management - is recognised as a key feature of the method behind the Sirolli model.

Given this level of understanding and enthusiasm for the Sirolli approach each Panel, recognising that they are involved in a pilot exercise, had adhered strictly to the principles of the Sirolli approach – with only minimal variations to reflect local circumstances, language and culture.

The pilots developed following attendance at presentations, involving Sirolli himself, which invited bids from local communities to pilot Enterprise Facilitator models. In each case local steering groups, involving largely public sector agencies but with some and private sector representation, were formed to submit the bid. The key drivers were a recognition that whilst there may be signs of improvement in the local economy these could be enhanced and built upon by the introduction of an Enterprise Facilitator addressing a lack of confidence in the economy, building local capacity and generating local economic growth.

3.4.2 Roles & Responsibilities

Panel members identified that their key role is to provide:

- resources to the Enterprise Facilitator - essentially introductions to enable the EF to “spread the word” throughout the local community; and
- through their networks, local contacts who are able to offer support to the EF’s Clients who require assistance in one or more of the Trinity of Management for which they do not have a “passion”.

Attending meetings of the OK and Dundee Sirolli pilots provide us with the opportunity to observe how the Panel operates, and we saw how:

- the EF brought issues facing particular Clients to the meeting, giving an overview of the business in terms of operation, key markets etc and the key constraints it was facing;
- the Panel identified possible solutions to the Clients’ issues based on their own previous business experience; and

- the Panel identified, through their own network of business and professional contacts, individuals or organisations that the Client may wish to approach in seeking a solution to their business development constraint.

3.4.3 Performance and Impact

Discussions highlighted that no targets had been set, either by the funders or the Panel itself. Performance was judged favourably in terms of:

- raising awareness of the project within the local community beyond the initial stage of seeking support for the original bid – the EF and the existence of the Panel was well known throughout each pilot area;
- the number of contacts made by the EF – both self generated and following an introduction by a Panel member – had grown significantly over time;
- the number of Clients that have been generated by the EF and the number of times that they have sought additional assistance – the data provided suggests that on average this ranges from between three and six assists;
- enhanced community confidence and capacity; and
- the social capital generated through the partnership working of the pilots with individuals and the other key local groups - increase in the communications, the sharing of knowledge and expertise, between people within the pilot areas for commercial and social gain.

The Panel members were also able to point to the quantitative impacts that had so far been realised, each stressing that it was still early days given the potentially significant time lag between support and assistance provided, new practices introduced and them having an impact on business performance.

The Panels did recognise that there is still a lot of scope for future impacts. Their collective view was that the work undertaken during the pilot is just a start and the support provided, once the Client has had time to embed this within an existing or new business, will lead to larger tangible and measurable impacts such as job creation and retention.

3.4.4 Sustainability

The collective view of the Panels was that sustainable community economic regeneration was contingent upon the continuation of the model beyond the pilot funding stage. The foundations have been laid, as discussed above in terms of awareness raising, introductions, the number of Clients and multiple assists, and the quantitative impacts, to deliver sustainable locally based economic growth.

The sustainability of the local model beyond the pilot stage was dependent upon the ability of the Panel to raise new funding. This was a particular issue for OK and GrowBiz whose core funding from the SE/HIE and Scottish Government would end at some point in 2009.

Our discussions picked up a degree of frustration amongst some members of the group that many of the Panel meetings were focused and dominated by the funding issue, rather than the work of project itself.

The OK Board of Directors is pro-actively trying to put in place projects that, if successful, will generate a sustainable income stream for the initiative. OK, when we met with them, were considering applying to LEADER for funding of the model beyond 2009.

GrowBiz was concerned about their ability to generate additional funding from within the local community, and thus feared for the future of the project. (The original bid document highlighted that it would need to find around £15,000 from fund raising and private sector donations). A consolation was that GrowBiz would only need to find around £50,000 per year to cover the employment and business costs of the EF. It was in the process of submitting a LEADER application with match funding being sought from the local authority.⁵

The Dundee Sirolli model became operational at a much later date than the other two pilots and therefore has more time in which to consider the sustainability of the model. Discussions with the Panel suggested a quiet confidence that they would be able to raise the funding necessary to continue the model beyond the pilot stage.

