

Evaluation of the Growth Services Range

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Overview	v
Executive Summary	vi
1. Introduction	1
1.1. Evaluation purpose and scope	1
1.2. Key evaluation questions	2
1.3. Report structure	2
2. The Growth Services Range	3
2.1. Background	3
2.2. Policy design of programmes	5
2.3. Intended programme outcomes	9
2.4. GSR intervention logic model	10
2.5. Ex-ante Key Performance Indicators (KPI) and targets	12
3. Method	14
3.1. Case studies	14
3.2. Online survey	15
3.3. NZTE client database	15
3.4. Other interviews	16
3.5. Data analysis	16
3.6. Methodological constraints	16
3.7. Response to methodological constraints	18
4. Findings: Programme reach and recipients	19
4.1. Number of firms accessing the Growth Services Range	19
4.2. Characteristics of programme recipients	27
4.3. Focus of GSR engagement	29
4.4. Similar services from other providers	29
4.5. Other NZTE services accessed by GSR firms	33
5. Findings: GSR Effectiveness	35
5.1. Immediate outcomes of Client Management	35
5.2. Additionality of the Growth Services Fund	36

5.3.	Intermediate outcomes: Firm capability	37
5.4.	Ultimate outcomes: Firm growth.....	53
6.	Findings: GSR Implementation and Delivery	58
6.1.	Client Management.....	58
6.2.	Growth Services Fund (GSF).....	64
6.3.	Market Development Services	69
6.4.	Complementarity within the GSR.....	73
6.5.	GSR policy objectives and delivery principles	73
6.6.	Performance Measurement System for GSR	75
7.	Findings: Cost of programmes	76
7.1.	Client Management.....	76
7.2.	Growth Services Fund (GSF).....	76
7.3.	Market Development Services (MkDS)	78
8.	Conclusions	79
9.	Recommendations	82
10.	References	84
11.	Appendices	85
11.1.	Description of Market Development Services	85
11.2.	Characteristics of GSR recipients	88
11.3.	Growth rate of New Zealand firms	91
11.4.	Focus of engagement.....	91

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Overview

This report presents the findings of the Cabinet-mandated evaluation of the effectiveness of the Growth Services Range (GSR). The GSR was established in July 2003, upon the formation of New Zealand Trade and Enterprise (NZTE), from an integration of programmes formerly delivered by Industry New Zealand and Trade New Zealand. The GSR is allocated a total funding of \$61 million per annum and comprises the following services targeted at firms with high growth potential: client management, grant funding from the Growth Services Fund, and Market Development Services delivered through NZTE's network of offshore offices.

The overall conclusion of this evaluation is that the GSR seems effective in improving firm capability in areas that are important contributors to firm growth. The evaluation recommends the continuation of the GSR, provided a performance management system is developed to improve assessment and management of the programme's performance.

Executive Summary

Introduction

- 1) This report presents the findings of the Cabinet-mandated evaluation of the effectiveness of the Growth Services Range (GSR).
- 2) The GSR was established in July 2003, upon the formation of New Zealand Trade and Enterprise (NZTE), from an integration of programmes formerly delivered by Industry New Zealand and Trade New Zealand. The GSR is allocated a total funding of \$61 million per annum which represents a third of NZTE's annual budget.
- 3) The GSR broadly comprises the following services targeted at firms with high growth potential¹:
 - a) **Client Management** which involves NZTE assigning a client manager (mainly Senior Client Managers or Sector Managers) to each participating firm ('client') to act as the primary interface between the firm and the services offered by NZTE (allocated \$7.9 million in 2004/05);
 - b) **Growth Services Fund** which offers funding assistance for firms with high growth potential, to purchase external advice and expertise (allocated \$10.6 million in 2004/05); and
 - c) **Market Development Services** which are provided by NZTE's offshore offices and comprises specialist information, advice and facilitation assistance (allocated \$42.8 million in 2004/05). Fees are charged for some of these services. Although these services fit within the GSR, they are also open to firms that do not have high growth potential, but are willing to pay for the services.
- 4) In this report, the term 'GSR firms' refers to high growth potential firms that received at least the Growth Services Fund or growth services Client Management². Firms that only received Market Development Services are considered 'non-GSR' firms and treated as a comparison group.

Objectives of the Growth Services Range

- 5) The April 2003 Integration Cabinet paper³ that established the GSR stated that the aim of GSR is to "accelerate development of firms with high growth potential and enhance their contribution to New Zealand's overall economic growth." However, it did not identify specific outcomes and targets. In consultation with NZTE and the Ministry of Foreign Affairs and Trade (MFAT), this evaluation developed an intervention logic model which identified the following specific desired outcomes of the GSR along with draft indicators and targets⁴:
 - a) **Ultimate desired outcomes (firm growth):** accelerated development of firms with high growth potential (as measured by increased revenue, profits, and exports)
 - b) **Intermediate desired outcomes (firm capability):**
 - Improved market knowledge and market development capabilities
 - Improved strategic, management and business capabilities
 - Increased capacity to innovate and access new technologies
 - Improved likelihood of accessing finance for growth

¹ Defined by NZTE as the potential to generate either average 20% per annum revenue growth sustainable for five years, or revenue growth of \$5 million within five years.

² Client managed by Sector Managers or Senior Client Managers

³ EDC (03)55

⁴ The draft targets were not incorporated into NZTE's performance management for the GSR during the period examined in this evaluation, i.e. 2000 to 2005, as the targets were only developed in May-June 2005 for this evaluation.

Evaluation scope and methodology

- 6) The scope of this evaluation was to assess the effectiveness of the GSR in achieving the desired outcomes. It did not re-examine the underlying policy rationale of the programme, such as the lack of management expertise amongst firms, which was established through previous research.⁵
- 7) The evaluation focused on firms that received the GSR during the period 1 January 2000 to 30 June 2005. It should be noted that this five-and-a-half year period includes the period during which the GSR was delivered under NZTE's predecessor organisations and there has been considerable evolution in these programmes, particularly since transition to NZTE in July 2003.
- 8) The ultimate criterion for assessing the success of the GSR is that the total benefits to New Zealand outweigh the total costs (including opportunity costs). However, the data needed for this kind of detailed cost-benefit analysis (including the programme's additionality) are currently not available.
- 9) This first-time evaluation of the GSR used a combination of quantitative and qualitative methods including: interviews with 35 firms and their NZTE Sector (Client) Managers, an online survey with responses from over 400 firms, analysis of data from NZTE's database, and interviews with other NZTE staff and a number of Economic Development Agencies and business associations.
- 10) In conducting this evaluation, the Ministry of Economic Development (MED) worked in consultation with an interdepartmental Advisory Group established to represent the key users of information from this evaluation and inform the evaluation's scope and priorities. This Advisory Group consisted of representatives from NZTE, MFAT, Treasury, and the Ministry of Research, Science and Technology. The conclusions and recommendations of this evaluation incorporate feedback from this Advisory Group.

Findings and Conclusions

- 11) The overall conclusion of this evaluation is that the GSR seems effective in improving firm capability in areas that are important contributors to firm growth. The evaluation recommends the continuation of the GSR provided a performance management system is developed to improve assessment and management of the programme's performance.

Focus of engagement

- 12) The evaluation examined which one or more of the above four GSR intermediate outcomes was the focus of firms' engagement with NZTE. The findings suggest that most GSR firms focused their engagement with NZTE on market knowledge and development. Capability to innovate and access new technologies was also a key focus, but mainly among firms that received the Growth Services Fund. Just over half the firms that received the Growth Services Fund focused on improving strategic, management, and business capabilities and only a quarter focused on improving access to finance. One of the recommendations from this evaluation is for a review and update of the GSR policy objectives, which would include an examination of the implications of these findings.

Intermediate outcomes: Firm capability

- 13) Based on the following findings, the evaluation concludes that there is sufficient⁶ evidence to suggest that the GSR is effective in achieving several intermediate outcomes that are important contributors to the ultimate outcome of increasing firm growth:
 - a) Two-thirds of GSR firms indicated that since involvement with the GSR, their firm experienced improvements in market knowledge and engagement, innovation capacity, and strategic, management, and business capabilities. GSR firms that received both the Growth Services Fund

⁵ Firm Foundations (2002)

⁶ Bearing in mind the methodological limitations described in Chapter 3.

and Market Development Services had higher improvement rates than those who only received the Growth Services Fund.

- b) Firms that received the Growth Services Fund are significantly more likely to experience improvements compared to firms that did not receive the Growth Services Fund (including non-GSR firms that received only Market Development Services).
- c) The possibility that the observed improvements are due to selection bias⁷ rather than the GSR, is somewhat mitigated by the survey design targeting improvements since receiving GSR services.
- d) Over 70% of the GSR firms that received both the Growth Services Fund and Market Development Services attributed their improvements at least partly to the GSR.
- e) When asked what would have happened if their project had not received GSF funding, only 18% thought the project would have gone ahead using other funding sources. A similar proportion (17%) thought their projects would not have gone ahead at all. Other firms indicated that the timing of their projects would have been affected (started later and/or taken longer to complete), the project would have gone ahead on a smaller scale, and/or the results of their project would be inferior.

Firm growth

- 14) GSR firms that received client management services and/or the Growth Services Fund are selected based on their 'high growth potential'. 'High growth potential' is defined by NZTE as the potential to generate either average 20% per annum revenue growth sustainable for five years, or revenue growth of \$5 million within five years. The 20% threshold is approximately three times greater than the national average over the past five years.
- 15) Estimated firm growth rates obtained from the evaluation survey indicated that:
 - a) A third of GSR firms indicated that they experienced over 20% per annum growth in turnover and exports over the past five years (including the period before and after receiving the GSR). There was little difference between GSR and non-GSR firms in turnover growth.
 - b) In terms of growth after receiving the GSR, surveys of 24 firms that received the GSF (or its predecessors) in 2000 or 2001 (i.e. four or five years prior to the evaluation survey being conducted) indicated the following:
 - 42% of these firms experienced over 20% average annual growth in turnover since receiving the grant funding. Firms that received both the Growth Services Fund as well as Market Development Services were more likely to experience high growth than those that only received the Growth Services Fund.
 - Most (over 85%) of these firms attributed their growth in profits 'at least partly' to the GSR.
- 16) Due to data limitations and the short time lag between programme intervention and measurement of impact, this evaluation is unable to make a firm conclusion on the impact of the GSR on the ultimate outcome of increasing firm growth.

Reach and quality of service

- 17) In terms of programme reach, the GSR has met most of its quantity output targets for 2004/05 (as reported in NZTE's 4th quarter report).
- 18) During the period 1 January 2000 to 30 June 2005, NZTE records show that:
 - a) A total of 583 GSR firms received the Growth Services Fund. This includes 253 that received both the Growth Services Fund and Market Development Services.

⁷ i.e. firms with stronger capabilities in the areas of intermediate outcomes are more likely to access the GSR.

- b) A total of 3735 firms received Market Development Services.
- 19) In terms of service quality, the following findings were positive even though the target of 85% of firms indicating satisfaction was not reached:
- a) Client Management: 81% agreed their client manager provided timely response and 62% agreed their client manager has the experience and expertise to help their business.
 - b) Growth Services Fund: 79% agreed their client manager provided sufficient help for the application and 56% agreed the process of preparing the application was helpful for their business and the time and resources required were acceptable.
 - c) Market Development Services: 79% agreed the service was timely and about two-thirds agreed the service was valuable, met their needs, the cost was reasonable and the staff in the offshore offices had sufficient experience and expertise.

Complementarity within the GSR

- 20) The evaluation also concludes that Client Management and the Growth Services Fund appear to be working well as a package of complementary services. The Growth Services Fund serves as a 'carrot' which attracts firms to NZTE. Client Management has an important role in helping refer firms to the right services (including screening firms for the Growth Services Fund).⁸
- 21) The majority of firms that received Market Development Services are not GSR firms as they did not receive either the Growth Services Fund or growth services Client Management. Although Market Development Services were presented in the GSR policy as part of the GSR, they do not seem to fit well within this range as they are not targeted at high growth potential firms and are generally more reactive services (discussed further in following section under Recommendations for policy review).

2004/05 Programme Cost

- 22) NZTE does not currently have the costing data required for an efficiency evaluation of the GSR. It is undertaking an internal costing project to identify the costs of delivering the GSR in 2004/05 and to date has estimated the costs for Client Management and the Growth Services Fund, which provide a baseline for efficiency evaluation in the future:
- a) \$3.13 million⁹ for Client Management: This includes engagement with firms relating to grants from the Growth Services Fund and more general mentoring, advice, and referral provided to firms. It was not feasible to separate grant from non-grant related client management as mentoring and advice (e.g. preparation of a strategic plan) often indirectly contributes to a grant proposal even if it does not directly focus on the grant proposal.
 - b) \$2.05 million cost for delivery of the \$10.6 million Growth Services Fund: Two-thirds of the grant delivery cost represents time spent by client/sector managers assessing firm's eligibility and providing advisory services which help firms apply for the grant, and 28% of the costs represent grant administration. These costs are approximate only due to the difficulty mentioned above in separating grant from non-grant client management activities. The average cost per grant awarded was estimated at \$13,468 (i.e. 20% of the median grant awarded of \$64,688).

⁸ It is recognised that some firms that have high growth potential, but due to their size are not eligible for the Growth Services Fund, still receive intensive client management which provides advisory, mentoring and referral services.

⁹ All costs given are GST exclusive.

Recommendations

NZTE has been undertaking a number of projects aimed at continuous improvement of its operations (not limited to, but including, the delivery of the GSR). This evaluation identified several opportunities to further increase the effectiveness of the GSR.

The key recommendation is that NZTE, with support from MED, develop a Performance Management System to improve assessment and management of the programme's performance. To contribute to this work, MED, in consultation with NZTE, should review the GSR policy objectives, principles and design, to ensure it provides a sufficiently clear and updated framework to guide the development of a GSR Performance Management System. Recommendations for improving programme delivery are also provided.

Policy review

- a) **Issues:** This evaluation identified the following issues that would benefit from policy review and update:
- i) GSR objectives: The existing GSR policy articulated in the April 2003 Cabinet paper stated the high level aim of 'accelerated development of firms with high growth potential'. However, it did not identify specific objectives and this has contributed to difficulties in measuring the performance of the GSR. The review and clarification of the policy objectives should take into account NZTE's recently developed framework for assessing net economic benefit. It should also take into account the implications of this evaluation's findings concerning the impact of GSR on the four intermediate outcomes, particularly the following:
 - only a quarter of GSR firms focused on the outcome of improving access to finance, and only 3% participated in NZTE's Escalator programme, which provides workshops and deal brokering services to help firms access financing;
 - one of the main impacts of the Growth Services Fund is in the area of improving innovation capacity. The issue of how the Growth Services Fund is aligned with or complements other government support targeted at innovation, particularly grants from the Foundation for Research, Science, and Technology (FRST) should be reviewed.
 - ii) How the GSF fits with other grants offered by NZTE: The Enterprise Development Grant-Capability Building and Enterprise Development Grant-Market Development are other grants offered by NZTE that do not target firms with high growth potential. This evaluation found that around 5% of firms that received the Growth Services Fund also received these other grants either the same year or later. The issue of whether GSR firms with high growth potential which can access the Growth Services Fund should also be eligible for these other grants needs to be examined. Enabling GSR firms to access these other grants would limit the amount of funding available to firms that are not yet high growth potential.
 - iii) How the GSR fits with Sector Development work: The GSR policy was designed to focus on improving the capability and performance of individual firms. In addition to working with individual firms, NZTE staff who deliver GSR (e.g. Sector Managers and MkDS staff in offshore posts) are involved in activities that support the development of entire industry sectors. The relationship between the GSR and NZTE's Sector Development work should be reviewed to identify any gaps or complementarities in achieving policy aims.
 - iv) Programme reach versus intensity: The current reach of the GSR programme is very small. The total number of firms that received the Growth Services Fund since its inception over five years ago is 583 firms, which represents less than 0.2% of the current population of NZ firms and just under 5% of New Zealand exporters. There is a trade-off between programme reach and intensity, i.e. should the programme provide many services for a few firms, or a few services for many firms, or some compromise between the two extremes. NZTE is currently reviewing its client engagement with a view to focus intensive engagement on a small group of firms.

- v) The appropriate size of grants from the Growth Services Fund: In 2004/05, 20% of grants awarded from the Growth Services Fund were for values between \$25,000 to \$50,000. NZTE is moving towards awarding larger grants which is consistent with the original policy intent in the April 2003 Cabinet paper that the grants could be in the range of \$50,000 to \$500,000. The size range of GSF grants should be reviewed to ensure it is appropriate given the increased focus of the GSF on funding transformational projects with significant net economic benefit.
 - vi) Whether Market Development Services (MkDS) fit within GSR: Although MkDS were presented in the April 2003 Cabinet paper as part of the GSR, they differ from the other two GSR services in that a) MkDS do not target firms with high growth potential but are open to all firms, regardless of growth potential, that are willing to pay for the services, and b) MkDS are generally provided on a more reactive basis while NZTE takes a more proactive approach with Client Management and the GSF. A review of whether MkDS fits within the GSR should be informed by the MkDS policy articulation completed and approved by Ministers in July 2005.
 - vii) Accessibility and responsiveness of Client/Sector Managers to the needs of Maori, Pacific peoples and women: This principle was part of the GSR policy intent stated in the April 2003 Cabinet paper. However it is not possible to assess whether it is being adhered to, as NZTE has been unable to obtain complete or accurate data on ethnicity or gender of the principal contact or ownership of the GSR firms. The issue of whether this principle applies to NZTE services as a whole system, or to the GSR in particular, needs to be clarified as part of the policy review.
- b) **Recommendation:** MED, in consultation with NZTE, should review the April 2003 GSR policy objectives, principles and design, to ensure it provides a sufficiently clear and updated framework to guide the development of a GSR Performance Management System.

Performance Management System and GSR delivery

NZTE is invited to consider the following recommendations and report back, as part of the GSR Post Implementation Review, and Strategy Implementation, by 31 March 2006 with its response and implementation plan.

1) Performance Management System

- a) **Issue:** NZTE does not currently have objective data on firm capability and performance (e.g. FTE and revenue) before and after receiving the GSR, which is necessary for a full evaluation of the impact of the programme. It is developing a performance measurement framework to enable the monitoring of the organisation's performance. It is also in the process of streamlining its client information database (Pivotal).
- b) **Recommendation:** NZTE, with the support of MED, should develop a Performance Management System (PMS) to improve assessment of the impact (including additionality) of the GSR. The following should be considered in this work:
 - i) **GSR key performance indicators and targets:** Given the lack of ex-ante key performance indicators and targets for the GSR, a draft set was developed and tested in this evaluation. These indicators and targets should be reviewed in light of the lessons learned from this evaluation and the outcomes of the review/update of GSR objectives. The impact of targets on NZTE's risk tolerance in awarding GSF grants also needs to be considered. It is recognised that the process of developing indicators and targets may be iterative with review and revision after an initial implementation period.
 - ii) **Accurate recording of the following data:**
 - firm capability and performance at the start of engagement with NZTE (assessment of firm capability should be sufficiently standardised to enable comparisons across firms and over time, but also flexible enough to accommodate the diversity among firms);

- regularly updated data on firm capability and performance following start of engagement;
 - decisions and underlying reasons made by Sector Managers to decline firms interested in accessing the Growth Services Fund; and
 - the focus of engagement and focus of grants from the Growth Services Fund.
- iii) Examining efficient methods of accessing objective pre- and post-intervention data on firm performance to improve assessment of the programme's additionality. This includes exploring the feasibility of obtaining time series data on GSR and comparison firms from Statistics New Zealand.
 - iv) Increasing focus on managing for outcomes in order to promote accurate recording and updating of information.
 - v) MED's work on management capability.

2) Client Management

a) Issues:

- i) **Accessibility to new versus existing clients:** Upon merger, NZTE inherited many 'legacy' clients resulting in Sector Managers having portfolios that are very large. NZTE's focus since the merger has been to cut down the number of firms receiving Client Management. As a consequence, Sector Managers have had little time to proactively identify new clients even though this was one of the intentions in the GSR policy. No information is available on how many firms in the Sector Manager's portfolios are new versus old. It also appears that there is a lack of formal processes for graduating or exiting firms from Client Management.

NZTE is currently reviewing its approaches to client engagement and has divided firms in Sector Managers' portfolios into three general categories: Sector projects; client managed; and relationships/networks. This categorisation would help improve clarity on entry and exit from client management.

- ii) **Effectiveness assessment, mentoring, advice, and referrals provided by Sector Managers:** The evaluation found that Client Management provided by Sector Managers helped the majority (82%) of firms access NZTE services. However, there is room to improve the effectiveness of assessment, mentoring, advice, and referrals provided by Sector Managers (less than half of firms agreed and up to a quarter disagreed that their client manager provided these various services effectively). While these functions are important in ensuring the right firms are receiving the right services, they rely heavily on Sector Managers' judgement and experience.

b) Recommendations

NZTE should consider:

- i) reviewing guidelines and criteria to ensure clarity regarding firm entry and exit from GSR client management. Both objective as well as subjective criteria should be stated and the results of the assessment documented;
- ii) monitoring the number of new GSR firms receiving client management each year and examining the appropriateness of setting annual targets on the number of new GSR clients served;
- iii) reviewing whether Sector Managers have sufficient guidelines, professional development and other support to provide effective assessment, mentoring, advice and referrals for firms. Suggestions from Sector Managers interviewed for this evaluation include: forums to discuss

approaches with each other and learn from each other's experiences, and ensuring Sector Managers have sufficient time to stay abreast of key developments in their industry of focus and develop and maintain good networks with relevant contacts in the private sector and other government agencies.

3) Growth Services Fund (GSF)

a) Issues:

- i) **Application process:** This evaluation found that a quarter of GSF recipients thought that the time and resources required for the grant application was not reasonable. NZTE advised that it has just revised the GSF application template to increase focus on net economic benefit and to increase clarity on the separate responsibilities of firms and Sector Managers in the application process. This new template requires firms to write the application themselves. While Sector Managers can provide clarification to queries, they will not be writing the application but will provide a separate written assessment of the merits of the application.
- ii) **Risk tolerance:** A key issue in the assessment of GSF applications is the level of risk tolerance appropriate for the GSF. The Business Growth Fund (which was the precursor and blue-print for the GSF), was set up to fund business propositions that would not otherwise receive external debt or equity financing. It was expected that some projects would fail or would not get to anticipated and desired end points, although these risks were expected to be somewhat offset by intensive client management and by early access to specialist external advice. In considering GSF applications, Sector Managers and the Assessment Panel make judgements based on assessing the level of risk compared with potential gain. In terms of potential gain, it is important to also consider spillover impacts particularly in cases when the direct benefit to the grant recipient may not be high, but the spillover impacts on the sector, region or country may be significant.

b) Recommendations

NZTE should consider:

- i) monitoring the impact of the new GSF application process on firms and assessing the transaction costs and benefits of this process; and
- ii) developing a system for regularly tracking and monitoring the outcomes of GSF projects to ensure that the anticipated outcomes (including direct benefits to the GSF recipient and spillovers) are being realised. The level of risk tolerance is an operational decision for NZTE that could be adjusted based on feedback from the regular monitoring of GSF impact.

4) Market Development Services (MkDS)¹⁰

a) Issues:

- i) **Service quality of NZTE offshore offices:** While the majority of firms appeared satisfied with the quality of MkDS received, 21% indicated that the service quality varied among the different offshore offices (posts). The firms commented that NZTE staff at some posts were more helpful than at others.

¹⁰ At the time of this evaluation, NZTE was undertaking its own review of offshore services including MkDS. At the request of NZTE, the number of MkDS staff interviewed for this evaluation was limited in order to minimise burden on the staff.

- ii) Amount of time spent on MkDS vs. sector projects: Some of the Sector/Client Managers interviewed for this evaluation were concerned that the increasing focus of NZTE's offshore offices on Sector Projects meant less time was available to provide MkDS for individual firms.

b) **Recommendations:**

It is recommended that NZTE:

- i) examine the reasons behind and implications of the finding from this evaluation concerning the variability in service quality among different NZTE offshore offices (posts); and
- ii) consider how best to balance the increasing focus of NZTE offshore offices on Sector Projects versus providing MkDS to individual firms.

1. Introduction

The Growth Services Range (GSR) was established in July 2003, upon the formation of New Zealand Trade and Enterprise (NZTE), from an integration of programmes formerly delivered by Industry New Zealand and Trade New Zealand. The GSR was allocated a total funding of \$61 million per annum which represents a third of NZTE's annual budget.

Cabinet directed the Ministry of Economic Development (MED) and Ministry of Foreign Affairs and Trade (MFAT), in consultation with NZTE and the Treasury, to report back to the Ministers of Finance, Industry and Regional Development and Trade Negotiations on the evaluation of the effectiveness and efficiency of the GSR by June 2005¹¹. This deadline was subsequently extended to November 30, 2005.

This report presents the findings of this evaluation.

1.1. Evaluation purpose and scope

1.1.1. Purpose

The purpose of this evaluation is to assess the performance of the GSR in terms of its effectiveness in achieving the intended outcomes of the programme. Based on the evaluation findings, recommendations are provided for improving policy and service delivery.

1.1.2. Scope

The evaluation covers the following three components of the GSR:

- Client Management (CM)
- Growth Services Fund (GSF)
- Market Development Services (MkDS)– excluding the following components: i) services related to education institutions i.e. namely Education Brochure Display, Enhanced Brochure Display and Student Placement Service, and Examination Facilities. These services have a different focus from the rest of Market Development Services; and ii) marketnewzealand.com and ProjectLink. These services are allocated the least funding within the GSR, do not target high growth potential firms, and do not impact the other services within the GSR. In view of the priorities, scope, and limited resources of this GSR evaluation project, it is recommended that evaluation of marketnewzealand.com and ProjectLink be conducted separately according to a timeline to be determined in light of other evaluation priorities.

The evaluation did not re-examine the underlying policy rationale of the programme, such as the lack of management expertise amongst firms, which was established through previous research.¹²

1.1.3. Reference period

The evaluation focused on firms that received the GSR during the period 1 January 2000 to 30 June 2005. It should be noted that this five-and-a-half year period includes the time when the GSR was delivered under NZTE's predecessor organisations and there has been considerable evolution in these programmes, particularly since transition to NZTE in July 2003.

¹¹ EDC Min (03) 7/3.1

¹² Firm Foundations (2002)

1.2. Key evaluation questions

1.2.1. Effectiveness

To what extent is the GSR effective in achieving the following intended outcomes?

- a) Ultimate desired outcomes: accelerated development of firms with high growth potential (as measured by increased revenue, profits, and exports)¹³
- b) Intermediate desired outcomes:
 - Improved market knowledge and market development capabilities
 - Improved strategic, management and business capabilities
 - Increased capacity to innovate and access new technologies
 - Improved likelihood of accessing finance for growth

1.2.2. Cost

What are the annual costs of delivering each of the three GSR components, i.e: Client Management, the Growth Services Fund, and Market Development Services?

- NZTE currently does not have the costing data required for an efficiency evaluation of these programmes. It undertook an internal costing project to identify the costs of delivering the GSR in 2004/05. However, due to lack of comparative data on other years, and other programmes, this project was not able to conduct an efficiency evaluation by 30 November 2005. The 2004/05 costing data will provide a baseline for future efficiency evaluations.

1.3. Report structure

The rest of this report is set out in the following parts:

- Chapter 2 describes the policy framework of the GSR
- Chapter 3 outlines the method used in this evaluation
- Chapter 4 describes the reach and recipients of the GSR
- Chapter 5 reports on the effectiveness of the GSR
- Chapter 6 describes the implementation and delivery of the GSR
- Chapter 7 reports the cost of the GSR in 2004/05
- Chapter 8 summarises the conclusions of this evaluation
- Chapter 9 summarises the recommendations of this evaluation

¹³ It is recognised that it may be difficult to assess impact on ultimate firm performance due to data limitation and the short time-lag between programme intervention and evaluation

2. The Growth Services Range

This chapter outlines the policy framework of the Growth Services Range (GSR), including the policy rationale, principles and design as set out in the April 2003 Integration Cabinet paper EDC (03)55 that established the GSR. It also presents an intervention logic model which identifies the specific intermediate and ultimate outcomes of the GSR along with draft indicators and targets.

2.1. Background

The GSR was established in July 2003, upon the formation of NZTE, from an integration of programmes formerly delivered by Industry New Zealand and Trade New Zealand. The GSR is allocated a total funding of \$61 million per annum which represents a third of NZTE's annual budget.

The GSR broadly comprises the following services targeted at firms with high growth potential¹⁴:

- a) Client Management which involves NZTE assigning a client manager (mainly Senior Client Managers or Sector Managers) to each participating firm ('client') to act as the primary interface between the firm and the services offered by NZTE (allocated \$7.9 million in 2004/05);
- b) Growth Services Fund (GSF) which offers funding assistance for firms with high growth potential, to purchase external advice and expertise (allocated \$10.6 million in 2004/05); and
- c) Market Development Service (MkDS) which are provided by NZTE's offshore offices and comprises specialist information, advice and facilitation assistance (allocated \$42.8 million in 2004/05). Fees are charged for some of these services. Although these services fit within the GSR, they are also open to firms that do not have high growth potential, but are willing to pay for the services.

In this report, the term 'GSR firms' refers to high growth potential firms that received at least the Growth Services Fund or growth services Client Management¹⁵. Firms that only received Market Development Services are considered 'non-GSR' firms and treated as a comparison group.

2.1.1. Policy rationale

The Cabinet paper¹⁶ that established the GSR stated the following policy rationale for the programme:

There are a number of New Zealand firms that without assistance, are likely to lack the knowledge and/or capability to achieve their growth potential. This may be for a number of reasons, including:

- Owners often lack the management expertise (e.g. knowledge of foreign markets and the range of international market opportunities) required to grow their business significantly. Independent advice from experienced business advisors can help to identify opportunities and lift firms to the next stage of development while reducing the risk of failure;
- The pressures of day-to-day management and tight resource constraints can crowd-out a focus on long-term strategic issues. External advice and expertise can create "space" for this strategic thinking to occur; and

¹⁴ Defined by NZTE as the potential to generate either average 20% per annum revenue growth sustainable for five years, or revenue growth of \$5 million within five years

¹⁵ Client managed by Sector Managers or Senior Client Managers

¹⁶ from the Integration Cabinet paper EDC (03) 55

- Owners are often reluctant to cede control of their businesses, or may lack the confidence to take the necessary risks, in order to grow their businesses. Advice may help these people to objectively weigh up the risks and rewards.