Each pilot also highlighted that the sustainability of the model would require the continued commitment of members of the local business and wider community to join the Panel and provide introductions for the EF and through their networks relevant contacts for Clients. Without a committed and enthusiastic Panel, irrespective of funding, the model would not be sustainable.

3.5 Local Authorities

From April 2008 the delivery of economic development services in Scotland, with responsibility for local regeneration and delivery of Business Gateway services, was transferred to local authorities. We therefore met with officials from Argyll & Bute (A&BC), Dundee City (DCC) and Perth & Kinross (P&KC) Councils to discuss:

- their involvement with and knowledge of their local pilot;
- their views on the impact of the model to date and in the future, including sustainability; and

⁵ Our understanding is that this application has subsequently been successful, and would provide funding until September 2010. .

- the extent to which they could support the pilot in the future and any roll out of new models beyond the pilot areas.

3.5.1 The Local Pilots

Each local authority was aware of the pilot and had played some part in developing the successful bid – either as part of the initial working group, membership of steering groups, provider of funding, membership of the panel, or a mixture of all of these. There was good support amongst the Local Authorities for what each pilot was trying to achieve, particularly in the areas of community capacity, confidence building and the bottom up approach to community and economic regeneration.

3.5.2 Impact

The Local Authorities had no real feel for the economic development impacts that the pilot were having. Issues here related to:

- a lack of data on activity and outcomes such as business start ups and job creation; and
- a recognition that there will be a time lag between any support offered and resultant impacts.

Whilst some had seen some data – our perception was that these related to the statistical summaries from which we drew the data reported in **Chapter 2** – it was not objective (i.e. they were gross outcomes) and there was no indication as to the quality of the service being provided. Reaching a view on this would require an independent evaluation and consultations with the Clients, rather than testimonials on the web site, as useful as these are.

It was during this discussion that issues relating to quality assurance mechanisms were raised – which had also been raised by funders. In particular this related to the contacts provided by the Panel to EF Clients – were they suitably qualified to give the advice?

The sustainability of the impacts and the contribution to community regeneration in the future depended crucially upon the ability of the pilots to generate funds from within the local community. GrowBiz and Dundee Sirolli had both received funding from the Local Authority, and although this was likely to continue, there would still be a requirement for each pilot to raise significant funding from within the local community. The Local Authorities questioned whether the pilots would be able to raise the funding from within the local community, and thus raised doubts about the sustainability of the model.

P&KC was working with GrowBiz on a LEADER application, which if successful would provide funding only until September 2010. Both DCC and A&BC suggested that Business Gateway, which was transferred to Local Authorities in 2008, maybe a home for the model. A&BC is still negotiating how Business Gateway would operate in their area as it did not previously operate in the HIE area – and when it does become operational OK will need to competitively tender for delivery of business start up and small business support. DCC has existing contacts that run until September 2010 which would mean Dundee Sirolli will need to raise local level funding in advance of any possible opportunities under Business Gateway.

3.5.3 The Future

The Pilots

In spite of the discussion above, the Local Authorities did raise doubts about the ability of the models to succeed beyond the immediate pilot phase. Two issues were at the fore of the discussion: culture; and ability of the pilots to prove themselves.

Within the UK there is a different culture with respect to support from the private sector and local communities for organisations such as OK, GrowBiz and Dundee Sirolli, than that which exists in the USA, Canada and Australia where Sirolli models have experienced greatest success. In the UK the culture is one of the public sector, rather than the private sector or local communities, funding such activity. This raised questions as to whether the respective models could generate the £50,000 plus each and every year from within the local community to fund the EF project.

The Local Authorities highlighted that in order to attract this level funding on an ongoing basis, particularly from local level public sector agencies, the local models will need to show that their impact on local economic and community regeneration is at least as effective as traditional approaches to business start up and small business support. This would require an independent economic evaluation to identify both the costs and benefits of this approach, as well as the introduction of transparent quality assurance processes and procedures. Currently, the light touch to monitoring, and the passive approach of the EF has not, due to a lack of hard data, allowed the Local Authorities to form a view as to whether the pilots have brought added value to the business start up and small business support market.