While these considerations suggest that there are potentially significant benefits to firms from seeking external business assistance, they do not in themselves justify government intervention. That is because, in general, the benefits of business advisory services will principally accrue to the firms receiving the services. However, there are reasons why firms may under-invest in these services relative to what would be optimal from a “New Zealand Inc.” perspective:

- Firms may not realise the benefits of external business advice – many firms lack the management expertise and knowledge necessary to grow their business and a self-help culture appears to be a barrier to seeking outside assistance. For example, businesses may wrongly perceive that they are too small to export or, alternatively, that they can easily go it alone.
- Some of the benefits of external business advice are external to the firm – for example, some firm owners do not develop their staff’s managerial capabilities because they expect that the benefits will accrue to others when staff leave to work for other firms or set up their own businesses.
- For a nation of SMEs, government involvement may be the best way of gaining economies of scale for securing overseas contacts. The costs and time required to establish an offshore network may be prohibitive for smaller firms, or may not be justified for short term or limited engagement with particular markets.

There is a role for government to provide these services and accelerate business growth, while at the same time encouraging the development and delivery of economic development services by the private sector.

The Cabinet paper also stated the GSR’s intended contribution to economic development:

The GSR will enhance enterprise development through:

- Facilitating access to new business opportunities. The GSR will enhance access to emerging markets and market development opportunities, as well as access to international contacts, networks and alliances.
- Enabling access to skills and expertise. A wide range of skills and capabilities are critical to firms’ ability to pursue innovative and entrepreneurial opportunities. The GSR will assist firms to develop management capability, access expertise and address specialist skill needs.
- Supporting innovation and enhancing access to new technologies. The GSR will foster the capacity to create, absorb and commercialise new ideas generated in New Zealand or overseas. The design and delivery of these services will complement and be strongly aligned with the research, science and technology programmes funded by FRST and targeted at growth companies.
- Enabling access to finance. The GSR will focus on demand-side issues that affect firms’ access to finance, e.g. management capability, business planning, attitudes to external equity, and unrealistic expectations about business growth.

2.2. Policy design of programmes¹⁷

2.2.1. Eligibility and targeting

The Cabinet paper EDC (03) 55 specified that following NZTE integration, access to the GSR will be based, in the first instance, on an assessment of a firm's growth potential and also involve an assessment of a firm's commitment and capability to achieve that growth.

2.2.2. Client Management

Programme evolution

The growth services Client Management programme evolved from what was originally a pilot called Fast Forward New Zealand, developed in December 2001, to determine the benefits of transforming Industry New Zealand's Business Growth Service (operating since October 2000) to take a more proactive and co-ordinated approach to identifying and selecting high growth businesses and providing more intensive case management for these businesses [DEV(01)73 refers].

Programme design

Cabinet agreed that in configuring the growth services Client Management system, NZTE should give effect to the following specifications:

- a) Growth services clients (i.e. participating firms) should be allocated a client manager who will be the primary interface between the firm and the services/assistance offered by the organisation.
- b) Growth services client managers' role should be to assess eligibility against agreed criteria, undertake or facilitate the appraisal of firms' needs and to determine the appropriate mix of services that the new organisation can provide.
- c) Growth services client managers will:
 - provide appropriate mentoring and commercial counselling but not strategic business advice or advice that would constitute investment advice; and
 - facilitate referrals to specialist services and funding – both within NZTE and to other government business assistance programmes.
- d) The duration and intensity of Client Management services will be proportional to the firm's growth potential, risk profile and level of need. The client base will change over time with new firms accessing GSR and other firms 'graduating' or decreasing their interaction with NZTE.
- e) Growth service client managers will need to establish and maintain linkages and partnerships with a range of individuals and organisations.
- f) In particular, NZTE should maintain the proactive approach to the identification of high growth potential businesses, working in partnership with local organisations, which has been established through the Fast Forward Programme.
- g) Growth services client managers will need to be both accessible and responsive to the needs of Maori, Pacific peoples and women [Cab Min (02) 30/4 refers].

¹⁷ from the Integration Cabinet paper EDC (03) 55

2.2.3. Growth Services Fund (GSF)

In April 2003 Cabinet agreed to replace Industry New Zealand's Business Growth Fund with a more flexible GSF, which offers support for high growth potential firms to purchase external advice and expertise and market intelligence and development services.

Programme evolution

The Business Growth Fund (BGF) delivered by Industry New Zealand was first approved by Cabinet in September 2000 under the name 'Specialist Support Grants' [DEV(00) 48 refers]. In order to access the funding businesses had to work with one of Industry New Zealand's Industry Specialist Support Service or approved pre-appraisers.

The GSF also incorporates the 'exchanges' component of what was formerly Industry New Zealand's World Class New Zealanders (WCNZ) programme¹⁸.

Programme design

GSF funding is intended to be available to both firms and groups of firms, to facilitate access to the following enablers of business growth:

- new business opportunities
- skills and expertise
- innovation and new technologies
- finance.

Cabinet agreed that in designing the GSF, NZTE should give effect to the following principles:

- Grants be for up to a maximum of 50% of the costs of the qualifying projects.
- While the new fund is intended to provide a high degree of flexibility to address business growth issues, it may be prudent to cap funding for certain types of activity – for example, for the travel cost component of a qualifying project.
- Higher levels of accountability and sign-off should be adopted for projects of higher value and for travel costs.
- Funding should also support the provision of market intelligence and development services by external providers.
- No funding should be provided for normal business expenses or activities that are supported by other government business assistance programmes. This is to ensure that grants add value to the recipient businesses (i.e. funding must be used for activity additional to that which would otherwise have occurred). Nor will funding be provided for activities that are provided by other government programmes (such as research and development and technology development currently supported by Technology NZ). The focus on building capability, rather than underwriting usual business expenses, aims to ensure that grants will contribute to substantive and sustainable business performance.

Funding levels: The GSF was intended to be highly flexible in terms of the level of funding provided. Grants could be in the range of \$50,000 to \$500,000.

Eligibility: To be eligible for funding, applicants will:

- be operating in a commercial environment, resident in New Zealand and registered for GST purposes;
- be financially viable and have a management team with a sound track record;

¹⁸ The 'missions' component of WCNZ is now called Enterprise Networks.

- have clear growth potential and a demonstrated commitment to growth;
- show why they need this funding rather than any alternative funding;
- demonstrate how the funding will add value to existing activities;
- demonstrate a commitment to retain the value of the proposal in New Zealand;
- have proposals and business concepts that are consistent with laws and regulations; and
- indicatively, have less than or equal to 100 full time equivalent employees and/or annual turnover of less than \$NZ50 million.

Detailed operational design and criteria developed by NZTE

In its 4 July 2003 paper to the Integration Ministers, NZTE developed the detailed operational design and criteria of the GSF including the following:

- **Funding levels:** Funding will be available for up to 50% of the costs of approved projects, and funding will be highly flexible (grants will indicatively be in the range of \$0-\$100,000 per company within any three-year period; but with potential to raise this limit to \$500,000 where exceptional circumstances warrant such levels of funding). This flexibility will enable NZTE to fund a broad range of activities that will assist in developing business capability and assisting a company to reach its growth potential. However, funding will not be available to assist with 'business as usual', or with costs associated with purchase of capital items.
- **Eligibility:** The GSF will be accessible only for firms and groups of firms that have been identified as having clear and significant growth potential, and for whom a development plan has been compiled with a NZTE client manager.
- **Application process:** There will be no self-application process. NZTE's focus will be on the intensive case management of firms, which will lead to an understanding of areas in which a firm needs to develop in order to realise its growth potential. Once these areas for attention are identified, proposals for funding will be drawn up by the firm working with their NZTE client manager. This process will ensure proposals for funding will only be prepared for appropriate firms, and for projects that fit with the scheme's objectives, thus avoiding the receipt of a large number of applications that may not be relevant to the scheme's objectives.
- **Flexibility:** Criteria are not intended to be too restrictive for companies or groups of companies with clear and significant growth potential. It is important that NZTE retains a significant degree of flexibility through the GSF to respond to opportunities for assisting companies to realise their growth potential.
- **Definition of high growth potential:** Indicatively, NZTE anticipates that for most firms 'high growth potential' will be defined by the potential to generate either average 20% per annum revenue growth sustainable for five years, or revenue growth of \$5 million within five years. It is also likely that the targeted high growth potential companies, or groups of companies, will be those whose growth will also have a significant impact on other companies, either by way of a supply chain relationship, or as part of a cluster or other collaborative grouping.
- **Targeting of firms:** NZTE will give due emphasis to the track record of the individuals involved (focus on the reliability and experience of individuals rather than of a company, as some high growth potential firms will be relatively new and thus not have significant track records) and aim to identify companies or groups of companies that generally:
 - are high performing, and where the potential exists for truly dramatic growth;
 - have a genuine commitment to substantial growth;
 - have a world class product, service or intellectual property; and
 - have determination to be a world class business, typically demonstrated by commitment to a culture of innovation and best practice.

- **Net economic benefit:** To be eligible, applicants must also demonstrate how funding will lead to a net economic benefit (i.e. beyond private benefits to the applying firm alone). This may be in terms of, for example, new jobs created or spillover benefits to other firms.
- **Eligible activities:** NZTE did not specify a list of eligible activities for funding. The overriding criterion is that the fund is not intended to assist with 'business as usual'. It is intended to assist with new initiatives and new directions aimed at having a significant impact on the business and leading to substantial, sustained growth. Assessment of project costs will therefore be interpreted in that context. NZTE offered a guide on types of activities it expected to fund (which are similar to activities previously funded under the BGF with some additions). These include:
 - Preparation of documentation to obtain finance for business development
 - Feasibility studies
 - Development of prototype design and testing (where outside the scope of projects typically funded by the Technology for Business Growth (TBG) and Grants for Private Sector Research and Development (GPSRD) schemes run by the Foundation for Research, Science and Technology (FRST))
 - Development of business, strategic or marketing plans, including market research
 - Electronic commerce strategy and implementation
 - Advice and assistance for human resource development
 - Assessment and implementation of total quality management, quality assurance, and business excellence programmes (eg. ISO certification)
 - Development of intellectual property protection and commercialisation
 - Financial planning and development of improved financial systems as part of a development project
 - Advice on legal, tax or other issues relating to a new business structure underpinning a new business initiative
 - Assistance to fund external, professional mentors or project managers to assist with the implementation of a growth initiative for up to 12 months.
- **Managing overlap with Foundation for Research, Science and Technology:** There is potential for overlap between the GSF and both the TBG and GPSRD schemes provided by FRST due to some similar types of activities funded under these schemes. One area of activity that could be funded by both the GSF and either the TBG or GPSRD, is prototype design and testing. To manage this potential for overlap, NZTE will only fund the development of prototype design and testing which are outside the scope of projects typically funded by the TBG and GPSRD schemes. NZTE and FRST are also in the process of developing a Coordinated Service Delivery agreement that will outline processes for managing overlap between the two agencies' schemes.

2.2.4. Market Development Services (MkDS)

According to the integration Cabinet paper that established the GSR, NZTE will continue to deliver a range of specialist information, advice and facilitation assistance aimed at addressing barriers to market development including:

- market evaluation and selection
- buyer/partner identification and selection
- identifying and qualifying international market opportunities
- market visits and in-market assistance
- market monitoring

Each of the above categories is described in the Appendices.

The Cabinet paper stated the following:

- MkDS will be delivered through client managers (who provide referrals) and market development specialists both onshore and offshore.
- A portion of the cost of providing MkDS will be recovered through a charging regime.
- Third-party service providers will be utilised where appropriate.

2.3. Intended programme outcomes

The April 2003 Cabinet paper stated that the aim of GSR is to “accelerate development of firms with high growth potential and enhance their contribution to New Zealand’s overall economic growth.” However, it did not identify specific outcomes and targets. This evaluation developed, in consultation with NZTE and MFAT, an intervention logic model which identified the following specific desired outcomes of the GSR along with draft indicators and targets:

- a) **Intermediate outcomes:** which comprise both direct and shorter term effects of the programme, such as changes in attitudes, knowledge, skills, abilities and behaviours of programme participants. The GSR has four main intermediate outcomes:
 - Improved market knowledge and market development capabilities
 - Improved strategic, management and business capabilities, including ability to identify and respond to market opportunities and to confidently manage growth
 - Increased capacity to innovate and access new technologies, including ability to create, absorb and commercialise new ideas
 - Improved likelihood of accessing capital for growth
- b) **Ultimate outcomes:** which comprise the subsequent effects of the achievement of intermediate outcomes. Typically, indicators of ultimate outcomes are influenced by multiple factors beyond the programme. The ultimate outcome of the GSR is accelerated development of firms with high growth potential as measured by increased revenue, profits, and exports.
- c) A further set of outcomes for the Client Management programme has been developed for this evaluation. These are referred to as **immediate outcomes** and they articulate the intended immediate value-added that client managers provide to assisted firms. The major focus of the client management evaluation will be the effectiveness of the programme in achieving these immediate outcomes. The focus has been set here because we expect that the impact of client management on intermediate and ultimate outcomes is less direct and therefore more difficult to measure relative to the other components of the GSR, particularly the Growth Services Fund. Based on current understanding of the programme, the following immediate outcomes of the client management programme were identified in consultation with NZTE:

The NZTE client manager:

- helped the firm access NZTE services
- referred the firm to relevant contacts and networks in the private sector
- referred the firm to other relevant government agencies
- provided valuable mentoring and advice
- helped improve the firm’s confidence in the direction of its business
- helped the firm better understand the risks and needs of its business
- helped improve the firm’s strategic planning/management capability

2.4. GSR intervention logic model

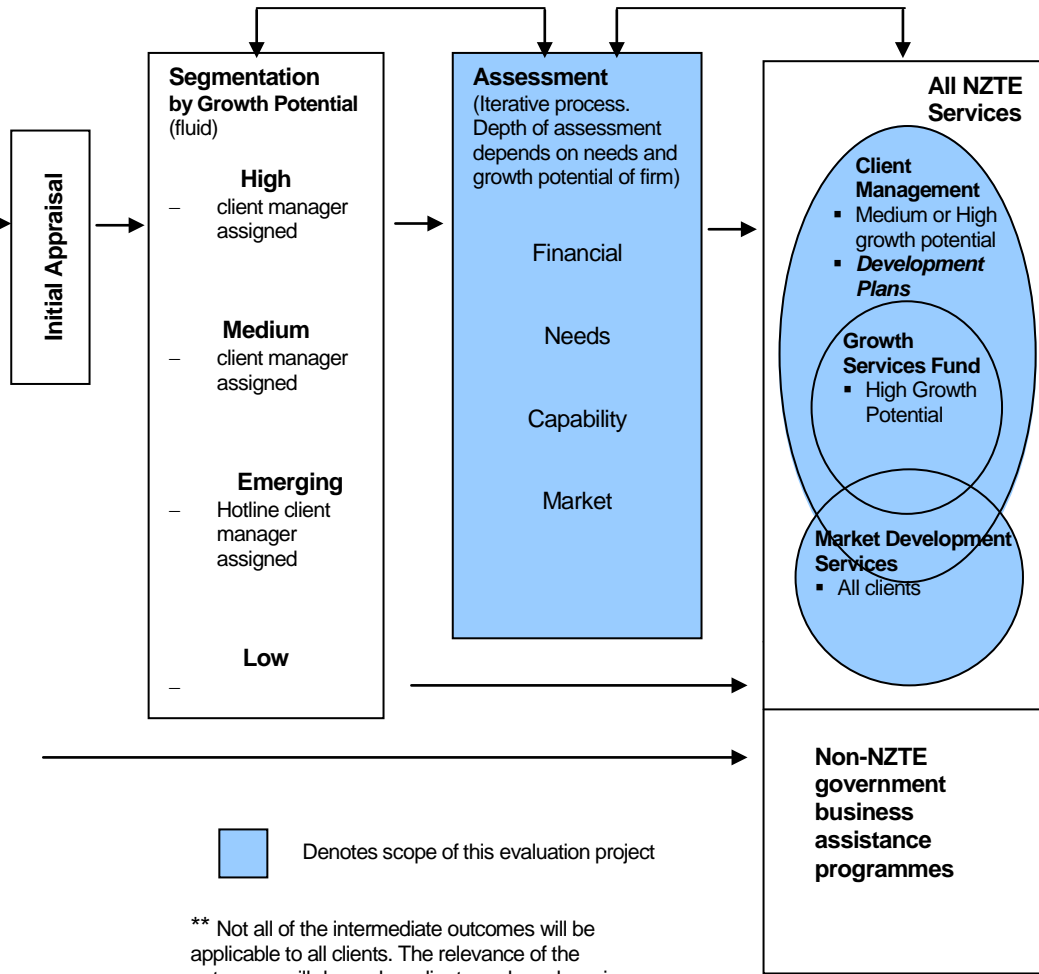
The intervention logic for the GSR is shown on the next page and has been discussed and agreed by MED, NZTE, and MFAT as representing the agencies' joint understanding of what the programme is intended to achieve and how.

NZTE GROWTH SERVICES RANGE PROGRAMME LOGIC MODEL

POLICY PROBLEMS

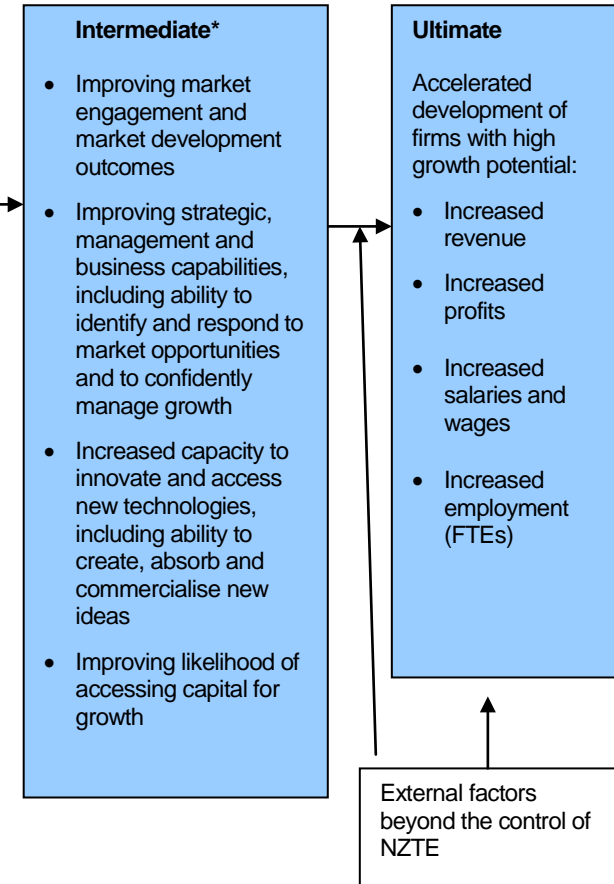
- Firms lack management expertise required to grow their business significantly
- Daily management pressures and resource constraints can crowd-out a focus on long-term strategic issues
- Owners' reluctance to cede control of their businesses, or lack of confidence to take necessary risks, to grow their businesses
- Firms may not realise benefits of external business advice
- Some of the benefits of external business advice are external to the firm
- Cost and time required to establish an offshore network may be prohibitive for smaller firms, or may not be justified for short term or limited engagement with particular markets

GOVERNMENT BUSINESS ASSISTANCE PROGRAMMES



** Not all of the intermediate outcomes will be applicable to all clients. The relevance of the outcomes will depend on client needs and services received.

POLICY OUTCOMES



2.5. Ex-ante Key Performance Indicators (KPI) and targets

The development of ex-ante KPIs and targets is important for objective monitoring and evaluation of the GSR's performance. The ultimate criterion for assessing the success or value for money of the GSR is that programme benefits outweigh programme costs. However, the data needed for this kind of detailed cost-benefit analysis is currently not available.

It is not appropriate to use firm growth (in revenue, profits, etc.) as the only measure of GSR success. As the GSR has only been operating since 2000/01, this current evaluation may not be able to measure the full impact of the GSR on recipient firms¹⁹. The present GSR evaluation attempted to analyse impact on firm growth and made recommendations on data collection to improve future assessment of the performance of the programme.

In consultation with NZTE and MFAT, a set of draft KPIs and targets was developed based on the following principles:

- a) Evaluation of the success of the GSR cannot be based on a single criterion alone, but must be based on multi-dimensional criteria for the following reasons:
 - The GSR programme consists of three different, but related services- Client Management, GSF, and MkDS.
 - Apart from the final outcomes of firm growth, the GSR's intermediate outcomes concern improving firm capability and practice;
 - There may also be other outcomes of the GSR that have not yet been identified; and
 - Not all the outcomes can be easily quantified or assigned a monetary value e.g. improvement in management capability.
- b) Interim KPIs and targets should be drafted, tested then refined for use in future programme monitoring and evaluation. Ideally, performance targets should be developed from baseline data, evidence from evaluations of similar programmes, policy analysis and amount of funding available to the programme. However, for most of the draft indicators listed in Table 1 on the following page, baseline data or comparable evidence from other New Zealand programmes is not available.²⁰
- c) If the performance of the GSR is to be compared with other programmes delivered by NZTE, it is important to identify a common set of criteria for inter-programme comparisons.

The following draft KPIs were developed for this evaluation. The draft targets serve as a starting point for discussion and are based on:

- where available (particularly for outputs and immediate outcomes), targets specified in the NZTE Output Plan;
- where available (particularly for client satisfaction measures), baseline data from previous years; and
- advice from the New Zealand Institute of Economic Research.

The rationale for decreasing the target across the three outcome levels is that impacts of the programmes are less direct and become more diffused when more external factors (outside the control of the GSR) come into play.

When reviewing the findings of this evaluation against the draft targets, it should be noted that the draft targets were not incorporated into NZTE's performance management for the GSR during the period examined in this evaluation, i.e. 2000 to 2005, as they were only developed in May-June 2005 for this evaluation.

¹⁹ It is currently unclear what the average time lag is between GSR intervention and measurable impact on firm performance.

²⁰ NZIER advised that they were not aware of any New Zealand evidence that is useful for our targets even though they examined the issue of KPIs for NZTE business assistance programmes for the Treasury last year.

Table 1. Draft Key performance indicators and targets

Focus	Draft Key performance indicators and targets	Data source
Reach	The GSR has met its output targets, i.e. served the number of firms targeted in the NZTE Output Plan.	NZTE
	90% of GSR firms are classified as high growth potential and meet the eligibility requirement of the GSF at the time of application.	NZTE
Service quality	85% of GSR firms are satisfied with the quality of the services provided.	NZTE or evaluation survey
Intermediate outcomes	<p>75% of GSR firms report improvement in the following capability areas that were the focus of their firm's engagement with NZTE:</p> <ul style="list-style-type: none"> • market development and engagement • strategic, management and business capability • capacity to innovate and access new technologies • access to capital <p>75% of firms feel that the improvements can at least be partly attributable to GSR.</p>	Evaluation survey
Final outcomes	66% of GSR firms achieved average growth (in profits and revenue) of at least 20% per annum after they start receiving the GSR.	Evaluation survey or Statistics New Zealand
	66% of GSR firms indicate that NZTE contributed to their firm growth.	Evaluation survey
	After receiving the GSR intervention, GSR firms are growing faster than NZ firms in the same sector (and the post-intervention difference between the two groups is larger than any pre-intervention difference).	Statistics New Zealand
Efficiency	<p>Note: Due to lack of comparative data on previous years or similar programmes, no targets could be determined for this year, but NZTE's 2004/05 costing data could be used as a baseline for future efficiency evaluations.</p> <p>a) Client Management:</p> <ul style="list-style-type: none"> • cost of client management per hour • average cost of client management per high growth potential firm <p>b) GSF</p> <ul style="list-style-type: none"> • cost of delivering the GSF programme per grant awarded <p>c) MkDS</p> <ul style="list-style-type: none"> • total cost recovered from firms as a % of total fees charged • average cost of producing each type of MkDS service (e.g. report, partner contacts, etc.) 	NZTE

3. Method

This evaluation assessed the extent to which the GSR achieved the intended intermediate and final outcomes of the programme. The ultimate criterion for assessing the success of the GSR is that the total benefits to New Zealand outweigh the total costs. However, the data needed for this kind of detailed cost-benefit analysis (including the programme's additionality) are currently not available. This first time evaluation used a combination of quantitative and qualitative methods including case studies, online survey, NZTE data, and other interviews.

In conducting this evaluation, the Ministry of Economic Development (MED) worked in consultation with an interdepartmental Advisory Group established to represent the key users of information from this evaluation and inform the evaluation's scope and priorities. This Advisory Group consisted of representatives from NZTE, the Ministry of Foreign Affairs and Trade, Treasury, and the Ministry of Research, Science and Technology. The conclusions and recommendations of this evaluation incorporate feedback from this Advisory Group.

3.1. Case studies

3.1.1. Purpose

Thirty-five firms were selected for case studies in order to gather richer information regarding how the GSR impacted firms, what factors contribute to the programme's effectiveness, what are important issues and challenges affecting the programme's effectiveness, and what are the unanticipated impacts of the programme. The case studies involved multiple information sources –review of their NZTE file (both electronic and paper), interview with their sector manager and interview with the firm.

3.1.2. File reviews

A sample of 39 firms was selected from NZTE's client information database to reflect the diversity of those assisted. The demographics considered in the purposive sampling were sector, region, size, services received and exporting status. NZTE files (both paper and electronic) held for firms were reviewed prior to interviews with these firms.

3.1.3. Interviews with NZTE Sector/client managers

The NZTE Sector/Client Managers who provided client management to the case study firms were interviewed to get their perspective on the nature of the services provided and the impact on the firms. A total of 18 Sector/Client Managers were interviewed. Of those, six were from Auckland, five from Wellington, three from Christchurch, two from Dunedin, one from Nelson and one from Tauranga. Of these managers, eight were previously from Trade New Zealand, nine from Industry New Zealand (most of whom previously worked in the private sector) and one had been with NZTE for about a year and was from the private sector.

3.1.4. Interviews with GSR firms

Interviews were completed with 35 of the 39 firms sampled (90 per cent response rate). Those that did not participate were either not appropriate due to minimal involvement with NZTE or were unable to be interviewed after multiple contacts. The top three locations of these firms are Auckland (31%), Wellington (17%) and Christchurch (17%). The top three sectors of these firms are Food and Beverage (31%), Biotech (20%) and Manufacturing (14%) sectors. In terms of FTE size, 51% (17 out of 33 firms with FTE data) were small and medium sized firms with (less than 20 FTEs), 9% (3/33) employed 20 to 49 FTEs and a third (12/33) employed 50+ FTEs. About half (57%) of these firms received all three components of the GSR, while the rest received only one or two of the services.

The interview questions were developed in consultation with NZTE (enclosed in Appendix X). The interviews averaged an hour in duration and were conducted face to face by two MED officials.

3.2. Online survey

3.2.1. Purpose and design

A large-scale survey of GSR participants was conducted to assess the generalizability of findings from the case studies. The survey questions were developed in consultation with NZTE and the MED Firm Capability Policy team. The draft survey was piloted on 3 NZTE Sector Managers and 1 GSR firm.

3.2.2. Procedure

The key contact person listed in NZTE's database for each sampled firm was provided advance notice of the survey by an email sent out in July 2005. A further email (with a direct link to the questionnaire) was sent out a week later to invite the firms to complete the online survey. The firms were given three weeks to complete the survey. Reminder emails were sent out after the survey had been online for one week and again one week prior to the closing date to increase the participation rate. The survey was self-administered and instructions for completion were included in the email. Participants were also informed that summary results would be available to them at the completion of the evaluation.

3.2.3. Participants

The survey was administered to the following three GSR service groups with each group received a version tailored to the combination of the GSR services received²¹:

- Firms that received the GSF (or its predecessor grants BGF, FF, WCNZ-exchange) and/or MkDS. 417 of the firms (72%) who received these services during the period 1/1/2000 to 30/6/05 received an invitation to complete the survey. 229 firms responded to the survey, resulting in a good response rate of 55%.
- Firms that received Intensive Client Management (may include MkDS), but did not receive the GSF (or its predecessors). 60 (46%) of the firms that received these services during the period 1/1/2000 to 30/6/05 received an invitation to complete the survey. 34 firms responded to the survey, resulting in an excellent response rate of 57%.
- Firms that received MkDS only (i.e. non-GSR firms). 467 (19%) of the firms that received MkDS that is within the scope of this evaluation²² during the period 1/1/2000 to 30/6/05 received an invitation to complete the survey. 155 firms responded to the survey, resulting in a fair response rate of 33%.

3.3. NZTE client database

GSR data received from NZTE's database (called Pivotal) on 29 July 2005 were analysed to determine the number and trends in programme outputs and recipients (results presented in Chapter X).

²¹ To avoid survey fatigue, data was not collected from any firm that had been involved in another survey or interview recently undertaken by MED or NZTE.

²² i.e. excludes services such as Beachheads, Projectlink, Education Brochure Display, Examination Facilities etc. listed on page XX

3.4. Other interviews²³

3.4.1. NZTE Assessment Panel

Interviews were conducted with two members of the Assessment Panel to develop a better understanding of how the Panel assesses GSF applications including criteria used and key reasons for rejecting applications.

3.4.2. NZTE offshore staff

Interviews were conducted with four NZTE staff to develop a better understanding of how MkDS services are delivered and the impact of these services. As NZTE was conducting a review of its offshore services at the same time, the number of interviews conducted for this evaluation was limited in order to minimise burden on NZTE staff. Of the four interviewed, two are now working in NZ but were formerly working in the offshore office (one in UK and one in Bangkok). The other two are currently working in offshore offices and were interviewed during their visits to NZ (one works in the Mexico office and the other in the Sydney office).

3.4.3. Economic Development Agencies and Business Associations

Interviews were conducted with five Economic Development Agencies (EDAs) and one business association to develop an understanding of how they work with NZTE in the identification of potential firms for the GSR and to get their perspectives on the impact of the GSR. The EDAs which participated were Priority One in Tauranga, Otago Forward, Venture Taranaki, Enterprise Waitakere, and Canterbury Development Corporation. The business association that participated was Export New Zealand.

3.5. Data analysis

Qualitative data were analysed for recurring themes and patterns. Each interviewee's responses were analysed according to the outcome progression in the programme logic model.

Quantitative data from survey and NZTE Pivotal database was analysed by NZIER. The Kruskal-Wallis test was used to determine whether there were significant relationships between various independent and dependent variables.²⁴ Where significance was detected, post-hoc pairwise comparisons (using the Dwass-Steel-Critchlow-Fligner multiple comparison procedure) were made of group means to determine where (i.e. between which groups) the significance differences lie. Initial test of significance were carried out in SPSS, and post-hoc multiple comparisons in StatsDirect.

3.6. Methodological constraints

3.6.1. Lack of a control group

It was not feasible to construct a control group for this evaluation. This evaluation did not interview or survey firms that were not successful in obtaining a Growth Services Fund because the majority of these firms could not be identified. The firms recorded by NZTE as declined by the Assessment Panel represent only a small group and are not representative of firms that tried unsuccessfully to access the Growth Services Fund. The majority are filtered out by Sector Managers and were not invited to submit an application. However these firms are not recorded in the system.

The Ministry of Economic Development has begun discussions with Statistics New Zealand to explore the feasibility of making broad comparisons between programme recipients with data on firm growth in NZ more

²³ All interviews were conducted face to face.

²⁴ The KW test is the non-parametric equivalent of the one-way ANOVA test of significance. It is applicable in when data are ordinal (rather than interval, in which case ANOVA can be used) and when there are more than 2 treatments of the independent variable (in this case we have 4 respondent categories).

generally. Discussions are still underway concerning access to this information and the data could not be obtained in time for this report. Nevertheless it needs to be noted that a simple comparison between programme recipient and non-recipients is not valid as non-recipients do not form an equivalent control group as they differ from programme recipients in systematic ways e.g. needs, growth potential, motivation, and capability. Without data on non-recipients for each of these factors, it is impossible to construct a matched comparison group that is equivalent to programme recipients on these important factors.

3.6.2. Lack of pre-intervention data

There is very limited pre-intervention data recorded on the programme recipients. Although NZTE captures pre-intervention data on firm capability and performance through the various assessments conducted by Client Managers, systematic entry of this data into their Pivotal database only started recently. Prior to this, assessment data was recorded in hardcopy files and would therefore be very time-consuming to retrieve for a large sample of firms. A further difficulty is that the pre-intervention data consists of mainly qualitative data based on assessments and observations by client managers. Therefore, including similar assessment questions in the self-administered client survey conducted for this evaluation would not produce comparable data. It was also not practical to require client managers to conduct a post-intervention assessment/observation of clients for the sole purpose of gathering data for this evaluation.

3.6.3. Lack of data for econometric analysis

Where sufficient data is available, multivariate statistical techniques (such as the Heckman 2-step regression) can substitute for the experimental method of control by making non-random comparison groups comparable²⁵. These statistical techniques are used during data analysis rather than at the data collection stage. However, these multivariate statistical analyses require that all the factors on which recipients and non-recipients differ (e.g. pre-intervention capability, growth potential, motivation, performance etc.) be measured and sufficient data be available for these analyses. In order to capture all the necessary data for these analyses, such evaluations need to be built in from the start, with non-recipients as well as recipients of the programme monitored²⁶. As this was not the case with the programmes in this evaluation, there is not sufficient data on both programme recipients and non-recipients to conduct multivariate statistical analyses to make the two groups comparable.

3.6.4. Lack of objective data on outcomes

NZTE did not have objective data on firm capability and growth (e.g. FTE and revenue) before and after receiving the GSR. This evaluation was unable to obtain time series data on the growth of GSR firms from Statistics New Zealand. Given the lack of objective data on outcomes, this evaluation relied on subjective data from surveys and interviews.

3.6.5. Lack of data needed for two KPIs

Data was not available for the following Key Performance Indicators listed in Section X:

- *90% of GSR firms are classified as high growth potential and meet the eligibility requirement of the GSF at the time of application.*

NZTE firms are segmented into various categories according to their growth potential. The client segmentation data in the NZTE Pivotal database is currently not accurate. Since the merger of two separate databases after integration of Industry NZ with Trade NZ, NZTE has been working to streamline the new database and clean the data. However the client segmentation data received from NZTE on 29 July 2005 for this evaluation is still not sufficiently accurate for this particular KPI to be analysed. There is no quantifiable information for the second part of this indicator. Whether the eligibility requirements of the GSF were met at time of application is not currently recorded in NZTE's database, it is only stated on the paper applications.

²⁵ Nachmias & Nachmias (1996), Research Methods in the Social Sciences.
Rossi, P. et al, (1999). Evaluation.

²⁶ Storey, D. (2004)

- *After receiving the GSR intervention, GSR firms are growing faster than NZ firms in the same sector (and the post-intervention difference between the two groups is larger than any pre-intervention difference).*

As mentioned above, this evaluation was not able to obtain data from SNZ which is needed to assess this indicator.

3.7. Response to methodological constraints

Faced with the above methodological constraints, this evaluation used a strategic mix of qualitative and quantitative methods that have different strengths, and that together will provide sufficient evidence to cost-effectively confirm or dispel the important rival hypotheses. The three firm groups which received different combinations of GSR services (i.e. whether firms received GSF, MkDS, or Intensive Client Management) were surveyed. Comparisons were made between these groups to assess the relative impact of different components of the GSR. Recommendations will be made at the end of this report on what data needs to be collected for future monitoring and evaluation of the GSR.

4. Findings: Programme reach and recipients

This section describes the reach and recipients of the GSR programme over the period 1 January 2000 to 30 June 2005. It then reports survey findings on whether firms tried to access similar services from another public or private provider. It also examines what other NZTE services are received by GSR firms.

4.1. Number of firms accessing the Growth Services Range

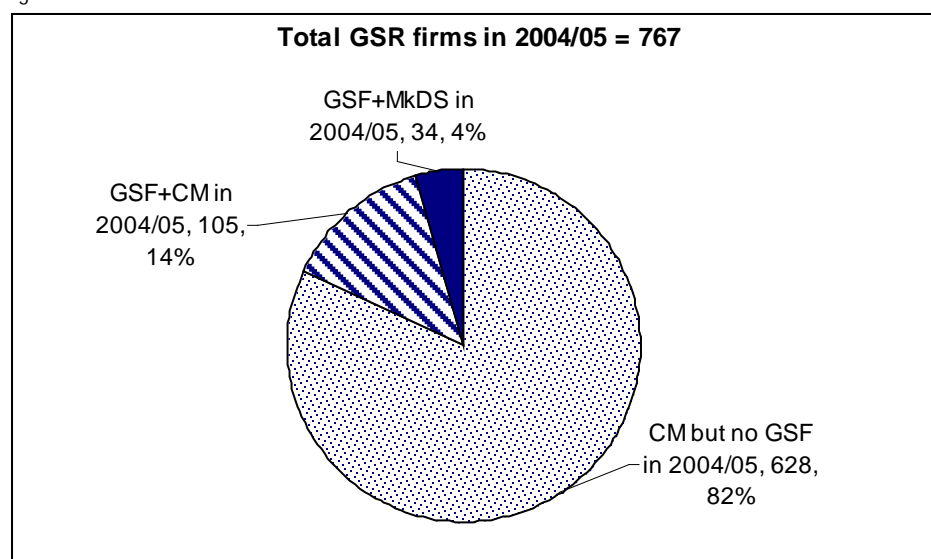
4.1.1. Growth Services Range (GSR)

During the period 1 January 2000 to 30 June 2005, NZTE records show that:

- GSF (or predecessors): A total of 583 GSR firms received grants from the Growth Services Fund or its predecessors i.e. Business Growth Fund, Fast Forward grant, or World Class New Zealander-exchange. This includes 253 that received both the GSF (or its predecessors) as well as Market Development Services (MkDS).
- MkDS: A total of 3735 firms received MkDS. As mentioned earlier in this report, firms that received only MkDS, but not the GSF (or its predecessors) or growth services Client Management are considered to be 'non-GSR' firms and treated as a comparison group.
- Client Management (CM): The total number of firms that received growth services Client Management over this period could not currently be determined.
- GSR firms: This refers to high growth potential firms that received at least the Growth Services Fund or growth services Client Management²⁷. Given that the number of firms that received growth services Client Management over this period could not be determined, the total number of GSR firms over this period could not be determined.

NZTE records show that there were 767 GSR firms in 2004/05. As shown in Figure 1 below, the majority of these firms did not receive GSF grants in 2004/05.²⁸

Figure 1



²⁷ Client managed by Sector Managers or Senior Client Managers

²⁸ Some may have received GSF (or its predecessor) grants in previous years.

4.1.2. Client Management

Growth services client management is provided for two groups of GSR firms- a) all GSF recipients, and b) high growth potential firms that did not receive the GSF but are receiving what NZTE refers to as intensive client management (ICM). The number of firms that received a GSF during the period 1 January 2000 and 30 June 2005 is 583. However NZTE is unable to determine the number of firms that received ICM over the past five years. NZTE reported that in 2004/05, a total of 767 firms received growth services client management comprising 139 GSF recipients and 638 firms that did not receive the GSF in 2004/05. This meets the output target for 2004/05 i.e. 200-300 businesses receiving intensive client management.

4.1.3. Growth Services Fund (and its predecessors)

Number of grants and firms awarded

Table 2 GSF grants (including predecessors) awarded during 1 January 2000 to 30 June 2005

Year	GSF grants awarded (includes predecessors)	Firms awarded GSF grants (includes predecessors)	Total grant payable	Total grant paid
2000/01	39	39	3,287,600	2,855,621
2001/02	129	113	7,175,414	6,028,658
2002/03	316	250	10,562,793	8,051,118
2003/04	300	232	9,667,445	6,670,139
2004/05	152	139	10,470,484	2,717,612

Table 2 above shows the number of GSF (and its predecessors BGF, FF, WCNZ-exchange) awarded during the 5.5 year period. The number of grants is greater than the number of firms because some firms were awarded more than one grant. A total of 139 firms were awarded a GSF in 2004/05 which meets the output target for that year of 100-150 firms. ,

The total number of firms in New Zealand grew from 277,965 in 2000/01 to 324,293 in 2005. Just under 4% of these firms are exporting. Over the 5.5 year period, 583 firms in total received at least one GSF (or its predecessors), representing less than 0.2% of the current population of New Zealand firms and just under 4.6% of New Zealand exporters.

Table 2 also shows the total amount awarded and total paid to date. The total grant paid is significantly lower because the grants are paid on a reimbursement basis. The amount of unpaid grant funds reflects the firms that have not or did not complete their projects as specified in the contract and therefore did not claim the remaining funds.

Size of grants awarded

Table 3 Size of GSF (or its predecessors) grants awarded each year

Statistics		2001	2002	2003	2004	2005
N	Valid	39	119	275	232	139
	Missing	0	0	0	0	0
Mean		84,297	60,298	38,410	41,670	75,327
Median		99,000	70,000	25,500	34,561	64,688
Minimum		27,600	2,940	1,161	705	2,950
Maximum		100,000	100,000	100,000	210,000	496,261
Sum		3,287,600	7,175,414	10,562,793	9,667,445	10,470,484
Percentiles	25	74,000	15,000	8,238	12,829	33,250
	50	99,000	70,000	25,500	34,561	64,688
	75	100,000	100,000	73,500	70,000	74,633

The number of grants awarded is inversely related to the size of the grants awarded. As shown in Table 3, although the period between 2002/3 to 2003/4 has the highest number of grants awarded, these grants were smaller than grants awarded in the other years. The grants awarded in the latest year 2004/05 tend to be

smaller than those awarded in the first two years of the programme, but the number of awards was slightly higher.

Table 4

Percentage of firms receiving GSF grants by year					
Grant value	2001	2002	2003	2004	2005
\$0-\$10000	0.0%	14.2%	22.8%	17.2%	6.5%
\$10001-\$25000	0.0%	8.8%	19.2%	25.4%	13.7%
\$25001-\$50000	10.3%	14.2%	18.4%	18.5%	19.4%
\$50000+	89.7%	62.8%	39.6%	38.8%	60.4%
total firms	100.0%	100.0%	100.0%	100.0%	100.0%

Table 4 above shows that since integration in 2003, larger GSF grants are being awarded each year and the number of grants under \$25,000 is decreasing. This move towards larger grants brings the GSF delivery more in line with the original policy intent (described in Chapter 2).

Total funding awarded per firm

Of the 583 firms that received at least one GSF (or its predecessors) over the 5.5 year period, 65% received 1 grant, 21% received 2 grants, 8% received 3 grants, and 6% received 4 or more grants. The average funding received per firm increases with the number of grants awarded, suggesting that firms that received multiple grants were indeed receiving more funding in total, rather than the same total funding broken into smaller grants. Table 5 below shows the distribution of the total GSF funding awarded to each firm over the period 1/1/00 to 30/6/05. The majority of firms (over 85%) received a total GSF of between less than \$100,000 and only 2 firms received total GSF funding of over \$500,000. This is consistent with NZTE's advice to the Minister in July 2003 on implementation of the GSF policy.

Table 5

Grant value by firm				
	Frequency	Percent	Valid Percent	Cumulative Percent
0 - 100000	500	85.8	85.8	85.8
101000 - 200000	69	11.8	11.8	97.6
201000 - 300000	8	1.4	1.4	99.0
301000 - 400000	2	0.3	0.3	99.3
401000 - 500000	2	0.3	0.3	99.7
500000 +	2	0.3	0.3	100.0
Total	583	100	100	

Comparison between GSF and its predecessors

Table 6 Comparison between GSF and its predecessor grants awarded over the period 1/1/00 to 30/6/05

	Growth Services	Business Growth	WCNZ-exchange	
	Fund (GSF) grants	Funds grants	Fast Forward grants	grants
Number of firms awarded	371	270	59	104
% of total Growth Services grants (includes FF,BGF,WCNZ - Exchange, GSF)	46.1%	33.6%	7.3%	12.9%
Total amount awarded (payable)	20,137,930	19,061,856	1,100,725	863,227
Average grant funding (payable) per firm	54,280	70,599	18,656	8,300
Minimum grant funding (payable) per firm	705	6,750	2,363	1,161
Maximum grant funding (payable) per firm	496,261	100,000	63,000	39,393
Median grant funding (payable) per firm	46,688	75,000	20,000	6,083
% of total GSF grant amount payable	48.9%	46.3%	2.7%	2.1%

As shown in Table 6, half of the grants awarded in the 5.5 year period were predecessors to the current GSF which was introduced in July 2003. The median and average GSF grant is significantly smaller than the median and average BGF grant, but much larger than a Fast Forward or WCNZ-exchange grant. The maximum GSF is almost 5 times larger than the maximum BGF.

Status of GSFs: cancelled, extensions

NZTE advised that information on GSF projects which were cancelled or received extensions, are recorded in hard copy files but not coded in the database in a manner that will enable measurement of frequency.

Types of projects have been funded

NZTE advised that GSF projects are recorded in the database by milestones, but not in a manner that enables determination of what % GSF funds market development, product development etc. The evaluation survey asked firms to indicate the focus area of their GSR engagement (results later in this section).

Types of projects have been declined

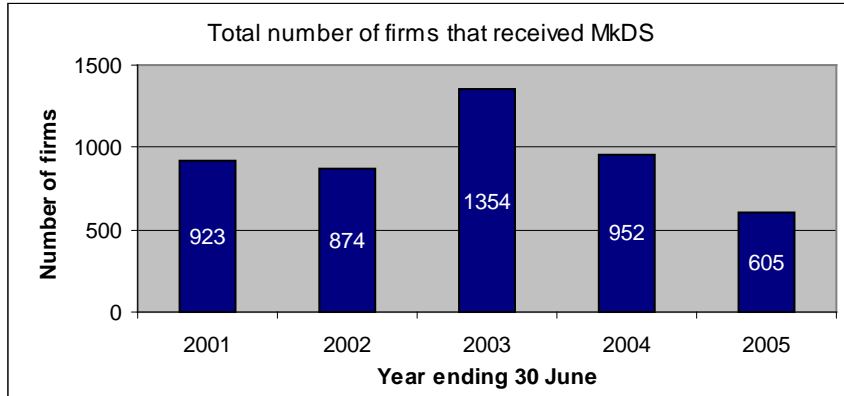
In 2004, NZTE began systemic recording of the number of GSF applications declined by the Assessment Panel. In the year 2004/05, only 9 GSF applications were declined (i.e. 6% of 152 GSF awarded in that year). The numbers of GSF applications declined are very small due to the greater amount of assistance provided by Sector Managers. In effect, Sector managers “decline” some potential applications by not recommending the GSF as a course of action. However the number of potential applications declined or not put forward by Sector managers are not recorded. Key reasons for “declines” at this stage are: not the right time for the business to pursue a GSF, no immediate need at the time, not the right step for the business to take, the application is not sufficiently sound and/or the activity/project is known to be ineligible.

As described in Chapter 6, the key reasons that the Assessment Panel declines GSF applications include: the application is not for a genuinely high growth project, the applications are more suited to the EDG-MD programme, and not consistent with the CER. Many applications are not rejected, but rather deferred or approved with conditions. Conditions are recorded in paper files, not coded in database in a way that enables determination of what percentage have conditions added by Panel.

4.1.4. Market Development Services (MkDS)

Total number of firms that received MkDS

Figure 2



A total of 3735 firms received at least one MkDS over the 5.5 year period 1 January 2000 to 30 June 2005. This represents 30% of exporting firms in New Zealand. Figure 2 above shows the number of firms that received MkDS each year peaked in 2002/2003 and has declined since to less than half that level. Many firms accessed MkDS more than once per year, and over multiple years.

Types of MkDS received

Figure 3 shows the types of MkDS accessed by a total of 3735 firms, of which 64% are existing exporters and 36% are interested but not yet exporting. The percentages for each type of MkDS sum to 162% because many firms access multiple types. The most frequently accessed service among existing exporters are focused on visiting the market. Among the MkDS firms that are not yet exporting, the most frequently accessed service are market intelligence reports to help them select the appropriate export markets.

The majority of the firms (83%) received various MkDS services classified as 'Other'. Many of these MkDS lie outside the scope of this evaluation including Beachheads, Brand New Zealand, Education Brochure Display, Education Partnership, Examination Facilities, Export Awards Dinner, and Project Link, non-standard service, and other consultancy.

Figure 3

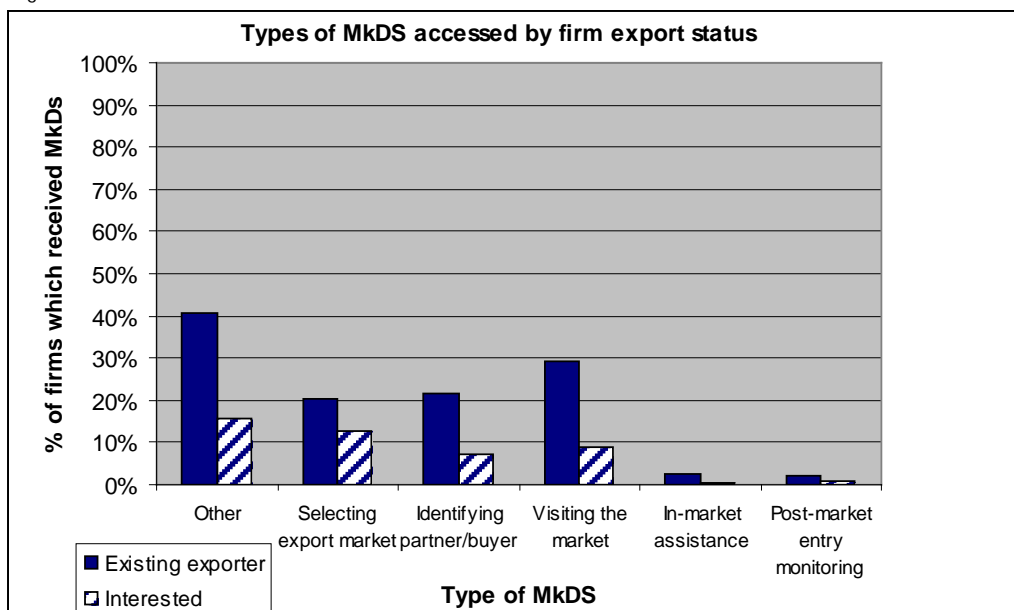


Table 7 shows the types of services received by MkDS recipients each year. Many firms received the services more than once. Apart from other services outside the scope of this evaluation, the most frequently accessed service is Events consultancy (24% of firms), followed by Market structure and research reports (16%), and identification of potential partners (13%). The number of firms receiving all types of MkDS has declined over the past two years, with the exception of the Market Visit Programme which increased last year after two years of decline in 2002/03 and 2003/04.

According to NZTE staff interviewed for this evaluation, it is common for firms to buy multiple services over a number of years but very rare for firms to go through the whole suite of services. Client managers often try to encourage firms to take a stage approach to MkDS, e.g. get a market structure report first, before doing market visits. The reason is that the market structure report will help the firm assess whether there is a market for their product. However, some firms skip the market structure report and just do the visits. One of the reasons is cost- e.g. instead of paying for the report they would spend the money on an actual visit to the market. Some of these firms use these visits to investigate the market potential themselves - an example from the case studies is a seafood company who after five visits came to the conclusion that there is no market for their product.

Export markets

Table 10 in the Appendices shows the types of MkDS accessed for the top ten export markets targeted by MkDS firms. Events consultancy is the most frequently accessed service in China, Australia, Germany, South Korea, and Vietnam. Market structure and research reports are the most frequently accessed service in the U.S, and Japan. Identification of partner contacts is the most frequently accessed service in the U.K.

Fee paid for MkDS

Table 11 in the Appendices shows the median, average, minimum, and maximum fees paid for each type of MkDS. Foundation services were provided free of charge for all firms. The median fee paid for the top three most frequently accessed services are: \$404 for events consultancy, \$1400 for market structure and research report, and \$2000 for identification of potential partners.

Table 7 Types of MkDS received by firms over the period 1/1/00 to 30/6/05.

Type of service	Service Line	Number of firms							
		Over 1/1/00-30/6/05		Per year					
		Number	%	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Selecting an export market	Foundation Services	380	10%			195	154	24	15
	Regulations & Compliance	190	5%	15	48	43	64	34	9
	Statistics	59	2%	9	15	13	24	11	8
	Market Structure & Research	599	16%	79	159	158	203	102	73
	Entry Strategies Report	5	0%	3	3				
	Access & Opportunity Indicator	38	1%	14	19	6			
	Competitor Product Check	32	1%	4	16	10	1		1
	Product Overview	99	3%	15	48	36	3	1	2
	Subscription Market Intelligence	12	0%						12
Identifying a buyer/partner	Potential Partners (incl Buyer/Partner Identification)	468	13%	39	93	114	158	91	52
	Company Check	194	5%	9	25	51	68	37	22
	Partner Contacts	533	14%	66	107	124	162	101	72
	Liaison with Local Buyer	29	1%	6	3	7	8	6	1
	Inward Buyer Programme	77	2%		19	10	49	1	5
Visiting the market	Market Visit Programme	394	11%			147	120	89	137
	Missions (incl Trade Missions)	122	3%	22	16	33	32	21	17
	Events Consultancy (incl In Market Support)	896	24%	109	198	310	348	280	110
	Accompany & Interpret	125	3%			1	65	68	2
	Appointments	392	10%			6	290	248	9
	Facilitation	31	1%				19	14	2
In-market assistance	Trouble Shooting	104	3%	25	28	27	18	13	10
	Government Liaison	8	0%	2	2	4	1		
Post-market entry monitoring export markets	Development Banks	99	3%	8	79	37	39	27	11
	Monitoring	8	0%				4	4	
Other	Annual Service Agreement	26	1%		1	16	9	12	3
	Projectlink	186	5%	20	40	62	92	72	77
	Other	2015	54%	545	1012	778	816	636	454
Total		3735	100%	990	1931	2188	2747	1892	1104

4.1.5. Programme reach

Size of the target population

The targeted firms of the GSR range (particularly Client management and GSF) are firms with high growth *potential*. This group may include, but is not limited to firms that have had actual high growth in the past. As described in the previous Chapter, the growth potential of firms is determined based on subjective assessment by Sector Managers of a variety of factors. The factors include potential net economic benefit from the proposed growth project, and needs, and constraints faced by the firm. While the history of the firms' growth performance is considered, it is not used as the only criteria as firms with actual high growth may not have needs or growth constraints that require NZTE help, NZTE may not be able to add much value, and the firms may not have any desire for government intervention. Therefore, it is not appropriate to assume that the target population for the GSR programme are high growth firms in New Zealand. Hence without some objective criteria for defining high growth *potential* firms, it remains difficult to determine the size of the target population for the GSR programme. Estimates might be derived in the future from Sector Managers based on their experience working with firms in their area of sector focus.

Are the right firms being served by the GSR?

As described in Chapter 6, entry into the Client Management programme and assessment of the GSF applications are based on the subjective assessment and judgement of Sector Managers and the GSF Assessment Panel. Since the assessment does not rely on objective criteria, it is difficult for an external evaluation to review the quality of these assessments to determine if the right firms are being served by the GSR. The most effective method of assessing this issue is to obtain objective data on actual growth performance of the GSR firms several years before and after receiving GSR assistance, to determine if the GSR has increased the growth of these firms. Although this present evaluation was unable to obtain this growth data, it is expected that this data will be available for a future evaluation of the GSR.

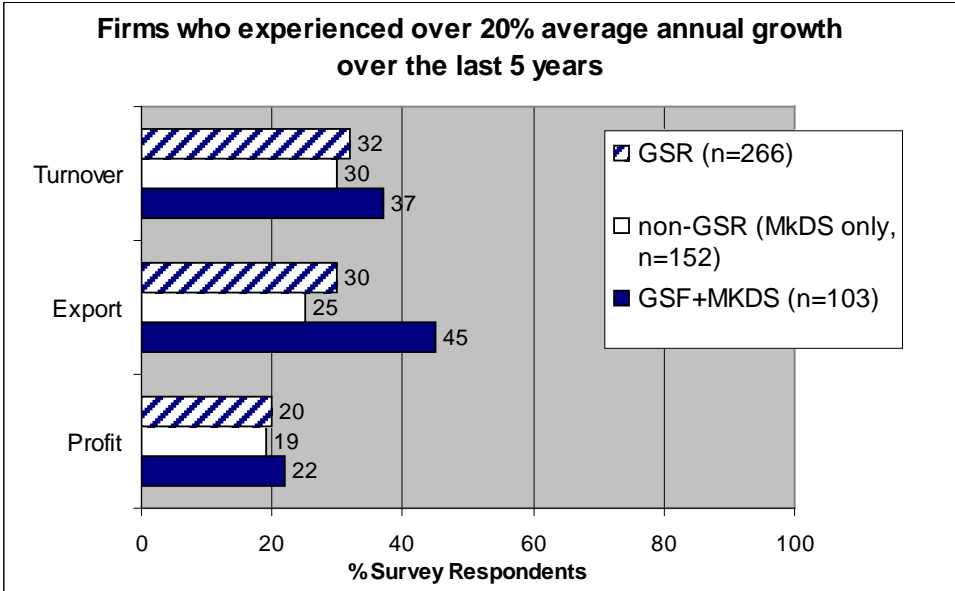
Key reasons for not participating in GSR

Interviews with economic development agencies and business associations identified several reasons why some firms with high growth potential do not go to NZTE for assistance, including: lack of awareness due to NZTE's branding changes (from Fast Forward and BGF to GSF etc), resistance to government advice or intervention, the perception that the application and reporting process is too complicated, and fear that the application process will be too invasive, requiring firms to divulge a lot of sensitive information.

4.2. Characteristics of programme recipients

4.2.1. Growth rate of programme recipients

Figure 4



The Figure 4 shows survey results on estimated average annual growth in turnover, exports, and profits over the past five years (including the period before and after receiving GSR). It should be noted that the GSR targets firms that have potential for high growth in the future, and these firms may not necessarily have had high growth in the past. A third of GSR firms indicated they experienced over 20% per annum growth in turnover and exports over the past five years (including the period before and after receiving the GSR). There was little difference between GSR and non-GSR firms in turnover growth. In terms of export growth, there was a larger difference between non-GSR firms and GSR firms that received both the Growth Services Fund and Market Development Services.

4.2.2. Sectoral distribution

Each of the participating firms was categorised by NZTE into one of seven sectors. Figure 35 (in the Appendices) shows the differences in sectors between firms that accessed different components of GSR. Among firms that received the GSF (or its predecessors), the largest sector group is Manufacturing. Among firms that received MkDS but not GSF, the largest sector group is Creative and Services. Among firms that received Intensive Client Management (with and without MkDS) the largest sector group is Food and Beverage.

Each sector is further broken down into NZTE Industry Classes. Among the 22% of firms that are in the Creative and Services sector, half fit into the Services Industry Class. Among the 18% of firms that are in the Manufacturing sector, more than half are in the Machinery and Equipment Manufacturing Industry Class. Among the 18% of firms that are in the Food and Beverage sector, almost half are in the Specialty Foods/Beverages Industry Class.