Roll Outs to New Areas

The roll out Sirolli models in new areas was seen as being problematic, with funding the key challenge. Each Local Authority was aware of the level of funding provided for the three existing pilots, and offered the view that raising this level of funding within local communities would be an impossible challenge, particularly as £100,000 would be required to be paid to the Sirolli Institute. The level of this payment was seen as a key barrier to the model being rolled out beyond the pilot areas.



The transfer of Business Gateway to the Local Authorities has given them responsibility for the delivery of business start up and small business support. However the Local Authorities each felt that the funding that will be made available within their respective authority for the delivery of business start up and small business support would not be sufficient to enable them to fund one or more Sirolli models in their area at a cost of around £200,000. The Concordat between The Scottish Government and COSLA allows Local Authorities to spend their settlement how they see fit to meet the needs of their local communities and deliver against the Government's national outcomes.

The view was that the spending priorities within their Local Authority would be unlikely to provide funding on the scale to allow them to support Sirolli models in new geographic areas – the size of the Sirolli licence fee was seen as a key barrier.

4. Conclusions & Future Options

4.1 Introduction

This chapter draws on the various elements of the work programme to present a brief set of conclusions. The conclusions clarify findings on three elements of the pilot:

- the overall performance of the project as a pilot;
- the performance of each of the three pilots; and
- the wider lessons on the application of the Sirolli model

In addition we consider options for further development of the model in terms of:

- scale;
- scope;
- roll out; and
- funding and support body or bodies.

4.2 Conclusions

4.2.1 Performance of the Project

The central question behind the original pilots was whether the Sirolli approach offers an alternative, self-sustaining model for developing communities, delivering business support and growing the economy. Self-sustaining means a more cost-effective, community-led way of doing things, allowing the dispensing of the bureaucracy traditionally associated with targets, monitoring, evaluation, compliance, etc.

The evidence gathered during the study suggest that this central hypothesis has not been proven – the evidence suggest that self-sustained funding for the three pilots is unlikely, without further public sector funding. To continue each of the three pilots would require a minimum of £50,000 per annum (at current costs) and there is deep concern within each pilot as to whether the local community would be able to sustain this level of funding over the short, medium and longer term. This would then require public sector funding and with it the bureaucracy necessary to ensure value for money.

Additional projects funded by further public sector funding is unlikely to be feasible, given the likely costs (and in particular the Sirolli Institute fee of £100,000) relative to the outcomes; start up costs are high at over £200,000. The structural changes in the delivery of local economic development services from April 2008 and the changed remits of the original pilot funders provides additional barriers to the Sirolli model being sustainable in Scotland.

The pilots have therefore been successful in providing a definitive answer to the central questions posed – although it is not necessarily the answer that was expected nor would be welcomed by those who support the Sirolli ethos of community led economic development. The Sirolli approach in Scotland does *not* offer an alternative, *self-sustaining model* for developing communities, delivering business support and growing the economy. The key here is self-sustaining by the communities they seek to serve – they require public sector funding to be able to operate which attracts a level of bureaucracy in conflict with the Sirolli model.

4.2.2 Performance of the Pilots

The 'hands-off' nature of the Sirolli project – reflecting the aim to be self-sustaining in the long-term – led to a more hands off approach to monitoring progress than the more active monitoring associated with the funders' mainstream interventions. The funders did not set targets, and the pilots did not offer any, and the light touch only required feedback from the Panels in terms of annual reports describing the main activities undertaken, and the key highlights and achievements.

The *SE Approval Paper* suggested that, in terms of activity, each model would assist 100 businesses. The monitoring data supplied to us by each of the Enterprise Facilitator provides information on the number of businesses supported by each pilot in the period to the end of January 2009. The data highlight that:

- OK has supported 101 business since its launch in 2007 – 65% are new businesses and 37 existing businesses;
- GrowBiz has supported 135 businesses since its launch in June 2007 – 67% new businesses and 33% existing businesses; and
- Dundee Sirolli has supported 50 businesses since its launch in June 2008 – 58% new businesses and 42% existing businesses.

This suggests that in terms of activity measures support OK and GrowBiz are operating at or above expectations, and Dundee Sirolli after less than one year has achieved 50% of expectations.

The pilot monitoring data indicated the following job impacts:

- OK has created 12.5 and safeguarded 11 jobs;
- GrowBiz has created 29 and safeguarded 60 jobs; and
- Dundee Sirolli has created two jobs.

The revised impacts – see Section 2.5.2 – expected 16 net additional jobs per 100 assist, which suggests that GrowBiz is operating above expectations and OK and Dundee Sirolli below. The data on job creation are insufficient to allow a judgment to be made on the revised GVA expectation being met.



Neither GrowBiz nor Dundee Sirolli provide data that shows new sales generated as a result of the support provided by the Enterprise Facilitator; data from OK indicates additional sales of around £150,000 – well below the assumption in the SE Approval paper of £5m.

However, as discussed earlier it is too early to make firm success/failure statements with regard to the quantitative impact of the models – a more appropriate time frame would be after three to five years of operation.

Discussions with the Enterprise Facilitator and Panel members did indicate that the recruitment of the Enterprise Facilitator took longer than expected and that the passive nature of the Enterprise Facilitator's role within the Sirolli model is likely to have had an impact on the outcomes and impacts reported. What is clear from the data is that momentum has built up and a significant number of contacts have been made within each local community.

The qualitative impacts expected from the pilots relate to community engagement and capacity building. Being qualitative they are not easily measured, but the consultation programme did suggest that significant progress has been made in these areas, particularly in Kintyre and East Perthshire, where there has been a significant increase in the level of local networks and better communication in terms of sharing knowledge and working together across local communities for a common purpose. This is beginning to build in Dundee, which has been operational for less than one year, although a sense of community is often regarded as being more difficult to build within an urban environment.

Although it might be tempting to gauge the success of the Sirolli projects in these qualitative terms, rather than the more conventional measures of jobs, company creation/growth and GVA impact the high start-up cost suggests that it is still necessary to consider these quantitative factors.

4.2.3 Wider Lessons

The conclusions here relate to the extent to which the Sirolli model's activity supports the Scottish Government's wider agenda, in terms of business support, equity and wider economic development.

Facilitating a supportive business environment is concerned with developing enterprise support aimed at increasing the number of businesses; the Sirolli model is aimed at assisting local people to realise their dream of starting a new business or expanding an existing enterprise. The monitoring data shows that some success has been achieved.

The equity agenda relates less to the equality groups that are traditionally the focus of much public sector intervention, and more towards ensuring that the whole of Scotland enjoys the benefits of economic prosperity. The three pilots are located in a remote rural area, a rural area and an urban area of social and economic disadvantage and therefore address rural economic development and social inclusion equity agendas.

4.3 Future Options

4.3.1 The Current Pilots

There is a desire on the part of each pilot to continue to operate within the Sirolli model concept when pilot funding comes to an end. Both OK and GrowBiz are actively seeking funding from within the local community to enable them to employ their Enterprise Facilitator when core funding ends. Both however have expressed concerns as to whether the local community will be able to sustain an appropriate level of funding – each estimate (at current prices) that they will require a minimum of £50,000 each year. Unless this local level support is forthcoming – which could include funding from the local authority as well as from local business, community groups and individuals – then the Sirolli projects will not prosper.

Two of the pilots – GrowBiz and OK – have sought, or were considering seeking, funding from sources such like LEADER⁶ and their Local Authorities. If these are to play a part in the long-term funding of these pilots, there would have a requirement for SMART targets⁷, monitoring and evaluation, and demonstrable outcomes, etc. that would undermine one of the core principles of the Sirolli model – thus making these projects more like other business support and community projects. That such funding was being considered/sought reflect a lack of availability of real local resources that questions the long-term viability of the Sirolli model in Scotland.