4.2.3. Regional distribution

Figure 36 in the Appendices shows the regional distribution of the firms. The regional trend for each service combination category is similar, with most firms located in Auckland, followed by 'Other' centres. Wellington is the third most frequent region for all service categories, with the exception of firms that received MkDS

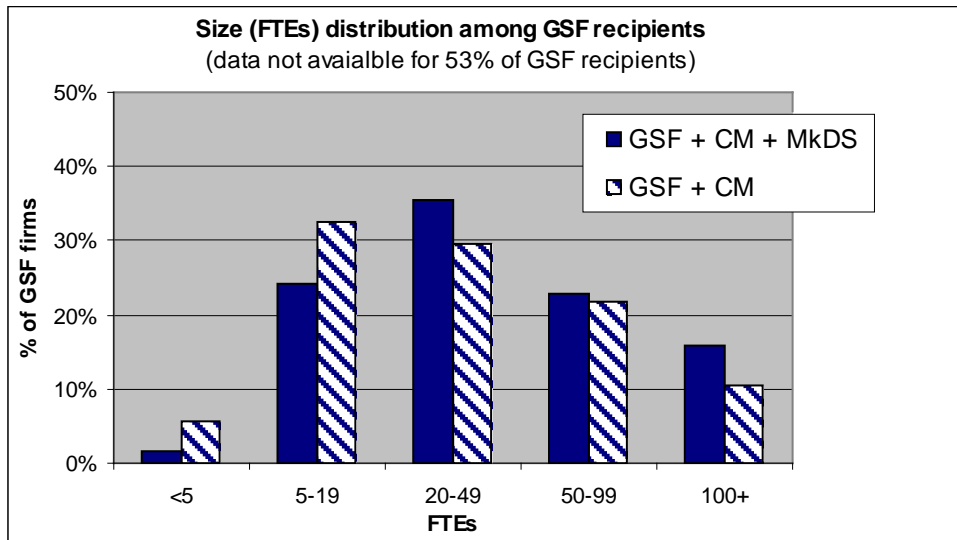
and ICM, but not GSF, where the third most frequent region is Christchurch. This regional distribution of GSR firms is similar to the general distribution of NZ firms²⁹

4.2.4. Age distribution

As shown in Figure 37 in the Appendices, the age distribution of firms differs by type of GSR services received. Firms that received MkDS tend to be older than firms that did not. This is likely because the majority of MkDS recipients were exporters and exporters tended to be older firms (as shown in the previous section).

4.2.5. Size (FTEs) of firms

Figure 5



FTE data was available for only 47% of the firms that received a GSF. To the extent that the available data for GSF firms reflects the actual size distribution among this group, Figure 5 shows that GSF firms that also received MkDS tend to be larger than GSF firms that did not receive MkDS. Firms that had under 20 FTEs (i.e. SMEs) made up 26% of GSF firms that also received MkDS and 38% of firms that did not receive MkDS. Firms that had over 100 FTEs made up 16% of GSF firms that received MkDS, and 11% of GSF firms that did not receive MkDS.

²⁹ regional distribution of NZ firms described in SMEs in New Zealand: Structure and Dynamics, August 2005 (MED)

4.3. Focus of GSR engagement

Figure 6

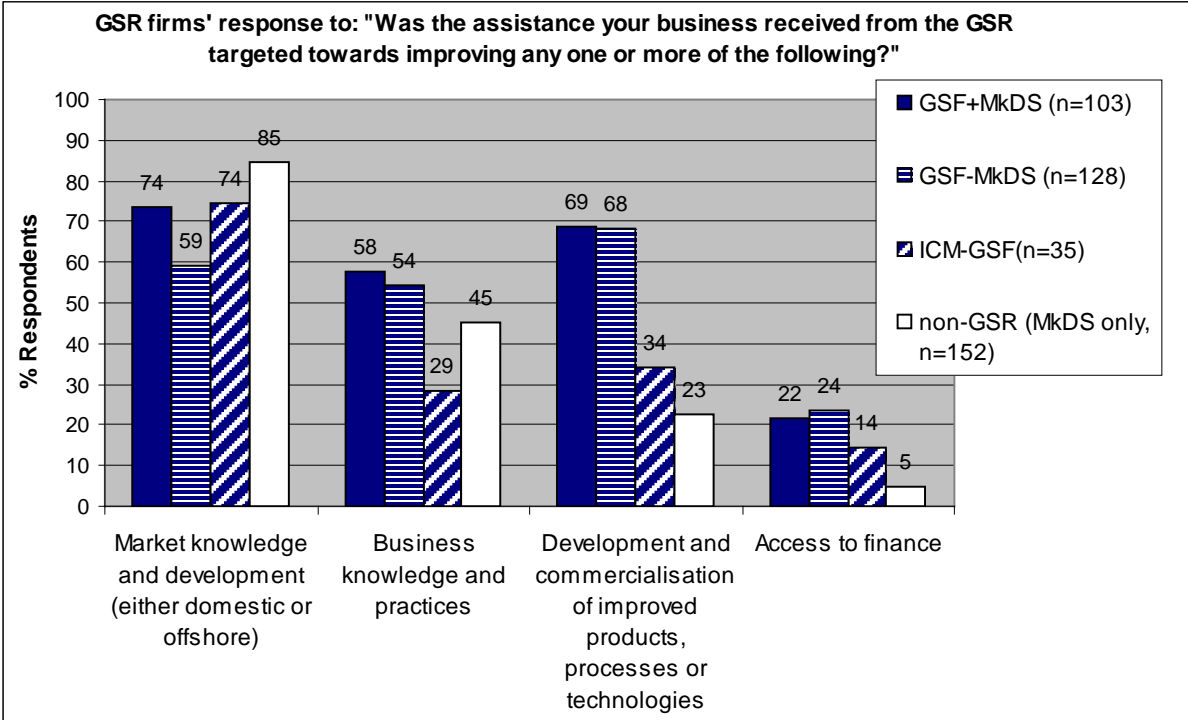


Figure 6 above shows the focus of NZTE’s engagement with participating firms. Among all 4 groups, market knowledge and development received the most focus. The main difference between the four groups is in the innovation area, which is the focus of over two-thirds of GSF recipients but less than a quarter of firms that did not receive the GSF. Access to finance was the focus for less than a quarter of the firms. According to the NZTE SuperTed Internal Guideline (undated)- “The GSF can provide assistance to help businesses access finance or investment, but consideration should first be given to whether Escalator Service may assist”. However, analysis of Escalator participant data revealed only a very small percentage of GSF firms accessed the Escalator programme.

The relationship of focus of engagement by firm sector, region, age, and size is detailed in the Appendices (Figures 38-41). The general trends are noted here. Market knowledge and development received the most focus among all sector groups, regional groups, age groups (except firms under one year old), and size groups (except firms with between 20-49 FTEs). Innovation and commercialisation was also a focus for two-thirds of ICT firms, and a top focus for firms with between 20-49 FTEs. Firms aged between 2 and 5 years are more likely than firms in other age groups to focus on business practices. Firms with between 50-99 FTEs were more likely to focus on accessing finance, compared to firms of other sizes.

4.4. Similar services from other providers

4.4.1. Client Management

Are similar services available from another private or public provider?

Business Mentors New Zealand is a charitable trust that provides mentoring free of charge to business people throughout New Zealand. This organisation targets SMEs with fewer than 25 employees. The mentors are volunteers who are experienced business people. The organisation receives funding assistance from NZTE. Business mentors are coaches, not consultants. They do not take the place of existing

professional advisers, and in fact often recommend firms develop a closer relationship with their accountant, bank manager or other professional service suppliers. There are also many private consultants and consulting firms that provide business advisory services for a fee.

Are firms accessing business advice or mentoring services from other providers?

Figure 7

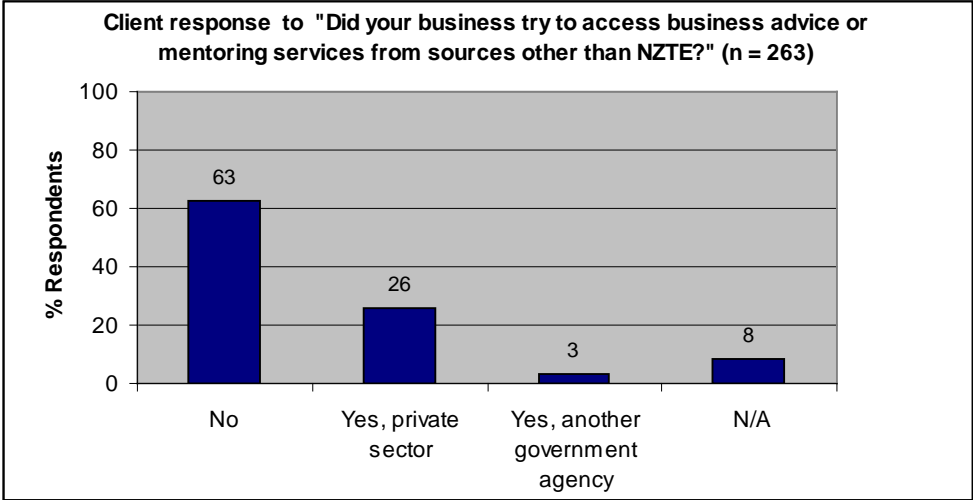


Figure 7 above shows the survey results for whether firms tried to access business advice or mentoring services from sources other than NZTE. While the majority of firms did not, a quarter of firms did try to access the services from the private sector. A small percentage (3%) tried to access the services from another government agency. There is no information on whether the firms successfully obtained these services or from which specific organisations they accessed these services.

This evaluation did not have sufficient information to provide a firm conclusion on the issue of whether NZTE client management is displacing the role of private sector consultants. The following findings were made:

- almost two-thirds of the firms that received NZTE client management did not try to access these services from another provider. This is consistent with the policy rationale behind the GSR that many firms do not access external assistance because they are unaware of the benefits relative to the cost or unwilling to pay for services which may have benefits external to the firm.
- a few of the Sector/Client Managers interviewed emphasised that the key difference between what they do and what private consultants do is that NZTE Sector Managers focus more on net economic benefit, the impact on the region, sector, and nation of working with a company, rather than just focus on the benefits to one company. In contrast, private consultants are likely to just focus on the benefits for the company they are contracted to work for.
- according to Sector Managers interviewed, they do not see their role as competing with private consultants. Instead they see their role as complementary. As shown in the next Chapter, 50% of the firms that responded to the survey agreed that their Sector/Client Manager referred them to relevant contacts in the private sector which includes other companies or consultants. This is consistent with NZTE's core function of "encouraging the development and delivery of economic development services by the private and non-government sector" stated in the Cabinet paper establishing the GSR [EDC(03)55 refers].

4.4.2. Project funding

Is similar project funding available from another private or public provider?

As stated in Chapter 2, NZTE noted in its July 2003 report back to Ministers on the implementation of the GSF that there is potential for overlap between the Growth Services Fund and both the TBG and GPSRD grant schemes provided by the Foundation for Research, Science and Technology (FRST), due to some similar types of activities funded under these schemes. One area of activity that could be funded by both the GSF and either the TBG or GPSRD, is prototype design and testing. To manage this potential for overlap, NZTE will only fund the development of prototype design and testing which are outside the scope of projects typically funded by the TBG and GPSRD schemes. In its July 2003 paper to the Integration Ministers, NZTE stated that it will develop with FRST a Coordinated Service Delivery agreement (CSD) that will outline processes for managing overlap between the two agencies' schemes.

NZTE advised that it has developed a Co-ordinated Service Delivery Memorandum of Understanding with FRST which was launched in early 2004. This agreement has been superseded by the CSD project, which is an outcome of the agreement by Cabinet in December 2004 to a package of measures to enhance government assistance to business R&D. It advised that this project is proceeding well and includes development of a common agent network as a delivery mechanism for delivery of Smart-Start (FRST scheme) and EDG-CB (NZTE scheme), cross-training of staff, information sharing and protocols for client management across the two agencies.

In terms of alternative funding from the private sector, the Ministry of Economic Development (MED)'s review of NZTE's 2003/04 programmes (completed in October 2004) stated that the GSF (like its predecessor the BGF) was set up to fund business propositions that would not otherwise receive external debt or equity financing. NZTE's December 2004 paper to its Board commenting on MED's review stated that if funding was available from other sources then NZTE should be assisting the companies to access the alternative and available forms of finance.

Are firms accessing project funding from other providers?

Figure 8

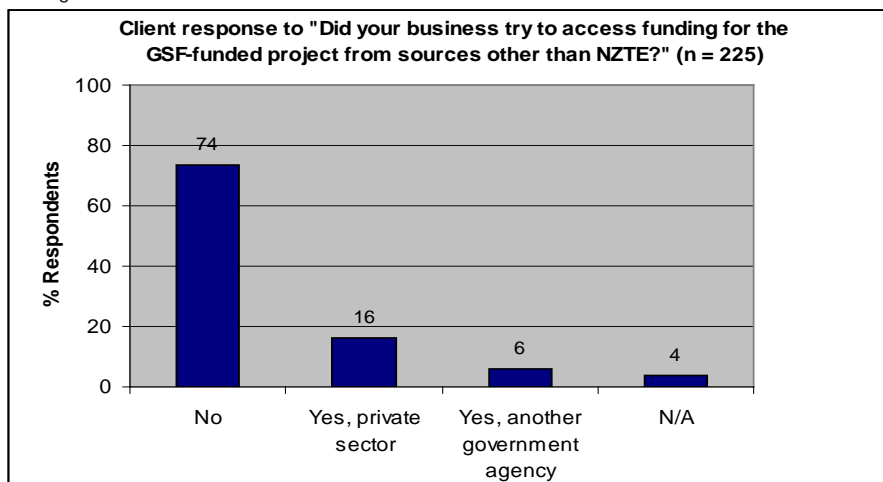


Figure 8 above shows the survey results for whether firms tried to access funding from other sources for the project that received the GSF. While the majority of firms did not try other sources of funding, 16% tried to access private sector funding and only 6% tried other government funding. The survey did not ask whether the firms successfully obtained this other funding or from which specific organisations they sought this funding. NZTE's Pivotal database does not capture information on what grants from other agencies, but this is recorded in the hardcopy GSF applications. NZTE advised that in the latest GSF application template, it is seeking more information about other funding sought by GSF applicants, including what other government grants the company has applied to in the past including both approved and declined applications. This evaluation did not have sufficient information to provide a firm conclusion on the issue of whether the GSF is displacing private sector funding.

4.4.3. Market Development Services

Are similar export-related services available from another provider?

There are a variety of private consulting firms and organisations (e.g. industry or business associations) offering various forms of MkDS services to firms for a fee. In recent years, NZTE itself has been outsourcing some of its MkDS services from the private sector to deal with increasing firm demand for more timely and sector specific and customised information³⁰.

Are firms accessing similar services from another provider?

Figure 9

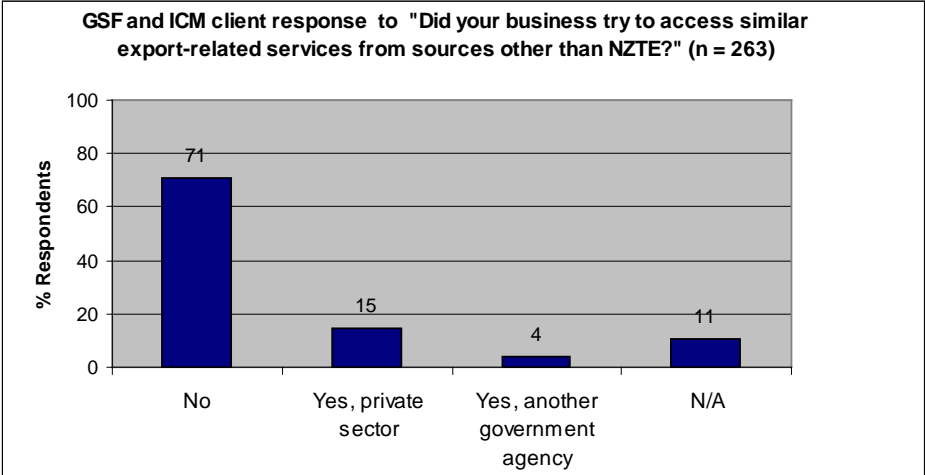


Figure 9 above shows the survey results for whether GSF and ICM firms tried to access export-related services from other sources. While the majority of these firms did not try other sources of funding, 15% tried to access private sector services and only 4% tried other government agencies. The survey did not ask whether the firms successfully obtained these services or from which specific organisations they sought these services.

³⁰ NZTE: Current offshore business model. Nov 2003 paper prepared by Jack Stephens, Group Manager, International Networks.

Figure 10

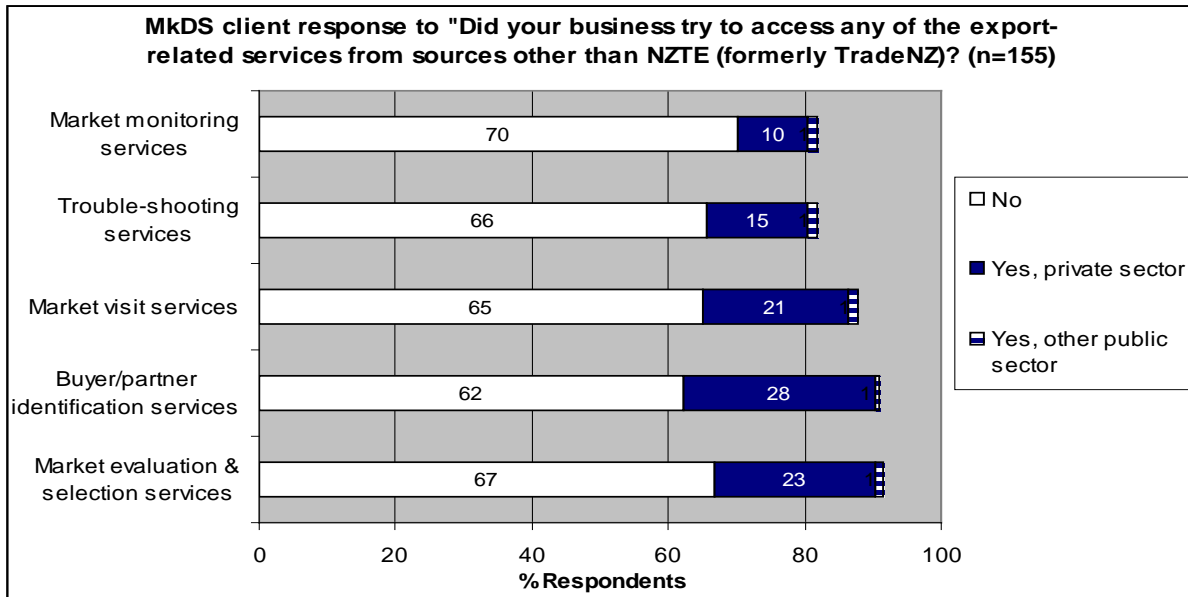


Figure 10 above shows survey results for firms that only received MkDS but not GSF or ICM. Among these firms, between 62-70% did not try to access MkDS from other providers. Between 10 to 28 % said they tried to access these services from private providers, particularly for buyer/partner identification services. The survey did not ask whether the firms successfully obtained these services or from which specific organisations they sought these services. Only two of these firms said they tried to access these services from another public agency. This evaluation did not have sufficient information to provide a firm conclusion on the issue of whether MkDS is displacing private sector service. NZTE is currently reviewing its MkDS with the aim of progressively making more use of third-party service providers, where such providers are suitable, available or can be developed³¹.

4.5. Other NZTE services accessed by GSR firms

4.5.1. Enterprise Development Grants and Enterprise Networks

Over the period 1 January 2000 to 30 June 2005, a total of 170 GSF recipients also received at least one of the following other grants offered by NZTE which do not target high growth potential firms:

- Enterprise Development Grant- Capability Building (EDG-CB)
- Enterprise Development Grant - Market Development (EDG-MD) which was introduced in January 2005 (check)
- Enterprise Network Grants (EN)

Of the total 583 firms that received the GSF over the period 1 Jan 2000 to 30 June 2005, 78 (13.3%) also received EDG-CB, 27 (4.6%) also received the EDG-MD, and 65 (11%) also received the EN grants.

³¹ February 2004 Review of NZTE's Globally-Focussed Activities (NZTE internal paper)

Figure 11

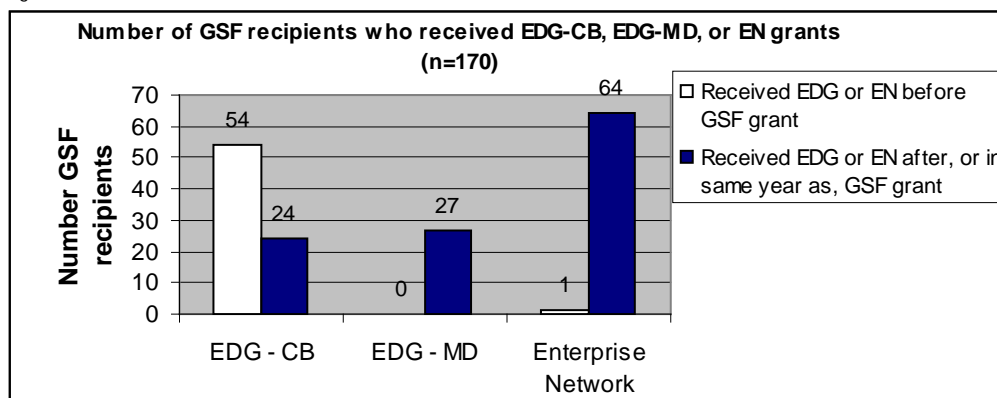
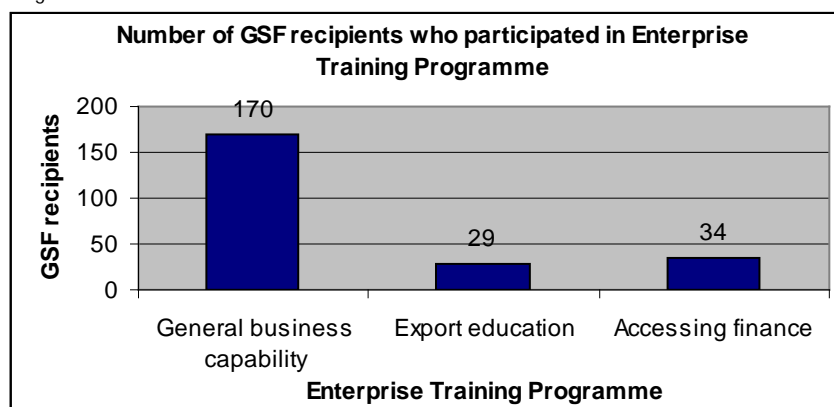


Figure 11 above shows that almost all (except 1) GSF recipients who received EN, half of GSF recipients who also received EDG-CB, and all GSF recipients who received EDG-MD, received these grants after or in the same year as they received the GSF grant (mainly because EDG-MD and EN were only created in 2005. Prior to 2005, EN was recorded as part of the EDG-CB grants). Of the 583 firms that received the GSF between 1 Jan 2000 and 30 June 2005, 4.6% also received the EDG-MD, 11% received the EN, 4% received the EDG-CB after or in the same year as they received the GSF grant.

4.5.2. Enterprise Training Programme (ETP)

Over the period 1 January 2000 to 30 June 2005, a total of 233 GSF recipients participated in various courses from NZTE's Enterprise Training Programme. The courses were categorised into General business capability building, Export education, and Accessing finance. Figure 12 shows the number of GSF recipients which participated in each type. The most widely accessed courses were on general business capability - 30% of GSF recipients participated in these courses compared to only 5% who participated in export education and 6% who participated in courses on accessing finance.

Figure 12



4.5.3. Escalator programme

Only 22 (3%) GSR firms participated in the Escalator programme, which is aimed at improving firms' access to finance. Of these firms, 20 participated in Escalator Investment Workshops and only 2 participated in Escalator Deal Brokering services. Improving firms' access to finance is one of the four policy objectives of the GSR. The finding that less than a quarter of GSR firms focused their GSR engagement on accessing finance and only 3% accessed the Escalator services suggests that these firms are not using NZTE services to improve their access to finance. The evaluation survey found that since involvement in the GSR, just under half of GSR firms experienced improved financial health and less than a quarter accessed debt or equity finance. The reasons behind, and implications of, these findings will be examined in an Evaluation of the Escalator programme currently underway. This will inform the GSR policy review/update to be conducted in 2006.

5. Findings: GSR Effectiveness

This section begins by examining the immediate outcomes of Client Management and the additionality of the Growth Services Fund. It then focuses on the effectiveness of the GSR in achieving the intermediate and final outcomes as set out in the intervention logic model.

5.1. Immediate outcomes of Client Management

Figure 13

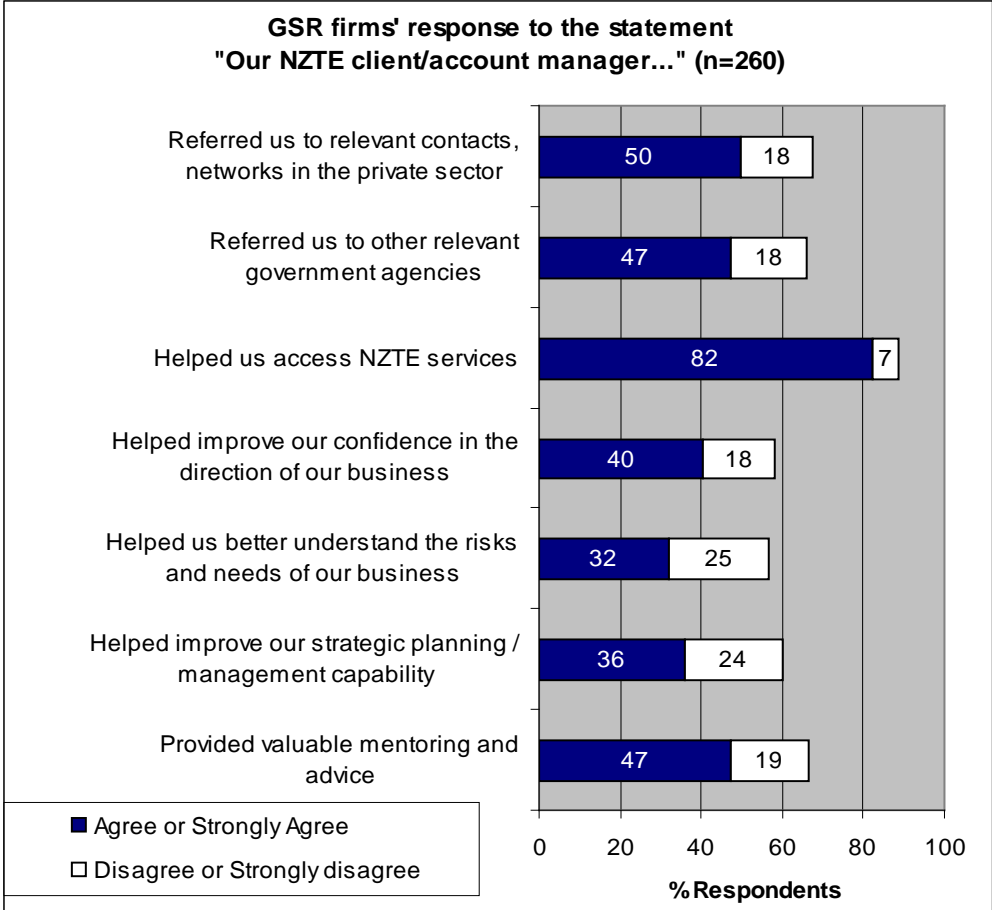


Figure 13 above shows results from the client survey on the immediate outcomes of Client Management. Firm responses show that the main outcome is that the Sector/Client Manager helped them access NZTE services. Another major outcome for 50% of the firms is that the Sector/Client Manager referred them to relevant contacts in the private sector which includes other companies or consultants. Almost half the firms also agreed that their Sector/Client Manager provided valuable mentoring and advice, and referred them to other government agencies that were relevant. Only about a third of firms agreed (and a quarter disagreed) that their Sector/Client Manager helped them better understand the risks and needs of their businesses or helped improve their strategic planning or management capability.

The following comments from firms illustrate the positive impact of Client Management:

(Our Sector Manager X) was (and continues to be) outstandingly helpful in helping us access the Growth Services. We're in the early stages of growth with particularly rapid progress being made here in London in the last month. This company is going to do really well and we appreciate our Sector Manager X and NZTE's confidence in us - watch this space - it's getting exciting! [ICT company]

We have an excellent relation with our NZTE Account(Sector) Manager, X, and he is very supportive of many of our business growth initiatives. The areas where we actually need NZTE assistance are limited to funding support and in that sense we are very happy with the support received. We do not require the 'advice' of people who know less about our business than we do, nor do we have the time to spend 'entertaining' them. X understands our needs well and works very effectively with all of our management team (as if he were, in fact, one of them). [Manufacturing company]

We have found our Sector Manager X to be highly motivated, knowledgeable and helpful. He has been supportive and responsive and has a very good understanding of our business and how and when NZTE services are relevant to our business situation and needs. His help in establishing synergistic relationships and general approach to his work with us has been outstanding. [Services company]

The following comment illustrates the dissatisfaction felt by some firms:

NZTE personnel, being process oriented and bureaucratic, struggle to understand the realities of entrepreneurial start ups. They can be more trouble than benefit.

5.2. Additionality of the Growth Services Fund

Figure 14

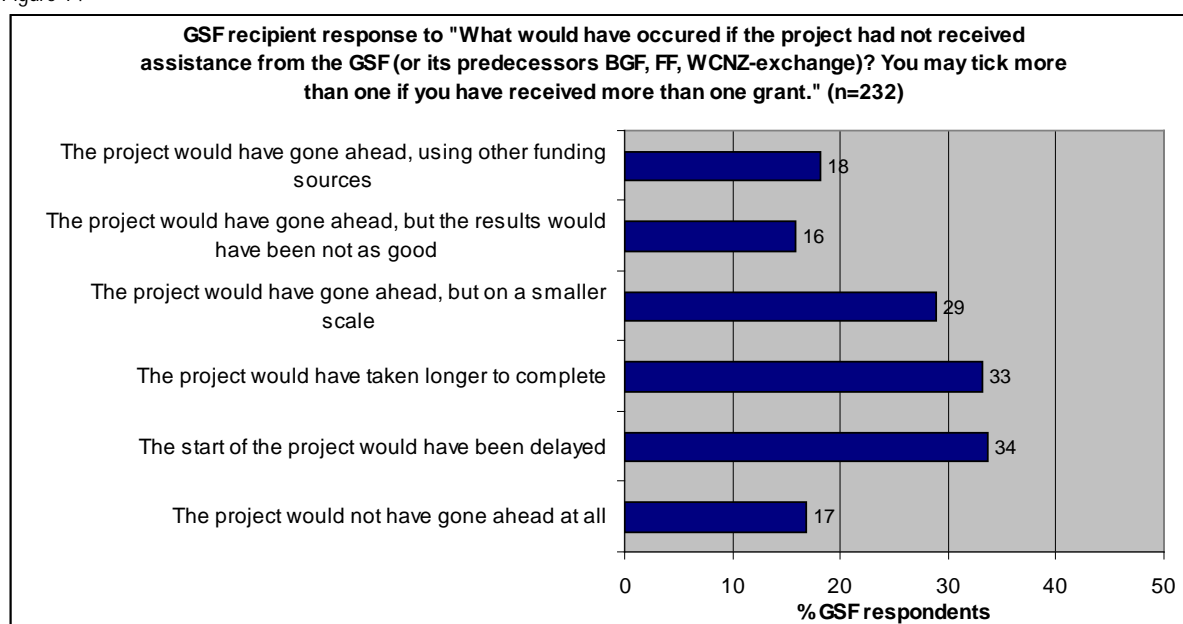


Figure 14 above shows responses of Growth Services Fund (GSF) recipients to the survey question asking them what would have happened to their project if it had not received funding from the GSF (or its predecessors). Less than 20% said the project would have gone ahead using alternative funding sources. Almost an equal proportion said the project would not have gone ahead at all. About a third thought the timing of the project would have been affected (started later or taken longer to complete). Others thought the project would have been smaller in scale and/or achieved poorer results.

Although correlation analysis could not be performed due to the categorical nature of the data, comparison between the survey responses of a) firms that indicated the project would have gone ahead, using other funding sources (i.e. no additionality) and b) firms that indicated the project would not have gone ahead at all (i.e. maximum additionality) indicated the following:

- focus of engagement: no differences were found between the two groups of firms in terms of which of the four intermediate outcomes their GSR engagement focused on suggesting that focus of engagement has no impact on amount of additionality of GSF.
- satisfaction with GSF application process: firms that indicated GSF had no additionality appeared more dissatisfied with the process. They seemed more likely to disagree that the time and resources required for the application was reasonable, their client manager provided sufficient help, and process of preparing the application was helpful.
- impact of client manager on additionality: Although the results do not indicate the direction of causality, firms that indicated GSF had maximum additionality seemed more likely to agree that their client manager had sufficient expertise and experience and provided timely response. They also appeared more likely to agree with the statements on Figure 13 that their client manager provided immediate benefits to their business.

5.3. Intermediate outcomes: Firm capability

Survey results on each of the four intermediate outcomes will be presented first followed by a conclusion on whether the findings indicate that the GSR is effective in achieving its intermediate outcomes.

5.3.1. Market knowledge and market development capabilities

Improvement since receiving the GSR

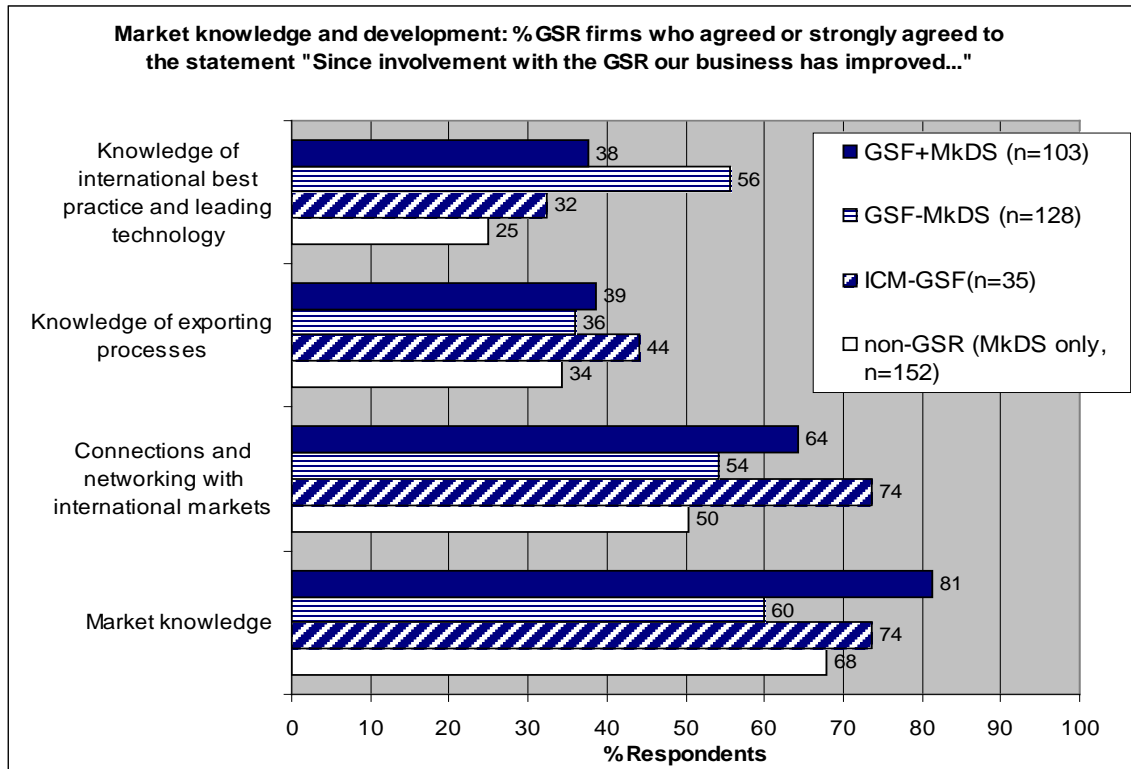
Figure 15 on the following page shows the percentage of GSR and non-GSR firms that experienced improvement in market knowledge and market development capabilities since involvement with the GSR. The four indicators for this outcome were based on the policy articulation of Market Development Services completed and approved by Ministers in July 2005.

Key to interpreting the Figures

Figures in the rest of this chapter present the results for different groups of firms that received various components of the GSR. The keys in the figures refer to the following groups:

- **GSF+MkDS:** GSR firms that received both the Growth Services Fund and Market Development Services
- **GSF-MkDS:** GSR firms that received the Growth Services Fund, but not Market Development Services
- **ICM-GSF:** GSR firms that received Intensive Client Management, but not the Growth Services Fund
- **Non-GSR (MkDS only):** Firms that only received Market Development Services, but neither the Growth Services Fund nor growth services Client Management, and are therefore considered non-GSR firms.

Figure 15



The indicator with the highest improvement rates is market knowledge. The majority (81%) of GSR firms that received both the Growth Services Fund and Market Development Services indicated that since involvement with the GSR, their business has improved in market knowledge. This result exceeds the draft Key Performance Indicator target of 75%. Results for the other three indicators of market engagement did not achieve this draft target.

Some of the NZTE staff and firms that were interviewed pointed out that market knowledge is an important indicator even if other market development outcomes do not emerge in the short term. Improvement in market knowledge is particularly important in cases when the firm decided not to pursue a certain market following information from NZTE about lack of market potential. One interviewee noted that *"the information gathered was useful if only in showing us that there was not an opportunity available in that area and we subsequently pursued developments elsewhere."* The main benefit of the market information in such cases is that time and resources are not wasted as a result of information showing lack of potential in a particular market.

Statistically significant differences were found for the following factors³²:

- Type of GSR service received: GSR firms that received the Growth Services Fund were more likely than non-GSR firms to experience improvement in connections and networking with international markets.
- Sector: Firms in the ICT, creative and services, or manufacturing sectors were more likely to experience improvement in knowledge of international best practice and leading technologies than firms in the food and beverage or wood processing sectors.

³² Statistical tests used are explained in the Methodology chapter.

Are these improvements attributable to the GSR?

Figure 16

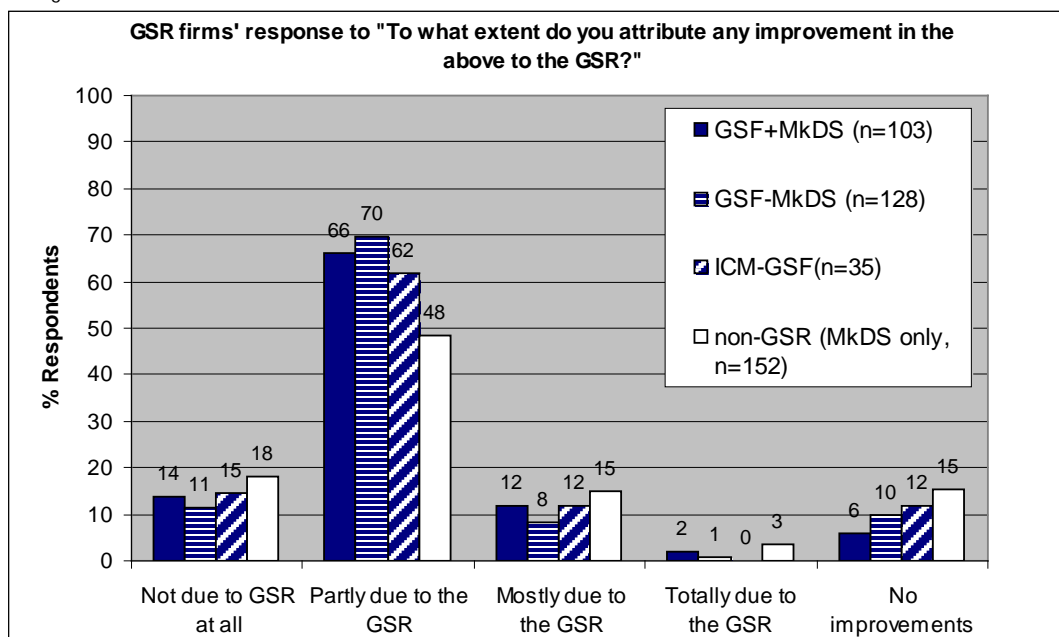


Figure 16 above shows that more than 75% of GSR firms that received the Growth Services Fund (80% of those who also received MkDS and 79% of those without MkDS) attributed their improvements in market knowledge and development at least partly to the GSR. This meets the target for the draft Key Performance Indicator of 75%. Attribution levels among firms that did not receive GSF did not meet this draft target. Firms with fewer than five FTEs were significantly more likely to attribute their improvements to the GSR. Statistical tests did not find any other significant differences in attribution level in terms of type of GSR service received, focus of GSR engagement, firm characteristics, or other NZTE services received.

It is unlikely that the improvements in market knowledge or market development capabilities are due to the two other NZTE programmes targeted at this objective as the number of GSR firms that participated in these other programmes is very low. As described earlier in Chapter 4, only 5% of GSR firms that received the Growth Service Fund participated in export education courses in the Enterprise Training programme and only 5% received market development funding from the Enterprise Development Grant.

The following comments from the survey illustrate the impacts of GSR on firms' market development capabilities:

We had exceptional service and very positive experiences when we had X as our advisor (Sector Manager).. His value add to our business was very much appreciated. His accessibility to us and his vast business experience enabled a steep learning curve to result in very positive outcomes for our business in the international market where we are strongly networked and our brand is well recognised. We attribute this directly to the funding we received that allowed us to penetrate these markets through the World Class New Zealanders fund in particular. We are still experiencing strong benefits from these activities that began 3 years ago. Thank you for the support we received. [ICT company]

With NZTE's help, both monetary and non-monetary, we have managed to create a platform on which to build a scalable offshore business in both Australia and the United States. While our numbers are still very small, we are now well-positioned strategically and we remain cautiously optimistic about the forward results. [ICT company]

Some firms emphasised that they need more assistance with market development as it is a greater priority for them than other areas, such as research and development:

Not enough focus on encouraging marketing spend. This is the real weakness of NZ companies. Not R&D - we can invent it but we can't sell it. Also a lack of Internationally experienced management is a big problem to focus on. [ICT company]

Why have the best products in the world if we can't afford to tell the world and create demand. [Design company]

Case study #1 provides a more detailed illustration of the type of GSR services provided to a firm and the impacts on market knowledge and market development capabilities.

Case study #1: Impact of GSR on market knowledge and market development capabilities

This company develops beverage products, and through a series of joint ventures, licensing, and distribution arrangements, manufactures and markets those products around the world under its own brands. One of its key products is made from a patented process developed and owned by the company. Established about 10 years ago, the company is a New Zealand holding company with joint ventures in other countries. NZTE considered the company to be a key enabler in the food and beverage industry with potential to create additional employment in downstream industries including growers of raw ingredients, processors of base ingredient, drink manufacturers, as well as labels and packaging companies.

NZTE services received

The company received the following GSR services:

- Two BGF/GSF grants in 2002/03 and 2003/04 totalling \$110,000. The first grant was to increase market development by undertaking new market research into additional countries, development of new labels, merchandising and exhibition materials and artwork, development of improved internal systems, business profiles and presentation materials, and intellectual property protection, particularly registration of trademarks. These projects have been completed. The second grant is for further market development and website redevelopment.
- MkDS: The company received various services from NZTE's offshore offices between 2000 and 2004 including: regulations and compliance reports, partner contacts and appointments, and events consultancy.

The company also received many Enterprise Network grants to attend various trade shows from 2001 to 2004.

Intermediate outcomes

The BGF/GSF has helped the company improve its market engagement and development. The company reported the following impacts:

- New distribution arrangements put in place in five countries and groundwork laid for subsequent distribution arrangements in two other countries
- Significantly improved skills and capability and market knowledge in four export markets
- Significantly enhanced internal systems to assist growth capability
- Significant progress in obtaining trade mark protection in each of its markets

The company's products are currently sold in 15 countries. While majority of the products are exported from New Zealand, products are also made in three countries under joint ventures.

According to the company these impacts have been *"a direct result of NZTE. We wouldn't have done it to the same extent. We went a lot further than we would have otherwise."*

The GSR has also improved the company's ability to commercialise its innovations. According to the company, *"our grants weren't focused on product development but the systems we put into place did help us commercialise. We have developed new products. We have the ability to*

develop technically due to the assistance of NZTE. NZTE has helped us with the systems to enable the product to enter the market.”

NZTE's assistance which helped improve the company's internal capability contributed to improving the company's ability to access finance. *“The work behind the grants, the marketing plans and the business plans, gives investors more to look at and have confidence in the business.”*

Ultimate outcomes (growth)

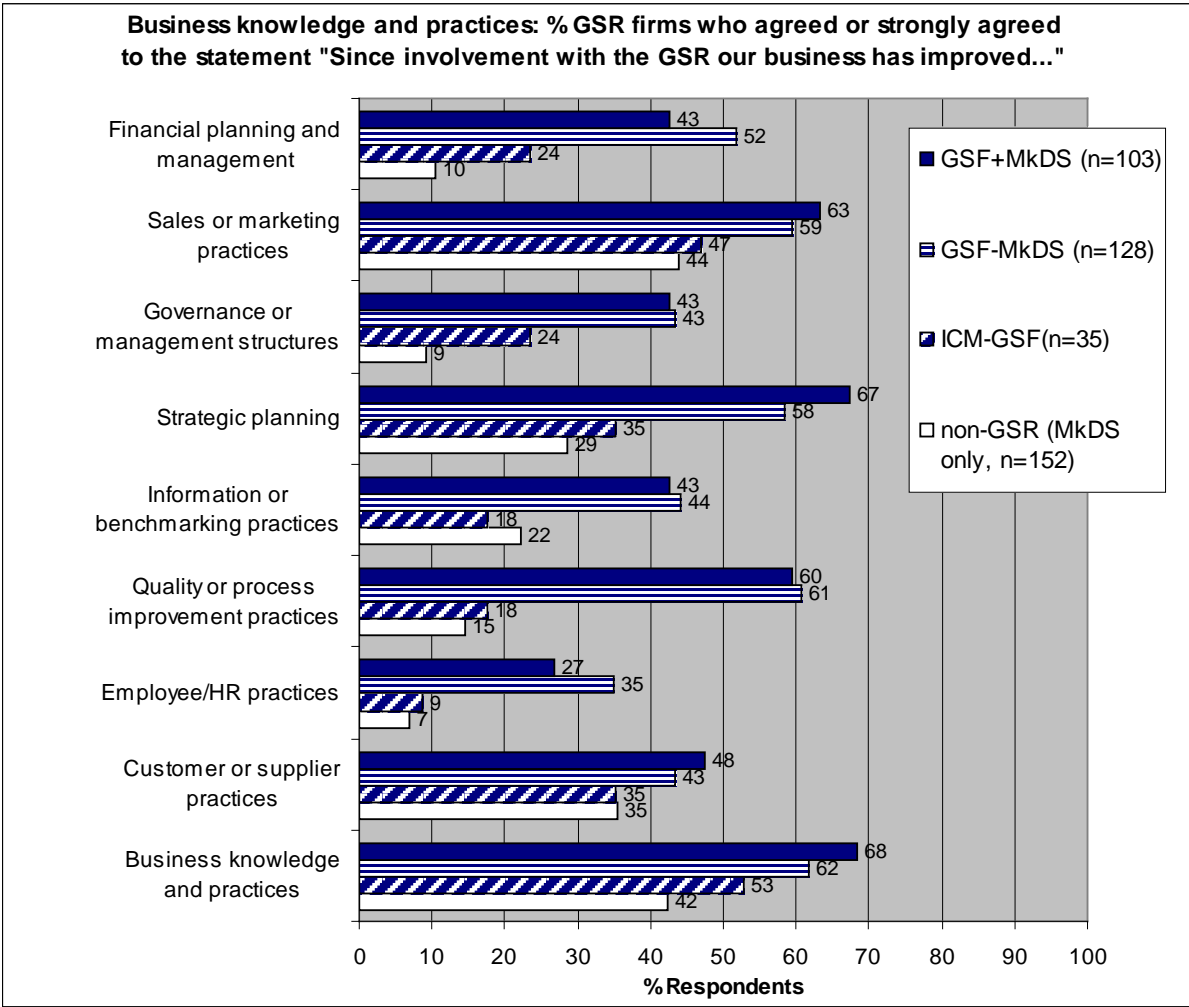
The company's turnover has grown from \$0.75 million in 2002 to \$1.56m in 2003 and approximately \$3 million in 2005 (estimate). It expects turnover to be at \$10 million in five years. In terms of FTE, the company grew from 1.85 FTEs in 2001 to 5 in 2003 and is projecting 7 FTEs by 2006. When asked about attribution of growth to NZTE, the company's response was: *“hard to be specific. We've utilised the funds and that does make a difference...over all it's been very, very helpful. Without the grant we wouldn't have done the things to the same extent. NZTE's help allowed us to accelerate and enter markets quickly.”*

5.3.2. Strategic, management and business capability

Improvement since receiving the GSR

Figure 17 below shows the percentage of GSR and non-GSR firms that experienced improvement in strategic, management, and business capability since involvement with the GSR. The nine indicators for this outcome were developed in discussion with MED policy and informed by the national Business Practices and Performance Survey conducted by Statistics New Zealand, NZTE’s template for assessing business capability, and interviews with GSR firms.

Figure 17



Across the four groups of firms, improvement rates appear to be highest for business knowledge and practices and lowest for employee/HR practices. About two-thirds of GSR firms that received the Growth Services Fund indicated they experienced improvement in business knowledge and practices since involvement with the GSR. The improvement rate on all nine indicators falls short of the draft Key Performance Indicator target of “75% of GSR firms report improvement in the following capability areas that were the focus of their firm’s engagement with NZTE.”

Statistically significant differences were found for the following factors³³:

- Type of GSR service received: For all nine capability indicators, GSR firms that received the Growth Services Fund were more likely to experience improvement than non-GSR firms.

³³ Statistical tests used are explained in the Methodology chapter.

- Sector: There were significant differences by sector on all of the indicators except the last two, customer or supplier practices and business knowledge and practices. On information or benchmarking practices and strategic planning, firms in the food and beverage sector were less likely to experience improvements than firms in the other sectors. On the other five indicators, firms in the ICT, creative and services, or manufacturing sectors were significantly more likely to experience improvement than firms in the food and beverage and wood processing sectors.
- Size: Firms with more than 100 FTEs were the least likely to report improvements in strategic planning and sales or marketing practices.

Are these improvements attributable to the GSR?

Figure 18

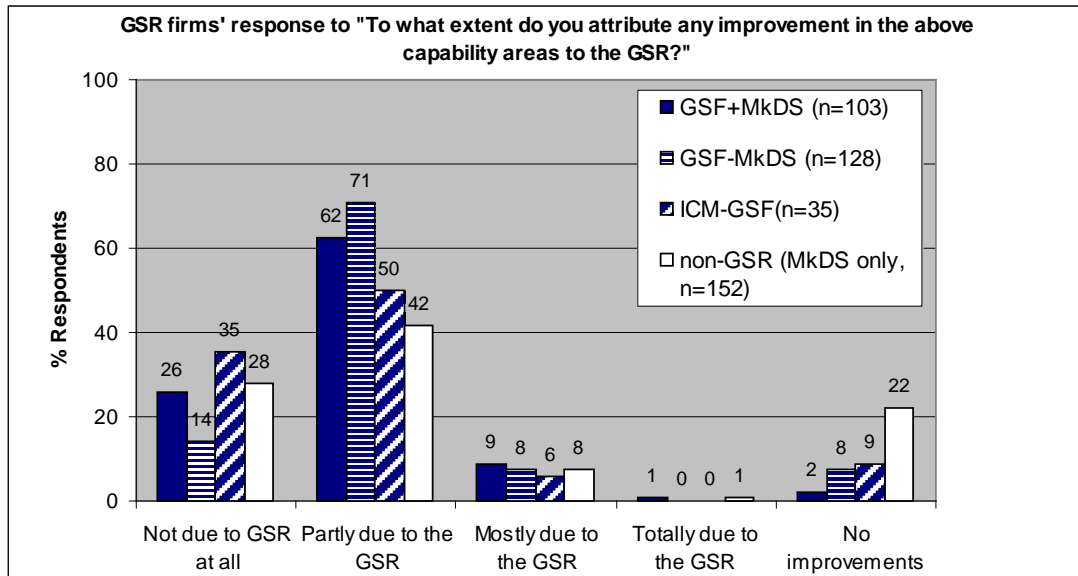


Figure 18 above shows that about 75% of GSF recipients (72% who also received MkDS and 79% who did not) at least partly attributed capability improvements to the GSR. This meets the draft target for the Key Performance Indicator of 75%. Compared to improvements in market knowledge and development, more firms (between 14 to 35%) thought that their improvements in strategic, management and business capability were not at all attributable to the GSR.

As described earlier in Chapter 4, among GSR firms that received the Growth Services Fund, 13% also received Enterprise Development Grants aimed at capability building (EDG-CB). These firms were found to be significantly more likely to experience improvements than other GSR firms that did not receive the EDG-CB grant, on all of the indicators on Figure 17 except employee or HR practices and information/benchmarking practices. Therefore, it is possible that for these firms, some of the observed improvements on the indicators in Figure 17 could be attributable to the EDG-CB grants as well as the GSR programme.

Chapter 4 also showed that 30% of GSR firms that received the Growth Services Fund also participated in courses on general business capability building as part of NZTE's Enterprise Training programme. These firms were found to be significantly more likely to experience improvement in all of the indicators on Figure 17 than other GSR firms that did not participate in the Enterprise Training courses. Therefore, it is possible that for these firms, some of the observed improvements on the indicators in Figure 17 could be attributable to the Enterprise Training courses as well as the GSR programme.

The following comments from the survey illustrate the impacts of the GSR on firms' strategic, management, and business capabilities:

The value goes far beyond any cash received. Better focus, better planning, identifying constraints." [A company in the defence industry which received a GSF award of \$130,000 in 2004/05]

The Sector Manager X enabled us, two main Directors of the company, to detach ourselves more from the business and take a more strategic overview focus to the whole business. This is a very good discipline- having monthly meetings with X where we are constantly reminded to think about the next 5 to 10 years, not just get immersed in the day-to-day business. We are starting to develop a more structured approach to our business. We have always had a business plan in our head but now we have the plan written down, with constant evaluation and review. [A niche manufacturing company which has not received a Growth Services Fund, but received intensive client management].

Case study #2 provides a more detailed illustration of the type of GSR services provided to a firm and the impacts on strategic, management and business capabilities.

Case study #2: Impact of GSR on strategic, management, and business capabilities

This ICT company was previously a state-owned enterprise and was privatised in 2001. This company has a current turnover of about \$12 million and about 100 FTEs. It started its engagement with NZTE in 2003 when it was completing a process of significant structural and operational rationalisation to increase its commercial focus. It is now a profit-driven company with export driven growth.

NZTE services received

The company received the following GSR services:

- Three BGF/GSF grants in 2003 totalling over \$110,000 for the following projects, all of which have been completed: review of its strategic business plan, review of its data systems, review of one of its products, overseas market strategy; market research for redevelopment of website, and development of an e-commerce strategy.
- MkDS: The company accessed a variety of these services from NZTE's offshore posts including events consultancy for a trade show, market research, and Development Bank monitoring.

The company received Enterprise Network funding from NZTE in 2004. It also received \$200,000 in funding from Technology New Zealand for product development.

Intermediate outcomes

The BGF/GSF grants improved the company's strategic, management, and business capabilities. When interviewed in March 2005 for this evaluation, the Managing Director explained that:

"The first grant was the base one to get things up and running. It was essential. We couldn't have run the business without it. The financial assistance helped the company to do things more quickly – the company had identified those internal issues that needed to be addressed, but NZTE helped to undertake these internal tasks in a shorter space of time."

The GSR also improved the company's ability to develop new and/or existing markets. According to the Managing Director:

"The company's focus over the past couple of years has been to get back on its feet in the domestic market and NZTE has assisted with that. Now that this area is sorted, the company is preparing to go international and be active in overseas markets. NZTE has helped the company to define those markets and shape the effort required, i.e. which markets and how we should approach these markets."

"The hit rates and user rates on the new website have increased and the e-commerce project has acted as a bit of a springboard into off-shore markets."

The e-commerce project funded by the grant was significant to get the company up and running again. It has expanded beyond what was initially set out in the grant application and the company has taken the project a step further, funding the project itself. The company found its participation at an international ICT tradeshow to be very valuable in identifying contacts and developing partnerships with other companies to expand its market reach.

The Managing Director thought that if the company had not received NZTE assistance, it would have undertaken both projects at some stage when resources became available but the projects would have been undertaken over a longer period (i.e. three years, instead of one year with NZTE assistance).

Ultimate outcomes (growth)

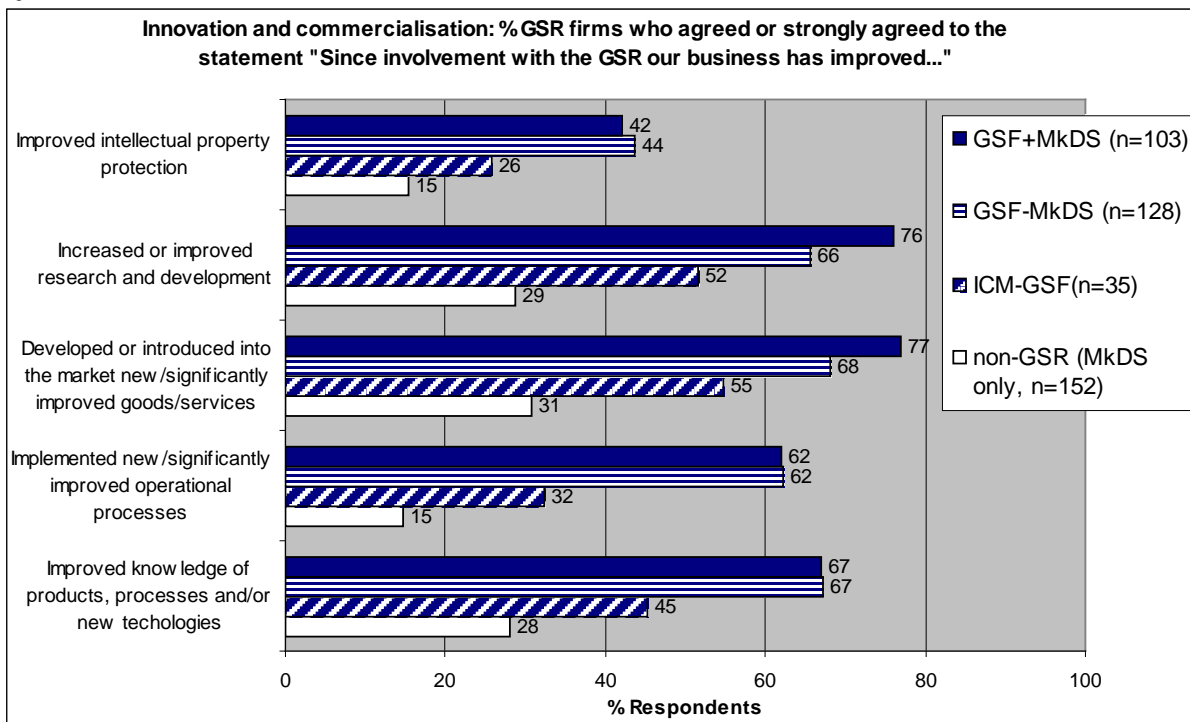
According to the Managing Director, the company's revenues have been fairly static. The company got out of \$3 million of high-risk overseas revenue but this was replaced with approximately equivalent domestic revenue growth. Its revenues grew from \$10.5 million in 2003 to approximately \$12 million in 2005. Its rationalisation efforts in 2003 halved its staff numbers to 100 FTEs which increased profitability dramatically, from a \$6 million loss to a \$2 million profit over the past two years. When interviewed in March 2005, the Managing Director said that within five years, he expects the company's revenue to be about \$40 million, increasing to \$100 million within ten years.

5.3.3. Capacity to innovate and access new technologies

Improvement since receiving the GSR

Figure 19 below shows the percentage of GSR and non-GSR firms that experienced improvement in capacity to innovate and access new technologies since involvement with the GSR. The five indicators for this outcome were developed in discussion with MED policy and informed by the national Innovation Survey conducted by Statistics New Zealand and interviews with GSR firms.

Figure 19



Across the four groups of firms, improvement rates appear to be highest for developed/introduced into the market new/significantly improved goods or services, followed by increased/improved research and development. The improvement levels on all five indicators falls short of the draft Key Performance Indicator

target of “75% of GSR firms report improvement in the following capability areas that were the focus of their firm’s engagement with NZTE.”