Adherence to the Sirolli principles dictates that the projects need to be sustained by the local community; if the local community does not see benefits from the model, if the pilot has not proved its worth, then funding will not come forth. To be true to the Sirolli concept the projects should not change in order to attract other types of funding as the ethos will have been lost.

This is the dilemma that the pilots face in going forward – if they adhere to the Sirolli model then the projects are not sustainable as the local community cannot or will not provide the necessary finance. If public sector funding is sought – from whatever source – then the key ethos of the Sirolli model is lost and the projects would operate much like any other local business development support initiative.

We do not see a role here for the national level partners – SE, HIE and Scottish Government – for two main reasons.

First, their role was to provide the funding to enable three different communities to test whether the model can work within a Scottish context – if funding is again sought from the national partners this would indicate that the model has failed in Scotland.

⁶ A European Community Initiative for assisting rural communities in improving the quality of life and economic prosperity in their local area.

⁷ SMART targets – specific, measureable, achievable, realistic, timebound.

Secondly, the operational environment for the delivery of local economic regeneration, with a particular focus of business starts and support to small businesses, has changed. The national partners have a changed remit, with a focus on high impact companies, and their former responsibility has been passed, along with funding, to the local level; Business Gateway is being operated by local authorities in Dundee and Perthshire, and its introduction in Argyll is being negotiated.

In going forward it is therefore unlikely that the projects will be true to the Sirolli concept as much as the Boards are committed to the philosophy.

4.3.2 Roll Out in New Areas

It is a matter for local communities alone whether there are further Sirolli models developed to aid local community and economic regeneration. No restrictions should or could be placed upon such attempts in terms of scale or scope; it is a matter for the local community and no one else.

Our view is that there is unlikely to be further models in Scotland. Our reasons for reaching this view are provided below.

In taking forward a Sirolli model a local community would need to secure sufficient funding to enable it to establish a model true to the Sirolli philosophy; the pilots will have consumed around £200,000 each over the three years, with 50% of this being charged by the Sirolli Institute for the training of the Enterprise Facilitator and the local Panel of local business and community leaders. It would require on-going funding in excess of £50,000 per year. The consultation programme suggests that local communities would find it difficult, if not impossible, to raise the initial funding and to subsequently sustain the model over the long term.

The start up costs could be ameliorated to some extent through establishing an umbrella training institute, licensed by the Sirolli Institute to deliver the Facilitator and Panel training at a lower cost than the £100,000 charged to the existing pilot projects. Our understanding is that the original Liverpool Sirolli team has adopted such an approach; this could perhaps be replicated here as Scotland has invested in acquiring three sets of trained and experienced volunteer Sirolli project managers, and this investment could be capitalising on, reducing some of the initial start-up costs. The issue of raising local community based funding for reduced training fees and ongoing operations could still act as a major constraint in rolling out the Sirolli model beyond the three pilots.

The national bodies that funded the pilots will not and cannot support further models. As highlighted elsewhere in the report, it is now beyond the remit of Scottish Enterprise and Highlands and Islands Enterprise to support business starts and support to small businesses. Scottish Government funding for these activities has passed to Local Authorities, the funding is not ring fenced and each Local Authority has the discretion to allocate spend as it sees fit to meet local needs.

As highlighted elsewhere in the report Local Authorities have suggested that whilst they may be able to assist the current models to access new funding sources to enable them to continue, they do not anticipate that sufficient funding will be available to extend the model to new areas. Even if there was sufficient funding (although concerns about the scale of funding required by the Sirolli Institute will still be a barrier) a number of issues were raised that could preclude strict adherence to the Sirolli concept:

- the light touch monitoring - runs counter to their practice;
- the passive nature of the Enterprise Facilitator – a more proactive approach is traditional to ensure that actions are followed up and progress is being made; and
- quality assurance – they would need to be confident that those offering coaching, advice and guidance had the requisite skills, knowledge and experience to offer sound advice and guidance.

Of course, none of the above concerns would be relevant if the new models were entirely supported by local business and community groups and individuals. However, given the (likely) long-term requirement for public-sector support, it is unlikely these features could be maintained, thus undermining one of the core principles of the Sirolli model.