GSR firms appear to be more innovative than the average firm in New Zealand. According to the latest Survey of Innovation in New Zealand conducted by Statistics New Zealand in 2003, 40% of New Zealand firms reported that they implemented an innovative product, service or process in the three years prior to when the survey was conducted. When analysed by industry sector, manufacturing firms had the highest innovation rate, at 56% and construction firms had the lowest, at 25%. In comparison, over two-thirds of GSR firms that received the Growth Services Fund indicated they implemented an innovative product, service or process since involvement with the GSR. GSR firms that only received intensive client management but not the Growth Services Fund had lower rates of innovation, but still slightly higher than the national average in terms of innovation in products and services. Given that the reference period for the Statistics New Zealand survey is different from that of the evaluation survey³⁴, these results are not strictly comparable. However, the indication that GSR firms may be more innovative than the average New Zealand firm is consistent with the design and targeting of the GSR programme.

Statistically significant differences were found for the following factors³⁵:

- Type of GSR service received: For all five indicators of innovation, GSR firms that received the Growth Services Fund were more likely to experience improvement than non-GSR firms.
- Sector: On all five indicators, firms in the food and beverage sector were less likely to experience improvements than firms in the other sectors.
- Size: Firms with fewer than 5 FTEs were the least likely to experience improvements in knowledge of products, processes and/or new technologies, and implementation of new or significantly improved operational processes. There were no significant differences in terms of size on the other three indicators.
- Growth: A weak, but positive correlation was found between estimated export growth and likelihood of improvement in research and development, and development/introduction of new/improved goods or services³⁶.

³⁴ the reference period for the evaluation survey is closer to five years, as the evaluation survey focuses on accessing debt finance since involvement with the GSR (which could be as early as 1 January 2000).

³⁵ Statistical tests used are explained in the Methodology chapter.

³⁶ Correlation coefficient for research and development was 0.316 and for new/improved goods or services was 0.353. Both tested as significant (using Spearman’s rho) at the 0.01 level (2-tailed). Both correlations were considered significant but weak based on Cohen’s classification of effect size, with 0.3 being weak, 0.5 being moderate, and 0.75 being strong.

Are these improvements attributable to the GSR?

Figure 20

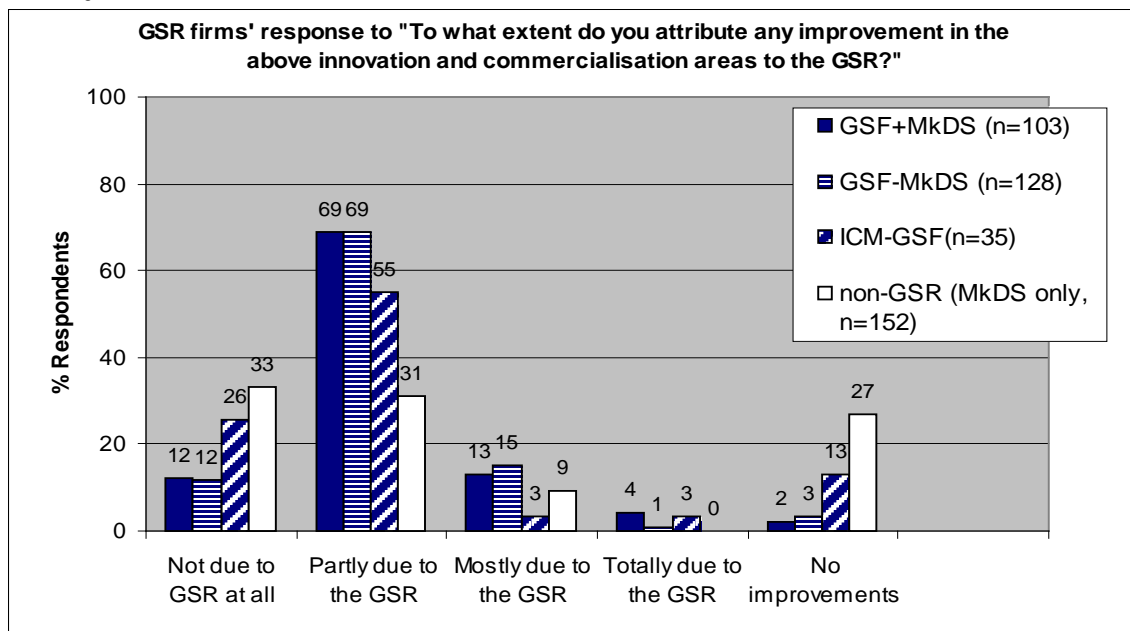


Figure 20 above shows that over 85% of GSF recipients attributed their improvements at least partly to the GSR. This meets the target for the Key Performance Indicator of 75%. Compared to the above improvements in market development or business capability areas, more GSF firms attribute their improvements in innovation and commercialisation to the GSR.

The following comments from the survey illustrate the impacts of GSR on firms' innovative capabilities:

Our company X is a biotech startup. The Growth Services assistance provided external advice to develop a strategic plan for commercialising our products and was very helpful. [This company received a total of \$16,200 in GSF funding between 2002 and 2004]

We are now more strategic in technology development, focusing on needs for tomorrow, not just today. Would we be as advanced today without the NZTE Sector Manager? Probably not. With his help, our business development is accelerated- by his presence and discipline. [A niche manufacturing company which has not received a Growth Services Fund, but received intensive client management.]

Case study #3 provides a more detailed illustration of the type of GSR services provided to a firm and the impacts on innovation capacity.

Case study #3: GSR impact on innovation capacity

This company is a manufacturer of school furniture. It is a family-owned business established over 50 years ago with about 50 FTEs currently and a turnover of \$8 million. It started engagement with Industry New Zealand in 2002 to seek assistance with market research and IP protection in the development of a new product to be exported.

NZTE services received

The company received the following GSR services:

- Three BGF/GSF grants in 2002 and 2003 totalling \$280,000. This was identified by the GSF assessment panel as one of the riskier GSF projects. The panel approved the successive grants as the company had a strong business case and the initial grant helped the company discover that the opportunity for its innovation was larger than initially expected. The first grant

provided assistance to obtain ergonomic data, develop and test prototypes, and plan for production of ergonomic furniture for exports. The company then discovered that internationally little work of this kind has been done (i.e. development of a database of student measurements to design ergonomic school furniture) and the market was larger than expected in the UK and US. The company had the opportunity to develop an international centre of excellence in ergonomic school furniture. They needed much more work to stay ahead of the wave. They developed strategic partnerships with a university and a few government agencies. They then applied and received more funding from NZTE to extend the database of student measurements and to bring the new product to market.

- **Market Development Services:** The company received a Partner Contacts Report for one of its target markets. When interviewed in April 2005, the Financial Controller said they have not yet acted on the report as the launch of the new product was behind schedule.

Intermediate outcomes

With NZTE's assistance, the company increased its innovation capacity and transformed from a manufacturing company to an international center of excellence in its industry:

“Both the company and individual staff members have grown in this aspect. Their blinkers have been taken off. There is now the desire to be innovative constantly looking for ways to improve things. They can't be just a manufacturing company, or they will be short-lived. The only way to add value is by being innovative. Research and development moved from being a nice to have, to the top most priority for the company. Now everything they do has to be researched, tested, and proven. Without NZTE we would not have improved on this aspect.”

Ultimate outcomes (growth)

When interviewed in April 2005, the Financial Controller reported that the new product has been completed. New Zealand is the current market for the product. The export plan has changed to seeding the international market and then selling licenses as manufacturing in New Zealand and shipping to export markets was no longer viable. Its revenue has grown from \$6.8 million in 2001 to \$8.6 million in 2004. Its FTEs declined from 59 in 2001 to 55 in 2004, but it expects to hire an additional 5 –10 FTEs to increase manufacturing hours to produce the chair.

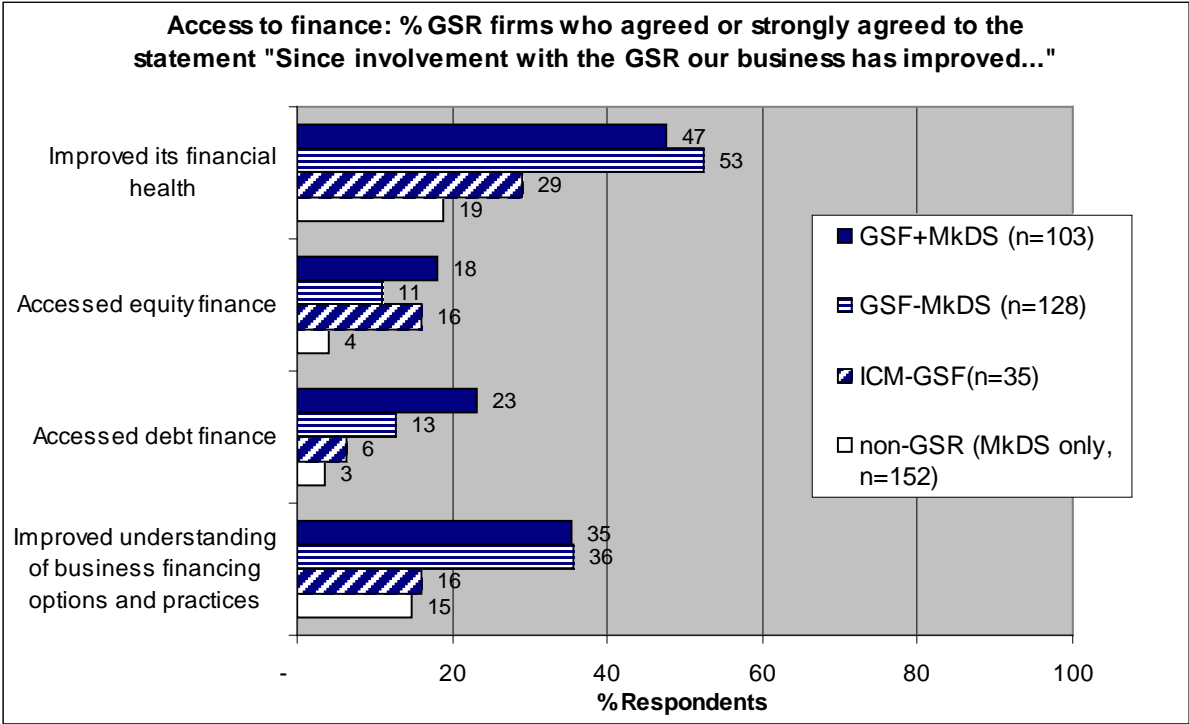
In terms of whether the outcomes can be attributed to NZTE's assistance, the company said that *“NZTE contributed not just the money but the backing of the idea, as it provided the company with the confidence in the direction and potential of its idea”*. Without NZTE assistance, the company said it would have started the project, but would have ended up with an inferior product and not become an international player, as they could not afford to do all that themselves.

5.3.4. Likelihood of accessing finance for growth

Improvement since receiving the GSR

Figure 21 below shows the percentage of GSR and non-GSR firms that experienced improvement in ability to access finance for growth since involvement with the GSR. The four indicators for this outcome were developed in discussion with MED policy, NZTE, and informed by interviews with GSR firms.

Figure 21



The indicator with the highest improvement rates is improved financial health. About half of GSR firms that received the Growth Services Fund indicated that since involvement with the GSR, the financial health of their firm (however it is defined by the firm) has improved. A third of these firms also indicated that their firm has improved understanding of business financing options and practices. The improvement levels on all four indicators falls short of the Key Performance Indicator target of 75%. Compared to the other three intermediate outcomes of the GSR, there are fewer firms that experienced improvements in access to finance.

Less than a quarter of GSR firms indicated they have accessed debt or equity financing since receiving the GSR services. Nevertheless, the results suggest that compared to the average New Zealand firm, GSR firms may be more likely to access equity financing. Among GSR firms, the rate of debt financing is only 1.3 times higher than the rate of equity financing. A recent Statistics New Zealand survey³⁷ of business financing among New Zealand firms in the 12 months prior to August 2004, found the following:

- 31% of firms received debt financing, while only 5% of firms received equity financing. Thus among New Zealand firms in general, the rate of debt financing is six times higher than the rate of equity financing.
- The most common source of equity financing are individuals in control of the business while the most common source of debt financing are banks.

³⁷ Ministry of Economic Development and Statistics New Zealand (2004). *Business Finance in New Zealand*

- The main use of the debt and equity finance was for working or operating capital and that the most common reason for not requesting debt or equity finance is that the additional finance was not needed.

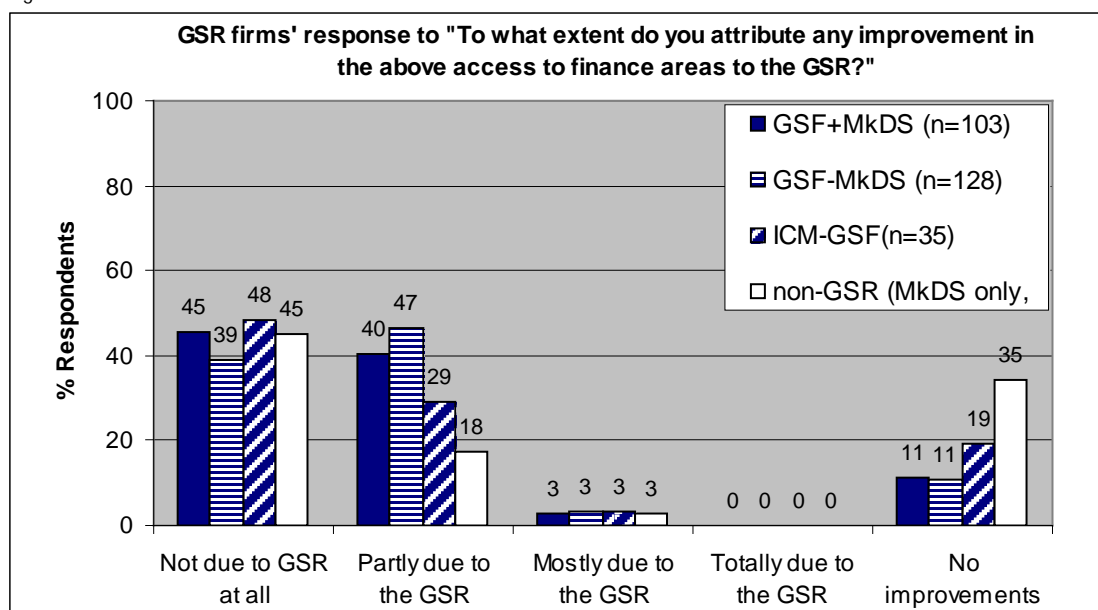
Given that the reference period for the Statistics New Zealand survey is different from that of the evaluation survey,³⁸ these results are not strictly comparable. However, they suggest that GSR firms may be more likely to access equity financing than the average New Zealand firm.

Statistically significant differences were found for the following factors³⁹:

- Type of GSR service received: On all four indicators, GSR firms that received the Growth Services Fund were more likely than non-GSR firms to experience improvement.
- Sector: Firms in the ICT sector were more likely than firms in other sectors to experience improvement in understanding of business financing options and practices. Firms in the creative and services and food and beverage sectors were less likely than firms in other sectors to access either debt or equity finance. Firms in the ICT or biotech sectors were more likely than firms in other sectors to experience improvement in their financial health.
- Size: Firms with more than 100 FTEs were the least likely to experience improvements in understanding of business financing options and practices.

Are these improvements attributable to the GSR?

Figure 22



Although less than a quarter of GSF recipients focused their GSR engagement on accessing finance (as shown previously in Figure 6), nearly half⁴⁰ attributed their improvement (particularly in financial health and understanding of financing options and practices) to the GSR as shown on Figure 22. This suggests that there may be spillovers from improvements in other intermediate outcomes on ability to access finance.

In the Integration Cabinet Papers it is specifically stated that the “growth services range will enhance enterprise development through ... enabling access to finance. The growth services range will focus on demand-side issues that affect firms’ access to finance, e.g. management capability, business planning,

³⁸ the reference period for the evaluation survey is closer to 5 years, as the evaluation survey focuses on accessing debt finance since involvement with the GSR (which could be as early as 1 January 2000).

³⁹ Statistical tests used are explained in the Methodology chapter.

⁴⁰ The number of clients who attributed their improvements at least partly to the GSR did not meet the target of 75%.

attitudes to external equity, and unrealistic expectations about business growth” (EDC (03) 55). Some of these concepts are captured in the intermediate outcome of “improved strategic, business and management capability”. This concept which basically focuses on “putting the house in order” improves the general position of a business and its attractiveness to investors, which then improves a business’ ability to access finance. Being granted funding from NZTE also tends to improve a business’ attractiveness to potential investors. The comment below from the one of the businesses interviewed illustrates the GSR’s impact on access to finance capability.

If we accessed external capital any work that we have done to increase internal capability, assisted by NZTE, has helped with this. The work behind the grants, the marketing plans and the business plans, gives investors more to look at and have confidence in the business. [Food and Beverage company]

It is unlikely that the improvements in ability to access finance are due to two other NZTE programmes targeted at this objective as the number of GSR firms that participated in these other programmes is very low. As described earlier in Chapter 4, only 3% of GSR firms participated in the Escalator programme and only 6% participated in Enterprise Training courses on accessing finance.

5.3.5. Conclusion: Effectiveness in achieving intermediate outcomes

Client Management

It was not possible in this evaluation to measure the separate impact of client management (as distinct from GSF or MkDS) on the intermediate outcomes due to the lack of a suitable comparison group and lack of pre- and post- intervention data. Survey results on the immediate outcomes of client management show that client management is effective in helping a vast majority of firms access NZTE services (more than the target of 75% of firms). However, client management is not as effective in achieving the other immediate outcomes. Less than half of firms thought Client Management is providing effective referrals outside NZTE, and mentoring and advice.

Growth Services Fund (GSF)

Based on the following findings, the evaluation concludes that there is sufficient⁴¹ evidence to suggest that the GSF is effective in achieving intermediate outcomes that are important contributors to the ultimate outcome of increasing firm growth:

- a) Among firms that received both the Growth Services Fund and Market Development Services, over 76% (exceeding the draft target of 75%) indicated their firm experienced improvements in market knowledge, research and development, and innovation in goods and services, since involvement with the GSR. Over 66% indicated they experienced improvements in the following indicators since involvement with the GSR: strategic planning, business knowledge and practices, and knowledge of products, process or technologies.
- b) Firms that received the Growth Services Fund are significantly more likely to experience improvements since receiving the GSR, compared to firms that did not receive the Growth Services Fund.

There is a possibility that the observed improvements are due to selection bias, rather than the GSF i.e. firms with stronger capabilities in the areas of intermediate outcomes are more likely to apply for the GSF. However, this possibility is somewhat mitigated by the deliberate wording of the survey question to target improvements *since* receiving GSR services, i.e. “Since involvement with the GSR our business improved...”. Furthermore over 70% of the firms that received both the Growth Services Fund and Market Development Services attributed their improvements listed in (a) above at least partly to the GSR. The level of attribution to the GSR was highest for innovation capability (86% of these firms attributed their improvement in innovation capability at least partly to the GSR).

The relationship between intermediate outcomes and total value of GSF paid to each firm over the period 2000 to 2005 was examined. The only relationship found to be statistically significant related to innovation

⁴¹ Bearing in mind the methodological limitations described in Section 3.

capacity. Firms with GSF grants less than \$30,000 in value were the least likely to develop or introduce into the market new/significantly improved goods/service or experience improvement in research and development. However, since the GSF is a 50% co-fund, the size of grant is more a reflection of project size than size of impact. Hence this result is likely to mean that most innovation projects require investment of over \$30,000.

Market Development Services (MkDS)

Among GSF recipients, the results indicate that MkDS may be effective in improving market knowledge and engagement. Survey results of GSF recipient firms that received the MkDS were compared with survey results of GSF recipient firms that did not receive the MkDS. It is recognised that these two groups are not strictly comparable due to likely differences in need (e.g. firms that did not receive MkDS may not be exporting or interested in exporting). Nevertheless the following trends were observed: GSF recipients who also received MkDS were more likely⁴² than GSF recipients who did not receive MkDS to experience improvements in market knowledge and connections and networking with international markets.

Sector differences in effectiveness

On all four intermediate outcomes there were significant differences across sectors in terms of improvement rates. The common pattern for one of the market development indicators, and five of the strategic, management and business capability indicators is that firms in the ICT, creative, and manufacturing sectors are significantly more likely to indicate improvements than firms in the food and beverage or wood processing sectors. On all five indicators of innovation, firms in the food and beverage sector are less likely than the others to report improvements. There is no clear sector trend across the four indicators of access to finance. Further analysis to uncover possible reasons for the sector differences showed the only significant relationship is between sector and firm age, with ICT and biotech firms being significantly younger than firms in other sectors. However since biotech firms did not show greater improvement levels than other firms, age seems an unlikely explanatory factor of the improvement rates. No relationship was found between firm sector and firm size, or satisfaction with the client manager, or the GSF application process, or perception of immediate outcomes from client management. This suggests that the sector differences in improvement levels cannot be explained simply by the firms' satisfaction with client management or the GSF.

In reviewing these findings, NZTE management suggested that one possible factor influencing the lower improvement levels in the food and beverage sector is that this sector was not a focus when the GSF programme was operated by Industry New Zealand, and as such no dedicated Business Development Managers or Sector Managers existed to drive the GSF programme with this sector. When the programme was transferred to NZTE, this sector was assigned specific Sector Managers and only then started receiving more focus. Therefore, there may be some lag in the demonstrated benefit of GSF among firms in this sector.

⁴² results were not statistically significant

5.4. Ultimate outcomes: Firm growth

5.4.1. Growth since receiving GSR

As explained in the Methodology chapter, this evaluation was unable to obtain Statistics New Zealand time series data to analyse actual growth of GSR firms and compare with the general growth trends of New Zealand firms.

The growth rates reported in Chapter 4 on programme reach and recipients was based on firm estimates of their growth rates over the last five years. However, as this survey data only provides estimated average annual growth over the entire five year period, it was not possible to distinguish growth before receiving the GSR from growth after receiving the GSR.

To examine 'post-intervention' growth, i.e. since receiving the GSR, survey data from the cohort of firms that received their first GSF (or its predecessor) grants in 2000 or 2001 was analysed. Since these two cohorts received their first grant four or five years ago, the average annual growth rate provided in their survey response is assumed to mainly reflect growth since receiving the GSR.

Figure 23

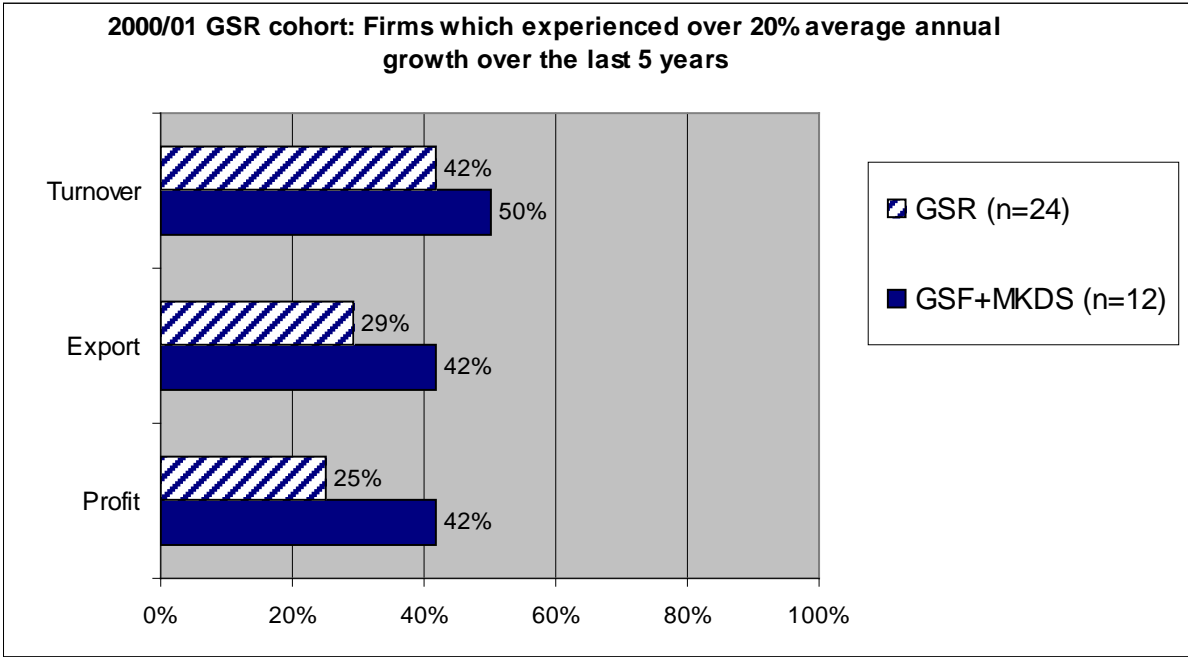


Figure 23 above shows the percentage of firms in the 2000/01 cohort who indicated they experienced over 20% average annual growth in turnover, exports and profits over the past five years (the distribution for each growth indicator are presented in the next figures). As data was available for only two non-GSR (MkDS only) firms, the sample was too small for a valid comparison with GSR firms. The results for GSR firms indicate that 42% of GSR firms experienced over 20% average annual growth in turnover. This 20% threshold is approximately three times greater than the national average over the past five years (shown in the Appendices). Less than a third of the firms experienced over 20% growth in exports and profits. The results also suggest that GSR firms that received both the Growth Services Fund and Market Development Services were more likely to experience high growth than those who only received the Growth Services Fund.

Figure 24

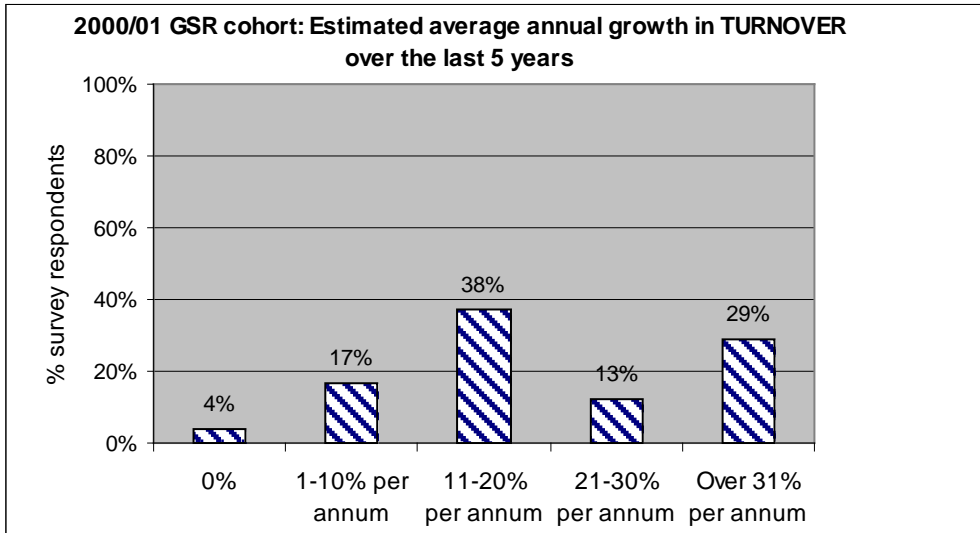


Figure 24 above shows the distribution of average growth in turnover among the 2000/01 cohort over the past 5 years. A total of 59% of GSR firms indicated they experienced average growth of less than 20% per annum. Almost 30% of GSR firms indicated they experienced average growth of over 30% per annum.

Figure 25

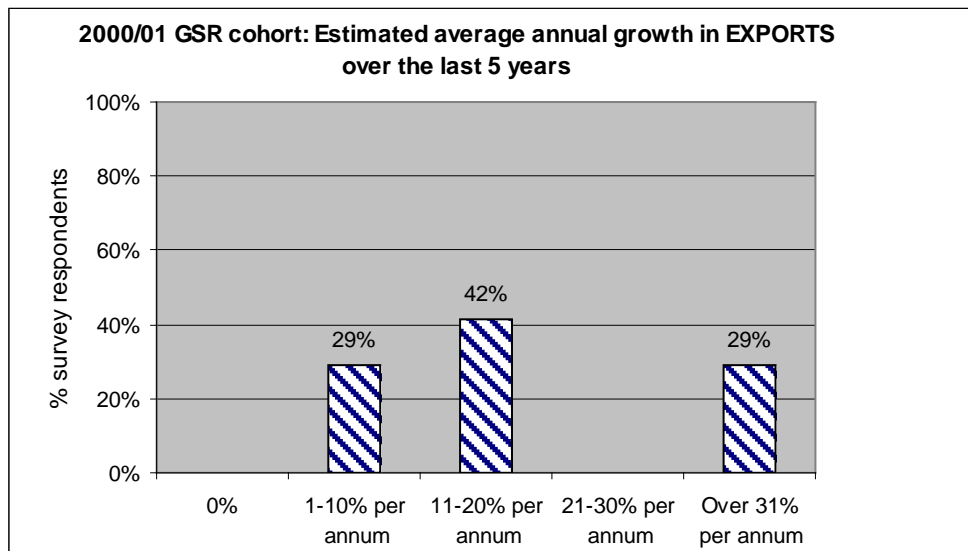


Figure 25 above shows the distribution of average growth in exports among the 2000/01 cohort over the past 5 years. A total of 71% of GSR firms indicated they experienced average growth of less than 20% per annum. Almost 30% of GSR firms indicated they experienced average growth of over 30% per annum.

Figure 26

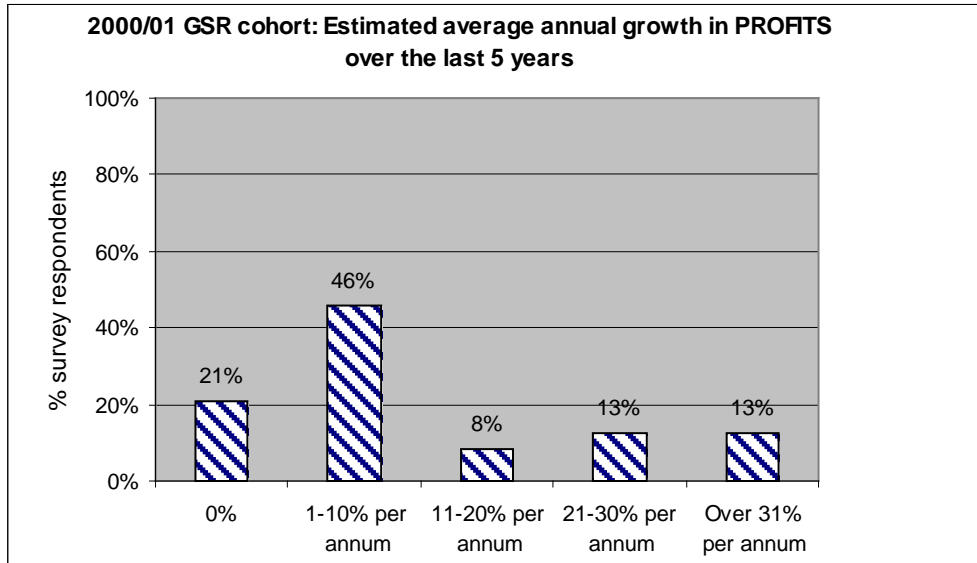


Figure 26 above shows the distribution of average growth in profits among the 2000/01 cohort over the past five years. A total of 75% of GSR firms indicated they experienced average growth of less than 20% per annum. Thirteen percent of GSR firms indicated they experienced average growth of over 30% per annum.

5.4.2. Attribution of growth to GSR

Figure 27

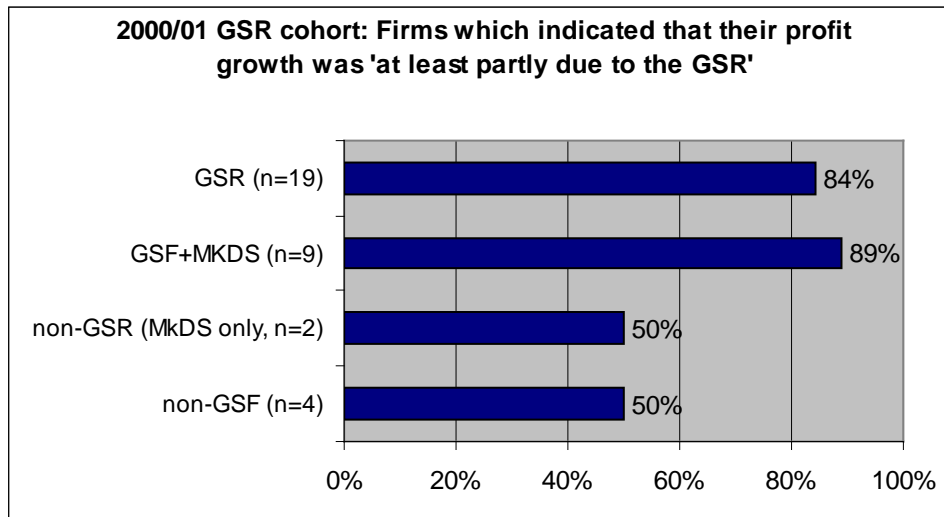


Figure 27 above shows the percentage of firms in the 2000/01 cohort which indicated that their profit growth was 'at least partly due to the GSR'. The survey results indicate that over 80% of GSR firms attributed their profit growth was 'at least partly due to the GSR'.

Problems with this subjective measure of attribution need to be acknowledged when interpreting the above results. According to theory of attribution from social-cognitive psychology, people are more likely to attribute positive change internally, rather than externally. These causal explanations can be self-serving. For example, if a business is successful, owners will see the cause as stable and internal - "our business grew because we worked really hard and our product is great", but if profit declines they are more likely to seek an outside or unstable cause - "we did badly that year because of the strong New Zealand dollar". Therefore, it is likely that the above results underestimate the actual level of growth that is attributable to the GSR.

Some firms that received significant amount of funding from the GSF as well as other NZTE grants were very pleased with the assistance and attributed their company's growth to the assistance:

We now have a capability to develop products and then market and sell to an international market. These sources of funding, coupled with five years hard work means we can start seeing real growth in profits. The process of applying for funding is a valuable method for focusing on specific well researched goals. Private sector funding has been unimpressed by the company, we will however turn in a 500k profit this year with significant more potential ahead. Thank you. [An ICT company which received a total of \$39,000 in GSF funding between 2002 and 2005, as well as \$95,000 from NZTE's Enterprise Development Grants]

The GSR has been a major force in our growth and strategic direction and success. A very successful initiative [A food and beverage company which received a total of \$123,000 in GSF between 2001 and 2004, as well as \$100,000 for market development from NZTE's Enterprise Development Grant]

5.4.3. External factors impacting firm growth

There are multiple external factors that influence the performance of a business, other than GSR participation. The strength of the New Zealand dollar was the most frequently cited factor among firms interviewed/surveyed for this evaluation as illustrated by the following comment:

We are an export business so the last set of financial questions should be kept in context with the high New Zealand dollar. Our exports have increase significantly during the past 3 years yet revenue is static and profits are down...growth in export sector very difficult in dollars and profit given the was that the NZ dollar has strengthened.

Other external factors mentioned by the firms include specific economies and markets, market demand, availability of skilled labour and competition, distributors, media, reputation, government compliance costs, cost of manufacture, regulatory and environmental changes, product quality, the attractiveness of New Zealand, environment/weather, supply of raw materials and cost of travel.

5.4.4. Too early to measure full impact of GSR on firm growth

At the outset of this evaluation it was recognised that since many firms only received the GSR services in the last two years, it may be too soon to fully evaluate the impact of the programme on ultimate firm performance. Storey (2003) noted that improvements may not occur immediately after the programme is delivered. Many of the interviewed or surveyed firms confirmed this:

The Growth Service has not yet fully impacted on our sales and profit, but it has produced considerable demand for quotations and specification on our products overseas. We expect this demand to convert to actual sales over the next 12 months.

It is still early days for actually investment based on the GSF we received. We anticipate an increasingly more positive outcome next year. We strongly support the GSF scheme, although the types of questions did not really allow us to appear quite so positive.

We have only recently received this grant so most of the anticipated benefits not yet starting to flow.

The extent of time lag between the GSR and impact on firm growth is likely to depend on the type of project funded by the GSF or assisted by client management or MkDS. The time lag may also vary across industry sectors. As illustrated by the following quotes, the GSR may lead to increased investment in research and development which in the short term may negatively impact profit growth.

With regards to profit growth the answers can be misleading as often access to BGF (predecessor to GSF) is a catalyst to invest further in R & D which can have a negative impact on EBIT although the company may still be enjoying a growth in profits. Or a company may indicate minimal profit movement due to ongoing or increased investment in the business.

Lack of growth in profits is a direct result of us continuing to put large amounts of resources into R&D. GSR assisted with this some time ago, but the total spend has proven to be very large, and hopefully we will start to see the results in the next year or two.

5.4.5. Conclusion: Effectiveness in achieving ultimate outcomes

Due to data limitations and the short time lag between programme intervention and measurement of impact, this evaluation is unable to make a firm conclusion on the impact of the GSR on the ultimate outcome of increasing firm growth.

However, estimated growth rates obtained from surveys of a small sub-group of firms that received the GSF (or its predecessors) between 2000 and 2001 (i.e. four or five years prior to the evaluation survey being conducted) indicated the following:

- Over a third of these firms experienced over 20% average annual growth in turnover since receiving the grant funding. Firms that received both the Growth Services Fund and Market Development Services were more likely to experience high growth than those who only received the Growth Services Fund.
- The vast majority of these firms attributed their growth in profits 'at least partly' to the GSR.

6. Findings: GSR Implementation and Delivery

The purpose of this chapter is to briefly describe how NZTE has implemented and delivered the government's policy for the GSR specified in the April 2003 Integration Cabinet paper EDC (03)55 and summarised in Chapter 2 of this report⁴³. Since transition of the GSR to NZTE in July 2003, there has been considerable evolution in the implementation and delivery of the programme. The description in this section is based on review of NZTE's operational guidelines for the GSR and interviews with NZTE staff conducted between January and March 2005. Where significant changes have been implemented since the time of these interviews (as in the case of the GSF application process), these are noted and updated with information provided by NZTE management.

With a scheme of this size, there are inevitably multiple perspectives on its operations. Generally this section is based on interviews with 18 NZTE Sector Managers. Where available, it will include the perspective of NZTE management provided after reviewing comments from Sector Managers. It comments on whether the implementation and delivery of the GSR seems consistent with policy intention. It also identifies key issues impacting the effectiveness of the GSR and provides recommendations for improving these programmes.

6.1. Client Management

6.1.1. Referrals to NZTE

The 35 firms interviewed for this evaluation were asked how they heard about NZTE (or its predecessor organisations). The most common response (a third of firms) was that the firms heard about NZTE through personal and professional contacts. Four firms were referred to NZTE by business associations and four others were referred by consultants.

Part of the policy intention for the GSR includes partnerships with business associations "who will be able to act as first round filters and refer appropriate business opportunities to Industry New Zealand" (DEV (00) 24). This evaluation interviewed five regional economic development agencies (EDAs) and one business association and discussed their referral process to NZTE, specifically in relation to high growth potential businesses. While all agencies referred businesses to NZTE, this appeared to happen on a general basis, that is, to NZTE as an organisation, rather than identifying a business as high growth and steering them specifically toward the Growth Services Range. As part of the Fast Forward process, many business associations were contacted and involved in workshops to identify high growth and high growth potential businesses that should be part of the Fast Forward programme. While this process appears to have been beneficial, there now appears to be low awareness of the Growth Services Range due to programme changes and programme re-branding (e.g. from Fast Forward to the GSR).

One of the EDAs interviewed pointed out that although they have a good working relationship with NZTE in general, this relationship is less well defined and there is less partnership in dealing with high growth firms. The EDA commented that it does not get feedback from NZTE on what has happened to the firm they referred to NZTE. The EDA does not know which firms have been successful in receiving NZTE assistance. The EDA emphasised that it useful if NZTE can regularly inform EDAs which firms applied, which were successful and what they received support for, as this would help EDAs play a more active role in making referrals.

6.1.2. Referrals to GSR

NZTE developed a client engagement model which states that all potential firms to NZTE should receive an initial appraisal via the Enterprise Hotline (now called Business Evaluation Team) or client managers. This is a high-level assessment of a firm's growth potential and stage of development, which enables NZTE to categorise firms as low-growth potential, emerging, medium-growth potential, or high-growth potential.

⁴³ It does not review implementation of predecessor programmes (i.e. BGF, FF, WCNZ).

If classified as low-growth potential, firms are referred to best available resources, which may be either off-the-shelf tools or referred to the activities of economic development partners. If classified as emerging, firms receive hotline client management, which is telephone account management. If firms are segmented as medium or high-growth potential, they are assigned a client manager who will provide client management services. Firms with high growth potential are assigned to a Sector Manager or Senior Client Manager. Firms with medium growth potential are mainly assigned to Client Managers who do not work on sector projects. Segmentation is fluid and a firm's segmentation may change throughout its engagement with NZTE.

Interviews conducted for this evaluation with 18 Sector/Client Managers found that among the current group of high growth potential firms, most did not come through the Enterprise Hotline (now called the Business Evaluation Team). Most of the current clients are legacy clients from Industry New Zealand and Trade New Zealand. The vast majority are through the Sector/Client Manager's personal networking.

6.1.3. Number and type of Sector/Client Managers

There were a total of 43 Sector Managers in July 2003 and this increased to 47 as of September 2005. Most Sector Managers (or Senior Client Managers) come from private sector management and consulting backgrounds. Many also served as Business Development Advisors in Industry New Zealand. In addition to providing individual client management and assistance with GSF applications, they also work on Sector engagement projects. Sector Managers are based in Christchurch, Dunedin, Wellington and Auckland but also travel extensively to other regions depending on where their clients are based.

6.1.4. Sector classification

NZTE classifies GSR firms into seven main sectors – Bio-technology, Information and Communication Technology, Education, Food and Beverage, Wood Processing, Creative and Services, and Manufacturing. Each Sector Manager focuses on one of the seven main sectors. Sector Managers who were interviewed explained that in practice, the sector classifications are not rigid as many firms belong to more than one sector depending on what dimension is being categorised. Firms are encouraged to think 'market' rather than 'product'. For example, if using the narrow 'product' definition, the Food and Beverage sector refers to firms producing edible items. Among such firms it may be harder to find companies with high growth potential in terms of 'disruptive, value innovations' as most are incremental innovators. However using the broader 'value web' or market definition, the Food and Beverage sector includes innovations and opportunities in traceability, international trading, automated harvesting, processing and packaging technologies, biotech. The Sector Manager explained that in cases where a firm could be classified in one or more sectors, pragmatism would determine the sector they were managed under. In practice which Sector Manager a firm ends up working with sometimes depends partly on who contacted the firm first, and who relates best with the firm.

Even though only one Sector Manager is formally assigned to each firm, Sector Managers still seek help from their colleagues if they lack experience or expertise in handling a particular issue or if the firm fits into more than one sector e.g. Food and Beverage and Niche Manufacturing. In some cases, managers would work in tandem with another e.g. both visit the firm. One manager may have strengths in business capability, while the other's lie in market development.

6.1.5. Assessment of firms

Sector Managers have an important role in conducting diagnostic assessments which identify the needs and risks faced by their clients before helping them identify the strategies and services to address those needs/risks. The scope of this assessment may cover financials, business needs, market analysis. The evaluation survey results show that only a third of firms agreed that their Sector Manager helped them better understand the risks and needs of their business and 25% disagreed. This suggests that there is room for further professional development. Firm assessment is further described in the next section on implementation and delivery of GSF.

6.1.6. Determining the appropriate mix of services

According to the NZTE client engagement model, following in-depth assessments, Sector Managers should create a Development Plan for each high growth potential firm. This details what projects need to be done, what service line or referral will be used to complete the project, timelines and expected NZTE impact. However, among the 35 businesses case studied for this evaluation, a copy of a formal NZTE Development Plan was found in the files of only two businesses. All Sector Managers commented that businesses already had a business plan or equivalent documents, and the Sector Manager was aware of where NZTE assistance would fit in and a separate NZTE Development Plan seemed unnecessary. Some used a different format rather than the NZTE Development Plan template. One manager commented that the current NZTE Development Plan template was unsuitable for businesses with high uncertainty.

After reviewing the above comments, NZTE management explained that the Development Plan template was originally envisaged as a pipeline management tool to forecast work, number of projects, and amount of funding needed. It also pointed out that parts of the Development Plan template have been picked up in different parts of client information management system. However this template was subsequently found not to be suitable across all sectors. The ICT and Food and Beverage team at NZTE are investigating the Pathfinder programme currently used by Biotech team to assist with focussed capability development of clients. The Pathfinder approach suits firms where things are changing quickly and it is important to give objectives and a sense of what the firm is planning, rather than a mandated, structured approach such as a pipeline plan. NZTE management informed this evaluation that it will be reviewing the use of Development Plans as part of its client engagement work with the strategy implementation.

6.1.7. Intensity and customisation of client management

The intensity and customisation of client management provided to a firm depends on the firm's growth potential, its needs, and the level of assistance that the firm desires. It also depends on other factors, such as maturity of the business, size of the business or whether they are undertaking major change or a project. According to the Sector Managers interviewed, engagement is usually intensive when a GSF application is being prepared and sometimes when the business is claiming its awarded fund. The Sector Managers often had daily contact with businesses during a GSF application. At other times, most Sector Managers reported a weekly phone call or e-mail and a monthly visit to the business premises.

6.1.8. Identifying new clients and graduating old clients

At the integration, NZTE inherited many 'legacy' firms from its predecessor organisations resulting in Sector Managers having portfolios that are very large. NZTE's focus since the merger has been to reduce the number of clients receiving client management. As a consequence, Sector Managers have had little time to proactively identify new clients even though this was one of the intentions in the GSR policy. No information is available on how many clients in the Sector Manager's portfolios are new as opposed to old. It also appears that there is a lack of formal processes for graduating/exiting clients from client management.

None of the Sector Managers interviewed for this evaluation had developed a formal strategy for disengagement with clients. They explained that disengagement happens naturally when the business has completed a project and no longer contacts NZTE. Time is money for the company, particularly the senior management staff who deal directly with NZTE Sector Managers and they will not engage with the Sector Managers unless they think they can add value.

There appeared to be different approaches to dealing with firms that were no longer requiring intensive client management or no longer going through a period of high growth. Some Sector Managers did not think there was a need to reassign such firms to Client Managers or the Business Evaluation Team who work with lower growth potential firms. These Sector Managers explained that such firms go into 'semi-hibernation', a period when they seldom contact the Sector Managers, and sit in the 'back-burner' of the Sector Manager's portfolio. Such firms may call on the Sector Manager at a later date if they need their assistance. Other Sector Managers do reassess firms that are no longer showing high growth potential and reassign them to Client Managers or the Business Evaluation Team.

NZTE is currently reviewing its approaches to client engagement and has divided firms in Sector Managers' portfolios into three general categories: sector projects; client managed; and relationships/networks. This categorisation would help improve clarity on entry and exit from client management.

6.1.9. Mentoring, advice, and referrals

An issue NZTE is currently reviewing concerns the boundaries of the mentoring and advice that Sector Managers provide to firms. The policy specifications in the Cabinet paper stated that Sector Managers should provide appropriate mentoring and commercial counselling (but not strategic business advice or advice that would constitute investment advice). NZTE's explanation to potential firms on the role of a client/sector manager states that client/sector managers do not act as consultants, but rather their role is to help firms identify their needs, and develop strategies and options for addressing those needs. Client/Sector Managers' role is also to challenge the firm's perception and make suggestions, because sometimes the managers of the firm are too close to the everyday business to see issues clearly.

The Sector Managers who were interviewed reinforced the importance of being clear about what their role should and should not be:

You have to be careful otherwise you become a de facto manager. It's not our brief. We don't want clients to be reliant on us. You would then become a director of all your companies.

It's not our job to hold their hand all the time. They need breathing space to develop their business

You have to balance enthusiasm for the business with risk to NZTE.

None of the Sector Managers who were interviewed mentioned concern with potential risks or liability with the advice they give to firms.

The evaluation found that client management provided by Sector Managers helped the majority (82%) of firms access NZTE services. However, there is room for improvement in terms of increasing the effectiveness of assessment, mentoring, advice, and referrals provided by Sector Managers (less than half agreed and up to a quarter disagreed that their client manager provided these various services effectively). The functions of assessment, advice and referrals rely heavily on Sector Managers' judgement and experience. Sector Managers who were interviewed emphasised that high growth potential businesses are dynamic and diverse, and therefore a textbook approach to client managing these businesses would not be appropriate. They said flexibility is needed to ensure the client management approach and intensiveness is customised to the particular needs and stage of the business.

Some of the firms interviewed for this evaluation said they were struggling to access the right information or person from other government agencies. Even though NZTE is helping them access NZTE services, these companies are not getting much cooperation from other government agencies. They see a role for NZTE to serve as a key liaison with the government, facilitating their access not just to NZTE, but to other government agencies (beyond just information referral, but actually helping them get the right information, and talk to the right people).

6.1.10. Caseloads and sector projects

Interviews with 18 Sector Managers early in 2005 revealed several concerns relating to caseloads. NZTE has been reviewing the portfolio sizes and making efforts to reduce the number of firms to a more manageable load for Sector Managers. It has also been working to streamline the grant application process and the client information database (Pivotal). The following concerns may have been addressed by NZTE's recent process improvements:

- The majority of Sector Managers commented that the size of their client portfolio was too large and would prefer more client-facing time. Some commented on the variability of workload across Sector

Managers. This variability could be due in part to the different approaches Sector Managers take to client management and GSF applications (some being more hands on or proactive than others) and firms in some sectors requiring more intensive client management. NZTE estimated⁴⁴ that the average number of firms in a Sector Manager's portfolio has declined from 23 in the first half of the 2004/05 year, to 21 in the second half of the 2004/05 year.

- Sector Managers were concerned with the amount of time they spent doing administrative tasks. Grant applications were considered to be a particular source of increased administrative load.
- Sector Managers said that one of the consequences of heavy case loads and amount of administrative tasks is less proactive identification of high growth and high growth potential businesses. Another consequence is less time for face to face meetings with businesses. Some thought they could improve the performance of businesses more if they spend more time away from their desks. They also had less "quiet time" to do research on the business and their products which is important for really understanding and adding value to a business.
- In addition to providing client management to individual firms in their portfolio, Sector Managers also work on sector projects. Some of the Sector Managers interviewed for this evaluation were concerned that increased focus on sector projects could be to the detriment of their client management work.

Although the Sector Managers who were interviewed were concerned about not having enough time for individual firms, the evaluation survey found that the majority (81%) of firms agreed or strongly agreed that their Sector/Client Manager responded to them in a timely manner. Only 9% disagreed or strongly disagreed with this statement. Although slightly lower than the draft target of 85%, this is a very positive result.

6.1.11. Skills and experience of Sector Managers

The evaluation survey found that almost two-thirds (62%) of firms thought that their Sector Manager had the experience and expertise to help their business (lower than the draft target of 85%). Only 11% disagreed or strongly disagreed with this statement.

Among the 18 Sector Managers who were interviewed, many expressed the need for more professional development and support to improve their ability to make sound assessments, and provide good mentoring, advice and referrals. This is particularly important to maintain the ongoing quality of the Client Management programme as a lot of what Sector Managers do relies on good judgement based on their skills and experience. The types of professional development and support that Sector Managers who were interviewed identified as useful include discussion forums, peer review and on the job mentoring focusing on the "business of being a sector manager" (including assessment of net economic benefit, how they can best help businesses get through a period of high growth, and high change, discussing different approaches or difficult cases). Such forums would also increase cohesive among Sector Managers. They also would like more opportunities to provide feedback on programme changes and improvements.

In reviewing the above comments, NZTE management responded that the organisation is at an early stage of development and these issues are being addressed most recently through a series of training sessions provided for Sector Managers in implementing the new process for assessing net economic benefit and GSF applications.

6.1.12. Linkages and partnerships with other individuals and organisations

In addition to their industry knowledge and experience, Sector Managers rely a lot on having good networks. They meet and work with a lot of businesses, other delivery agencies, and non-government providers of business services. An important part of their role is to 'cross-pollinate' and help build networks of innovative and high-performing businesses. In addition to their portfolio of clients Sector Managers also develop relationships with "influencers" who are high profile companies in a sector and who can feed knowledge

⁴⁴ Based on NZTE survey of Sector Managers conducted in September 2005.

back into the industry, can boost the industry considerably if they are successful, and help the Sector Manager gain credibility in the sector they are working in. Some also work closely with Technology NZ particularly when they have common clients, they visit the firms together.

6.1.13. Accessibility to the needs of Maori, Pacific peoples and women

The principle of Sector Managers being accessible and responsive to these target groups was part of the GSR policy intent stated in the April 2003 Cabinet paper. However NZTE has been unable to obtain complete or accurate data on ethnicity or gender of the principal contact or ownership of the GSR firms. In implementing the GSR programme, it has assessed firms' eligibility for services based on the needs and growth potential of the firm, not gender or ethnicity. Firms previously served by the Maori Enterprise Team have been incorporated into main client portfolio and assigned a Client Manager or Sector Manager depending on their growth potential and industry sector. The issue of whether this principle applies to NZTE services as a whole system, or the GSR in particular, needs to be clarified as part of the policy review.

6.1.14. Conclusion and recommendations

The implementation and delivery of client management for high growth potential firms seems broadly consistent with policy intentions (EDC (03) 55 refers) with the exception of two aspects. First, there is a lack of proactive identification of new firms and formal processes for graduating existing firms. Second, NZTE requires clarification on whether the principle of accessibility and responsiveness to certain target groups applies to the whole system of NZTE assistance or to the GSR in particular.

It is recommended that NZTE considers:

- reviewing guidelines and criteria to ensure clarity regarding firm entry and exit from GSR client management. Both objective as well as subjective criteria should be stated and the results of the assessment documented;
- reporting the number of new GSR firms receiving client management each year and examining the appropriateness of setting annual targets on number of new firms served;
- reviewing whether Sector Managers have sufficient guidelines, professional development and other support to provide effective assessment, mentoring, advice and referrals for firms. Suggestions from Sector Managers interviewed for this evaluation include: forums to discuss approaches with each other and learn from each other's experiences; and ensuring Sector Managers have sufficient time to stay abreast of key developments in their industry of focus and develop and maintain good networks with relevant contacts in the private sector and other government agencies.

It is also recommended that the role and responsibility of NZTE with respect to the principle of accessibility and responsiveness to Maori, Pacific people, and women, be clarified as part of a GSR policy review and update to be conducted by MED and MFAT, in consultation with NZTE.

6.2. Growth Services Fund (GSF)

The administration of the GSF was reviewed by the Office of the Auditor General (OAG) in 2004 (Dec 2004 report refers). The OAG's review covered the application and assessment process as well as monitoring of the grants. The overall findings include:

- Not all the Cabinet criteria were explicitly addressed in all GSF applications
- NZTE operating guidelines for administering the GSF from Oct 2003 were satisfactory
- Documentation was variable
- Comprehensive approach to assessment of risk
- Assessment procedures were satisfactory
- Monitoring, and collecting monitoring information was satisfactory.

In September 2005, NZTE introduced an improved process for the administration of GSF, which incorporates the OAG's recommendations.

6.2.1. Eligibility screening

According to the NZTE Procedures Manual for the GSF recently revised on 1 September, 2005, the process of screening firms for the GSF consists of the following steps:

- Identification that a firm has a potential need for a GSF
- Sector Manager conducts the following assessments: capability, needs and financial assessment, background checks, development plan, GSF eligibility criteria, high growth potential (i.e. potential to grow at the rate of 20% and/or \$5 million, over the next 5 years) and potential for net economic benefit.
- Sector Manager reviews firm eligibility with Sector Director. If they agree that the firm has high growth potential and potential for net economic benefit, proceed with GSF proposal. If the firm fits other NZTE programmes or services redirect to appropriate team or pass to the Business Evaluation Team which works with firms that require or request case management however are not considered to be high growth firms at this time.
- Therefore Sector Managers play a critical role in screening out firms that are not eligible, not ready, or do not need a GSF. As a firm's access to the GSF is only by invitation from Sector Managers after this thorough screening process, the number of applications that are rejected by the Assessment Panel is low.

Eligibility of firms

The Cabinet criteria for the GSF states that indicatively, to be eligible firms must have no more than 100 full-time-equivalent employees and/or annual turnover of less than \$50 million. Additionally, they must be resident in New Zealand. A few of the Sector Managers who were interviewed suggested that NZTE should be less concerned with foreign ownership and business size rules and focus more on net economic benefit, for example, new jobs created or spillover benefits to other businesses. However, the Cabinet paper states the size criteria is 'indicative' suggesting that NZTE has the flexibility to make exceptions for cases which are justifiable. NZTE has been criticised in the media in recent years for awarding the GSF to a few large firms. Complete and accurate data on size and turnover of firms were not available for this evaluation, however, among GSF firms for which FTE data was available, firms with over 100 FTEs comprised 16% of GSF firms that received MkDS, and 11% of GSF firms that did not receive MkDS. It is not known if the FTE data reflects the size of the firms before or after receiving the GSF.

Eligible activities

When firms were asked if there were any weaknesses in the GSF programme and how they could be addressed, one of the most frequent responses was inflexibility around what costs or activities were eligible for GSF funding. They wanted more flexibility for the GSF to fund internal costs, marketing costs, travel costs relating to market development, as illustrated by the following comments:

Internal costs:

Funding is very hard to get. Spend requirements are high before any funding is given. Only allows for external services. Companies that are more resourceful and try to cut costs by using in-house skills are cut out from funding as only external spend is able to be funded. [Manufacturing company]

the goods/services which the Growth Services Funding could be used for were very limited. It seemed mainly aimed towards access to consultancy type services. We would have found the funding more useful if it could have contributed directly towards some of the direct costs of establishing an export market such as travel expenses, sample costs and costs of finding suitable sales agents. [Food and Beverage company]

Market development activities:

Flexibility needed to extend brand building/marketing milestones to include advertising materials, strategies and actual contracts. Funding Milestone for development of a distribution export network would be significant. [Design company]

6.2.2. GSF application process

Old process prior to 1 September 2005

Prior to the changes introduced in September 2005, Sector Manager provided a lot of 'hands on' assistance to firms in the application process. Sector Managers interviewed between January and March 2005 explained that application goes through many drafts between firms and Sector Managers before it is submitted to the Assessment Panel. Many of the Sector Managers thought the process was very time consuming. While most understood a need for public fund audit and accountability processes, they questioned whether the application required too much information and the process was overly protracted.

The iterative process of preparing the application can itself be a capability building process for the company as it helps the Sector Managers identify needs and barriers of the firm and provide mentoring and advice tailored to the needs of the firm. The GSF is often seen by Sector Managers as way to "get a foot in the door" or "buys you a seat at the Board table" as it is a way for the Sector Managers to get involved with a business. Once the manager "has an in", the manager is able to build a relationship with the business and become a trusted associated that is able to provide suggestions, advice and have influence.

Figure 28

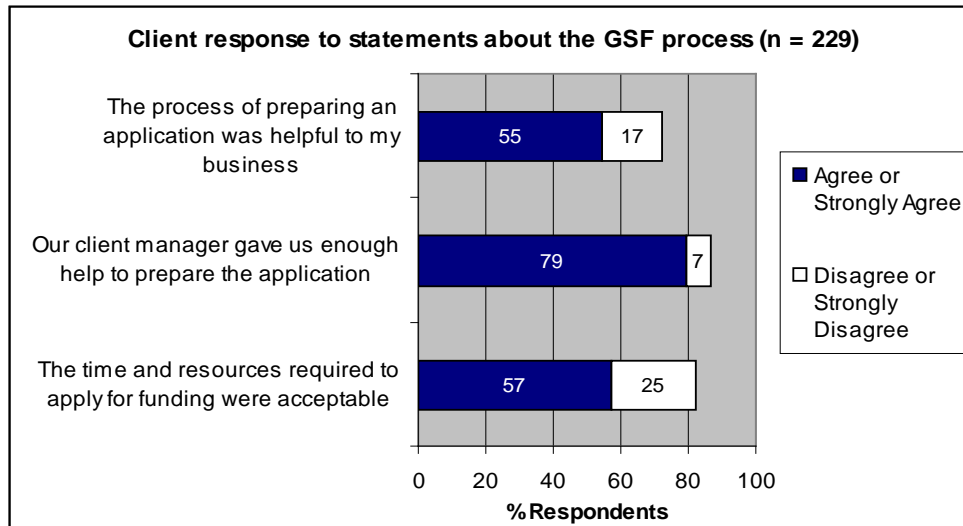


Figure 28 above show the evaluation survey results for client satisfaction with the GSF application process. The majority of firms (79%) agreed that their client/sector manager provided sufficient assistance for the GSF application. Over half agreed the amount of time and resources required for the application was acceptable, but a quarter of firms disagreed. This suggests that the GSF application is not overly burdensome for firms. Over half of the firms thought the application process was actually helpful for their business. Statistical analysis showed there was a significant positive correlation among responses to all three statements, for example, firms that agreed that the time and resources required to apply for funding were acceptable was also more likely to agree that the application process was helpful⁴⁵. There was no statistically significant relationship between the above responses and estimated growth rates.

These results show that client satisfaction with the GSF process is lower than the target set in the draft Key Performance Indicator which is, “85% of GSR firms are satisfied with the quality of the services provided.” A few firms of the interviewed firms complained that the process of approving applications was slow. The open-ended comments by some firms on the survey revealed that some firm dissatisfaction was due to grants getting caught up in delays and confusion during the merger of Industry NZ with Trade NZ.

New process after 1 September 2005

According to the NZTE Procedures Manual for the GSF, the revised process introduced in September 2005 requires firms to write the application themselves. While Sector Managers may provide clarification to firm queries, they are no longer involved in the writing of the application. Once the application is received from the firm, the Sector Manager completes a separate Assessment Report which provide an objective assessment of the firm’s GSF application in terms of the following:

- the business as a whole (including financial viability and capability)
- the business proposal itself
- potential net economic benefit
- whether NZTE should intervene, and
- risks associated with the business, with the project, and for NZTE if it intervenes (provide assistance)

The Assessment Report is then reviewed by a peer before submitted to the approval process.

⁴⁵ Correlation coefficient ranged from 0.27 to 0.41, which all tested as significant (using Spearman’s rho) at the 0.01 level (2-tailed).

6.2.3. GSF approval process

Approval process by grant size

The Programme Manager GSF(PM-GSF) checks that all documentation is complete and meets all GSF criteria.

- Applications up to \$25,000 are assessed by the Group Manager Business Programmes (GMBP), who is a member of the Assessment Panel, and then recommends to the Group General Manager for approval.
- The GSF Assessment Panel assesses each application over \$25,000 and makes recommendation to the CEO.
- The CEO approves applications up to \$75,000
- The NZTE Board's Programme Review Committee approves applications above \$75,000.

How the Assessment Panel evaluates GSF applications

The Panel meets monthly in Christchurch, Wellington and Auckland. It comprises an independent external advisor, the GMBP, and PM-GSF. The Panel allocates about 45 minutes to hear the Sector Manager's presentation and discuss each application. Detailed discussion takes place about any of the 11 areas in the risk matrix (described below).

In addition to Sector Manager representation of the firm, the Panel occasionally asks the Director of the applicant company to attend the Panel meeting and answer Panel questions directly. Panel members are also starting to make site visits with Sector Managers particularly for larger applications. When the applications concern highly technical projects, for example some biotech or ICT applications, the Panel invites an industry expert to provide technical advice.

When the Panel has some reservations about the capability of the applicant company, they often place a condition on the approval of the grant such as need to improve the debt-equity ratio or need to bring in an external director. The Panel operates by consensus, not majority voting. According to the two Panel members who were interviewed, there has not been much difficulty in reaching a consensus.

As mentioned previously, due to the upfront filtering process by Sector Managers, not many applications are declined by the Panel members. Among those which were declined, the key reasons identified by the Panel members were:

- panel members were not convinced that the application was for a genuinely high growth project
- applications are more suited to the Enterprise Development Grant- Market Development (another NZTE grant programme).
- applications are not consistent with New Zealand's CER agreement with Australia. There are fewer applications now that contradict the CER.

6.2.4. Importance of judgement and assessment of risk

Assessment of GSF applications relies a lot on the good judgement of Sector Managers and the Assessment Panel. According to members of the Panel who were interviewed, they cannot rely on a check box exercise. The assessors need to look at the whole project and the total story and then determine if the business case is worthy of GSF support, if further information is needed, or if it should be declined.

A key issue in the assessment of applications is the level of risk tolerance that is appropriate for the GSF. The Business Growth Fund (which was the precursor and blue-print for the GSF), was set up to fund business propositions that would not otherwise receive external debt or equity financing. It was expected that some projects would fail or would not get to anticipated and desired end points, although these risks were expected to be somewhat offset by intensive client management and by early access to specialist external advice. NZTE stated that were funding available from other sources, then it should be assisting the companies to access the alternative and available forms of finance.

Among the Sector Managers interviewed for the present evaluation, some were concerned that NZTE appeared be more risk averse now. They emphasised the need for flexibility when assessing GSF applications of high growth potential firms, as these firms are often unconventionally managed, financed and easy to be criticised. NZTE management's response to this concern is that in implementing recommendations from the OAG's review, it has been introducing processes to more effectively manage risk.

In considering GSF applications, Sector Managers and the Assessment Panel make judgements based on assessing the level of risk compared with potential gain. In terms of potential gain, it is important to also consider spillover impacts, particularly in cases when the direct benefit to the grant recipient may not be high, but the spillover impacts on the sector, region or country may be significant.

The Assessment Panel recognises that projects with significant growth potential are most likely to have some element of risk. The Panel uses a risk matrix to assess GSF applications over \$25,000 on a five-point scale on the following dimensions: governance, management, strategies, sector, financial performance, financial position, access to capital, bank relationships, new products/services, customer base, and competitive position. Lower scores indicate less estimated risk. The score is not a threshold for an approve/decline decision. Rather, it helps Panel members to consider whether conditions should be placed on approved funding and also provides guidance to Sector Managers about areas that should be worked through with the firm.

6.2.5. Grants contracts, claims, and monitoring

The Contracts Management unit in NZTE prepares the grant agreement based on the approvals and ensures that conditions are included in the agreements. Grants administration unit in NZTE is involved in all aspects of GSF contract process particularly the identification of milestones e.g. work to be undertaken, providers, indicative costing, and completion date. According to the Grant Administration Manager, the average contract length is between 12-15 months, although this is gradually lengthening as the size of grant awards increase. Contract expiry dates are set three months after the final milestone to allow for project delays. Unders and overs are allowed for in milestone payments (+/- 10% or \$5000), subject to agreement to complete all stages of the project. However, the maximum grant amount must not be exceeded. Funding is provided on a reimbursement basis on proof of payment to service provider. Payment claims can be delayed (perhaps due to over optimism on the part of the firm or because the firm chooses to direct internal resources to another project for a time) and firms have the ability to seek a contract extension. If a firm desires an extension they must submit the reasons for the delay and progress made to date and comment is sought from the firm's client manager. Extensions are not applied retrospectively so firms will typically be required to submit another funding application if the project has exceeded the contracted completion deadline.

Project completion reports are filed with final payment claim. NZTE recently started withholding final 20% until these reports are submitted. These reports seek the following information: changes in FTEs and Sales revenue arising from the GSF, whether the firm would have undertaken the project without the GSF, specific benefits to the business, client satisfaction with the service, and suggestions for opportunities in service delivery. However, there is a likelihood that the response to the questions could be biased because the report is submitted with the final claim, with the company name and amount of funding received stated at the top. Companies may attempt to respond favourably due to concerns about receiving final payment or future grants. This process is currently being reviewed by NZTE.

6.2.6. Changes to the programme since organisational integration

The GSF evolved from the Business Growth Fund (BGF) delivered by Industry New Zealand. The key differences from the BGF include the following:

- Under NZTE, all high growth potential firms that are potentially eligible for a GSF, receive intensive client management by a Sector Manager/Senior Client Manager. Previously under Industry New Zealand, BGF firms work with a Business Development Advisor who provided minimal client management and focused mainly on the BGF application process. Only a small group of firms that were involved in the pilot Fast Forward programme, received more intensive client management.
- Eligibility screening and the application process for the GSF requires more in-depth assessment than previously for the BGF.
- There is increased focus in GSF assessments on potential to generate net economic benefit.

6.2.7. Conclusion and recommendations

The implementation and delivery of GSF seems consistent with policy intentions (EDC (03) 55 refers). To improve the effectiveness of the GSF, it is recommended that NZTE consider:

- monitoring the impact of the new GSF application process on firms and assessing the transaction costs and benefits of this process; and
- developing a system for regularly tracking and monitoring of the outcomes of GSF projects to ensure that the anticipated outcomes (including direct benefits to the GSF recipient and spillovers) are being realised. The level of risk tolerance is an operational decision for NZTE that could be adjusted based on feedback from the regular monitoring of GSF impact.

6.3. Market Development Services

MkDS is delivered by NZTE's network of 38 offshore offices supported by nine onshore sector-based teams. The primary role of the onshore teams is to assess firms' capability, determine their international market development needs, and then in association with offshore staff, provide appropriate solutions.

6.3.1. Referring firms to MkDS

As stated earlier in this report, access to MkDS is not restricted to GSR firms, but open to all firms that are deemed committed and capable, and willing to pay for the services.

Access via Client/Sector Managers

By working closely with firms in identifying their needs and objectives, client/sector managers proactively suggest MkDS services that they think would be useful to their firms. According to Sector Managers and Client Managers interviewed for this evaluation, the differing backgrounds of Sector and Client Managers affects how they work with an individual firm. Sector Managers who are typically from Industry New Zealand tend to look first at a company and see whether it has all systems in place before looking at exports. Client managers formerly from Trade New Zealand tend to start from the market requirements and then move back to the capability and addressing that should it arise as an impediment. The interviewees commented that a possible implication of this is that Sector Managers may hold a firm back until it is considered 'ready' while a Client manager may push them forward until they strike an impediment. However, these issues in the early years since integration of two organisations, are being addressed through NZTE's staff training efforts.

Direct Access

Firms that do not have an assigned client manager can also access MkDS by calling the Business Evaluation Team (formerly called the Enterprise Hotline) with a query. From here the BET directs firms with medium or high growth potential onto a sector or client manager. The BET assists firms with lower growth potential themselves.

6.3.2. Service delivery

On-shore staff working with offshore staff

Overall responsibility for client relationship management lies with client managers. Client managers liaise with onshore international market experts and offshore staff in facilitating a firm's access to MkDS. The Sector and Client Managers who were interviewed described their role as ensuring firms are aware of where the posts were and what they could help with. Sector/Client managers identify the firms' needs and relay this to the post, seeking initial feedback from posts before advising firms on whether to purchase specific MkDS, and planning engagement with posts. Once the firm decides to access a particular MkDS, the Sector/client manager prepares the proposal (specifying the nature of the job and fee) in consultation with the firm, the onshore international market experts and offshore staff.

Flexibility

According to the MkDS staff (including Sector/Client Managers and staff in NZTE's offshore offices) interviewed, one major strength of MkDS is that these services are broad and flexible, and can be adapted to each specific firm. MkDS covers the range of services that meet the needs of firms at all stages of the exporting life-cycle. Even though the services in the Appendices are described as separate categories, the categories are not rigid, and serve as loose headings, or examples of what MkDS can provide. The MkDS staff commented that services are often very specific to the individual circumstances of each firm, so it is very hard to say which services are the most beneficial. The highest value in terms of outcomes results from those services which are best tailored to the needs of the firm.

Some firms sign an annual service agreement with NZTE, which is generally for on-going work, which is expected to occupy a specified number of hours (50-100 hours) of NZTE time and resources. These can also be utilised when firms know they will need significant services but may not know what specific ones yet, or want NZTE to be their 'eyes and ears', answer any questions they may have, be a resource in the market. These agreements are usually between NZTE and high growth, larger, and more mature firms.

Cost-recovery

Fees for MkDS were introduced in 1986. Current hourly rates are NZ\$140/hr for all markets except Australia and the Pacific (\$100) and Japan (\$200).⁴⁶ According to the MkDS staff interviewed, the most influential effect of charging for services is that it filters out firms that are not completely committed to exporting.

Services that are customised to the firm are charged as the resulting information becomes the firm's property. The MkDS staff explained that all specific work paid by a firm e.g. on specific business opportunities is owned by the firm that bought these services. NZTE can use information from a report that is already in the public domain but must not use anything else. There are no charges for generic information (such as guide to exporting, country briefs, and checklists) as this research and information remains NZTE's and can be re-used for other firms. The MkDS staff estimated that more time is probably spent on commissioned work rather than generic information. Market intelligence gathered on particular sectors is used to update the generic information such as country briefs.

⁴⁶ NZTE: Current offshore business model. Nov 2003 paper prepared by Jack Stephens, Group Manager, International Networks.

6.3.3. Client satisfaction with service delivery

Figure 29

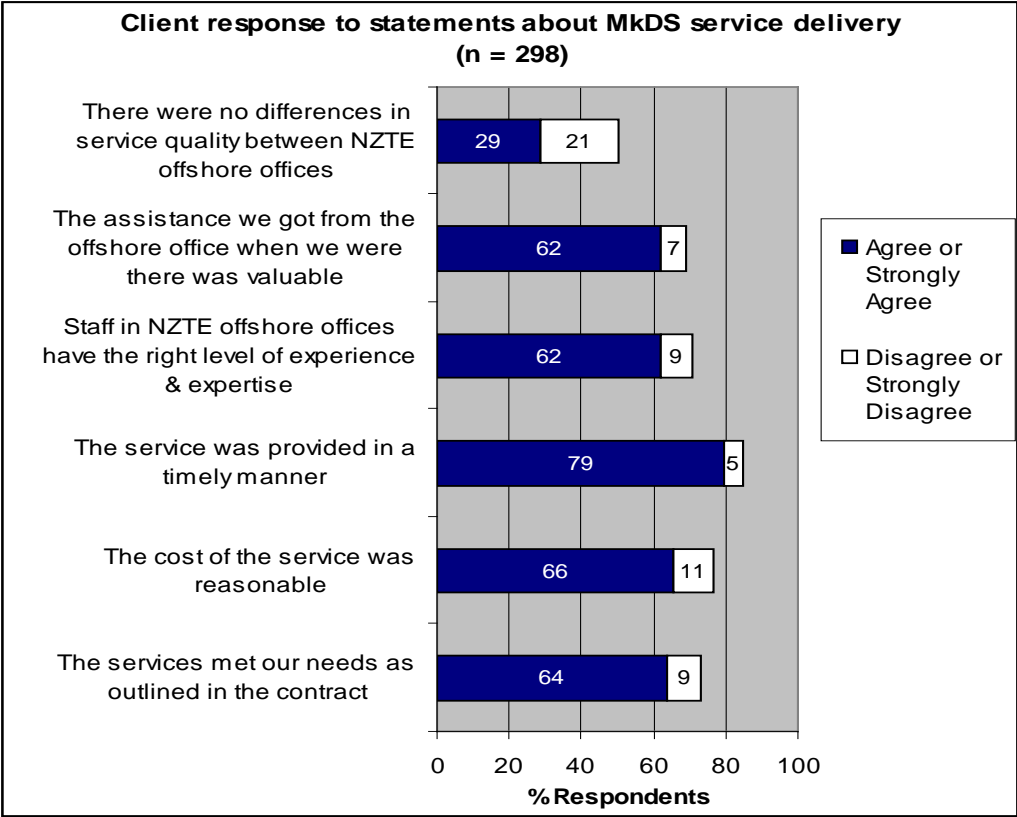


Figure 29 above shows the evaluation survey results on with the MkDS service delivery. The results indicate that the majority of firms are satisfied, with timeliness of service receiving the highest satisfaction levels. Two-thirds of firms agreed that the assistance received from NZTE’s offshore offices was valuable. Less than a third agreed there was no difference in quality between these offices (and 21% disagreed).

The following comments from firms that illustrate the variability in service quality among different offshore offices:

Quality of the market development services varies from market to market. It really depends on the person on the ground and what their particular interests are. Most of the offices are not necessarily full of specialists. There is a variation in quality but overall the staff have been helpful and they are easy to deal with. [Food and Beverage company]

NZTE did well in the Asian market visits. The appointments the offices organised were great, and the staff looked after me very well. However, at one of the offices in US, I felt the staff did not give me the attention I deserved because I was a smaller company. [Seafood company]

Two-thirds of the firms agreed the services met their needs as outlined in the contract. The comments received from the interviews and surveys revealed that some firms felt that small businesses were not getting enough support, and that the quality of the job brief and the ability of onshore staff (including client managers) to make quality referrals had an important impact on the quality of service delivered.

Two-thirds of firms agreed that the cost of the MkDS service was reasonable. Some firms thought that the fees charged for MkDS particularly market evaluation and contacts research were too high as the firms could conduct the work themselves at less cost.

Statistical analysis showed there were significant positive correlations among responses to all statements, except the top two i.e. there is no relationship between firm agreement with whether there is a difference in service quality between offshore offices, and firm agreement with value of assistance from offshore offices⁴⁷. The strongest positive relationship indicates that firms that felt that the assistance from offshore offices was valuable also thought that NZTE offshore staff had the right level of experience and expertise. There was no statistically significant relationship between the above responses and estimated growth rates.

These results show that client satisfaction with the Client/Sector Manager is lower than the draft target for the Key Performance Indicator which is, "85% of GSR firms are satisfied with the quality of the services provided."

6.3.4. Amount of time spent on MkDS vs. sector projects

Some of the MkDS staff who were interviewed were concerned that the increasing focus of NZTE's offshore offices on sector projects meant less time was available to provide MkDS for individual firms.

6.3.5. Outsourcing service delivery

NZTE staff in offshore offices who were interviewed for this evaluation emphasised that the feasibility of outsourcing MkDS delivery to third parties varies from market to market. In markets such as Australia and the U.S., there are more potential alternative providers (such as international consultancy firms) which could provide high quality service than in some Asian markets e.g. China. Another consideration is that in some countries, government status carries more weight and there is more reliance on high ranking government officials to help open doors for individual businesses.

When determining what MkDS services should be outsourced, an important consideration is also what impact the outsourcing would have on NZTE's in-house delivery of other services. Some of the offshore staff interviewed were concerned that with outsourcing, a lot of knowledge and opportunities that could be gathered by researching and talking to foreign businesses would be lost. These contacts which NZTE gains offshore are considered to be the edge that the organisation has, and would possibly be lost or diluted. In reviewing the above comments, NZTE management responded that where research is needed, NZTE will conduct the necessary work. However, it should not be relying on its clients to drive the research.

6.3.6. Changes to delivery since organisational integration

MkDS staff who were interviewed between January to April 2005, commented that NZTE, unlike Trade New Zealand, did not use performance measures and bonus-related remuneration for staff. Under Trade New Zealand, aside from the Corporate KPIs (total forex impact, client satisfaction and continuous improvement), there were Key Performance Indicators for staff (all of whom were incentivised up until 30 June 2003) such as forex impact and Delivery In Full and On Time (DIFOT)⁴⁸. As a result of these KPIs, Trade NZ staff tended to focus more on the achievement of individual firms they were working with, rather than on the bigger picture, e.g. impact on New Zealand. With integration, the KPI system was removed. However, NZTE is currently in the process of developing a new performance management system.

With the integration, proactive engagement with larger companies is becoming more the focus. Integration has also enabled NZTE through its Hotline to refer firms that require basic education in how to export to other avenues for this basic education (such as the Enterprise Training Programme). This way, firms are referred to education services early on, and when they do come back to access MkDS, they are more ready and capable.

⁴⁷ Correlation coefficient ranged from 0.209 to 0.585, which all tested as significant (using Spearman's rho) at the 0.01 level (2-tailed).

⁴⁸ NZTE: Current offshore business model. Nov 2003 paper prepared by Jack Stephens, Group Manager, International Networks.

6.3.7. Conclusion and recommendations

The implementation and delivery of MkDS seems consistent with policy intentions (EDC (03) 55 refers). It is recommended NZTE:

- examines the reasons behind, and implications of, the finding from this evaluation of the variability in service quality among different NZTE offshore offices (posts); and
- consider how best to balance the increasing focus of NZTE offshore offices on sector projects versus providing MkDS to individual firms.

6.4. Complementarity within the GSR

The evaluation also concludes that Client management and the Growth Services Fund appear to be working well as a package of complementary services:

- The Growth Services Fund serves as a 'carrot' which attracts firms to NZTE. By providing funding assistance, the Growth Services Fund encourages firms to use external specialist services to improve their capability and growth. This assistance helps increase the speed and scale of the firms' development projects.
- Sector Managers provide general advice and mentoring, helping firms assess their needs and identify areas which could benefit from NZTE services or external specialist services offered by the private sector. They have an important role in referring firms to the right services, including screening firms for the Growth Services Fund. They also help firms focus on transformational GSF projects that have strong net economic benefit, including spillovers beyond the individual firm.

The vast majority (91%) of firms that received MkDS are not GSR firms as they did not receive either the Growth Services Fund or growth services Client Management. Although MkDS were presented in the April 2003 Integration Cabinet paper as part of the GSR, they do not seem to fit well within this range as they are not targeted to high growth potential firms (discussed further in next section under recommendations for policy review).

6.5. GSR policy objectives and delivery principles

This evaluation identified the following issues that would benefit from a policy review and update:

- a) GSR objectives: The existing GSR policy articulated in the April 2003 Cabinet paper stated the high level aim of 'accelerated development of firms with high growth potential'. However it did not identify specific objectives and this has contributed to the difficulties with measuring the performance of the GSR. The review and clarification of the policy objectives should take into account NZTE's recently developed framework for assessing net economic benefit. It should also take into account the implications of the findings of this evaluation concerning the impact of GSR on the four intermediate outcomes, particularly the following:
 - only a quarter of GSR firms focused on the outcome of improving access to finance, and only 3% participated in NZTE's Escalator programme which provides workshops and deal brokering services to help firms access finance;
 - one of the main impacts of the GSF is in the area of improving innovation capacity. The issue of how the GSF is aligned with or complements other government grants targeted at innovation (particularly FRST grants) should be reviewed.
- b) how the GSF fits with other grants offered by NZTE: The Enterprise Development Grant- Capability Building and Enterprise Development Grant-Market Development are other grants offered by NZTE

which do not target firms with high growth potential. This evaluation found that between 4% and 11% of GSF recipients⁴⁹ also received these other grants either after or the same year as receiving the GSF. Interviews revealed that a key reason that GSF recipients are interested in the EDG-Market Development grant is the feeling they could not get enough support for market development through the GSF, as illustrated by the following comment:

Not enough focus on encouraging marketing spend. This is the real weakness on NZ companies. Not R&D - We can invent it but we can't sell it. [ICT company]

Some firms expressed confusion over the different grant programmes

There should be a profiling service that categorizes companies and provides clear concise easy to use access to the funding and assistance specifically targeted to their needs. Too many grant schemes across too many different government departments. Whilst very well intentioned and well staffed, the current govt support system is scattered, uncoordinated, over-managed and totally confusing and daunting to new entrants. [ICT company]

The issue of whether GSR firms with high growth potential who can access the GSF should also be eligible for these other grants needs to be examined. Enabling the access of GSR firms to these other grants would limit the amount of funding available to firms that are not yet considered to have high growth potential.

- c) how the GSR fits with Sector Development work: The GSR policy was designed to focus on improving the capability and performance of individual firms. In addition to working with individual firms, NZTE staff who deliver GSR (e.g. Sector Managers and MkDS staff in offshore posts) are involved in activities which support the development of entire industry sectors. The issue of how the GSR relates to NZTE's Sector Development work should be reviewed to identify any gaps or complementarities in achieving policy aims.
- d) programme reach versus intensity: The current reach of the GSR programme is very small. The total number of firms that received GSF since its inception over five years ago is 583 firms, which represents less than 0.2% of the current population of New Zealand firms and just under 6% of New Zealand exporters. There is a trade-off between programme reach and intensity, i.e. should the programme provide a lot of services for a few firms, or a few services for a lot of firms, or some comprise between the two extremes. NZTE is currently reviewing its client engagement with a view to focus intensive engagement on a small group of firms.
- e) the appropriate size of GSF grants: In 2004/05, 20% of the GSFs awarded were for values between \$25,000 to \$50,000. NZTE is moving towards awarding larger GSFs which is consistent with the original policy intent which stated that the grants could be in the range of \$50,000 to \$500,000. The size range of GSF grants should be reviewed to ensure it is appropriate given the increased focus of the GSF on funding transformational projects with significant net economic benefit.
- f) whether Market Development Services (MkDS) fit within GSR: MkDS were formerly delivered by Trade New Zealand and have evolved over time. Although MkDS were presented in the April 2003 Cabinet paper as part of the GSR, they differ from the other two GSR services in that a) MkDS do not target firms with high growth potential but are open to all firms, regardless of growth potential, who are willing to pay for the services, and b) MkDS are generally provided on a more reactive basis while NZTE takes a more proactive approach with Client Management and the GSF. A policy articulation of MkDS was recently completed and approved in July 2005 by the Ministers for Industry and Regional Development and Trade Negotiations. A review of whether MkDS fits within the GSR should be informed by the MkDS policy articulation work.

⁴⁹ Of the 583 firms that received the GSF between 1 Jan 2000 and 30 June 2005, 4.6% also received the EDG-MD, 11% received the EN, 4% received the EDG-CB after or in the same year as they received the GSF grant.

- g) Accessibility and responsiveness of Client/Sector Managers to the needs of Maori, Pacific peoples and women: This principle was part of the GSR policy intent. However it is not possible to assess whether it is being adhered to as NZTE has been unable to obtain complete or accurate data on ethnicity or gender of the principal contact or ownership of the GSR firms. The issue of whether this principle applies to NZTE services as a whole system, or the GSR in particular, needs to be clarified as part of the policy review.

Recommendation: MED, in consultation with NZTE, should review the April 2003 GSR policy objectives, principles and design, to ensure it provides a sufficiently clear and updated framework to guide the development of a GSR Performance Measurement System.

6.6. Performance Measurement System for GSR

NZTE currently does not have objective data on firm capability and performance (e.g. FTE and revenue) before and after receiving the GSR that is necessary for a full evaluation of the impact of the programme. It is developing a performance measurement framework to enable the monitoring of the organisation's performance. It is also in the process of streamlining its client information database (Pivotal).

Recommendation:

- a) NZTE, together with MED, develop a Performance Measurement System (PMS) to assess the impact and additionality of the GSR. The following should be considered in this work:
- i) GSR key performance indicators and targets: Given the lack of ex-ante key performance indicators and targets for the GSR, a draft set was developed and tested in this evaluation. The results show that some of the targets were not achieved and some of the indicators used may not be the best measures. These indicators and targets should be reviewed in light of the lessons learned from this evaluation and the outcomes of the review/update of GSR objectives. The impact of targets on NZTE's risk tolerance in awarding GSF grants also needs to be considered. It is recognised that the process of developing indicators and targets may be iterative with review and revision after an initial implementation period;
 - ii) Accurate recording of the following data:
 - firm capability and performance at the start of engagement with NZTE (assessment of firm capability should be sufficiently standardised to enable comparisons across firms and over time, but also flexible enough to accommodate the diversity among firms);
 - regularly updated data on firm capability and performance following start of engagement;
 - decisions and underlying reasons made by Sector Managers to decline firms interested in accessing the Growth Services Fund; and
 - the focus of engagement and focus of grants from the Growth Services Fund.
 - iii) examining efficient methods of accessing objective pre- and post-intervention data on firm performance to improve assessment of the programme's additionality. This includes exploring the feasibility of obtaining time series data on GSR and comparison firms from Statistics New Zealand;
 - iv) increasing focus on managing for outcomes in order to promote accurate recording and updating of information; and
 - v) MED's work on management capability.

7. Findings: Cost of programmes

NZTE currently does not have the costing data required for an efficiency evaluation of these programmes. It undertook an internal costing project to identify the costs of delivering the GSR in 2004/05. However, due to lack of comparative data on other years, and other programmes, this present evaluation was not able to assess the efficiency of the GSR. The 2004/05 costing data will provide a baseline for future efficiency evaluations. This section presents the findings from NZTE's costing project.

7.1. Client Management

The estimated total cost of NZTE providing client management to high growth potential firms for the 2004/05 year was **\$3.13 million**⁵⁰. This includes client engagement relating to the GSF and more general client mentoring, advice, and referral. It is not feasible to separate GSF from non-GSF related client engagement as mentoring and advice (e.g. preparation of a strategic plan) often indirectly contributes to a GSF proposal even if it does not directly focus on the GSF application. The total cost also includes support staff and sector director time allocated based on the average of sector managers within their sector (business unit). These allocations were then applied to apportion personnel costs, other direct costs and overheads.

Table 8

2004-05	total cost	hours		cost per hour	
		all staff	sector managers ⁵¹	all staff	sector managers
client management	\$3,131,436	32,950	29,779	\$95.0	\$105.2

7.2. Growth Services Fund (GSF)

7.2.1. Total cost of delivering GSF

NZTE's costing model estimated the total cost of delivering the \$10.6 million GSF fund for budget year 2004/05 at **\$2.05 million**. This estimated delivery cost was based on a cost model which:

- identifies all roles associated with the GSF programme
- identifies NZTE staff involved in fulfilling these roles
- links information sources which allow estimates to be made of staff time involved in GSF tasks
- uses these estimates to apportion personnel costs and other direct costs associated with each staff member
- allocates overhead costs on the 2004/05 budgeted level of \$50K per FTE

The \$2 million delivery cost comprises of:

Direct Personnel Costs	54%
Other Direct Costs	16%
Indirect Costs	29%

7.2.2. Average cost

⁵⁰ All costs given are GST exclusive.

⁵¹ Includes the time of sector managers and sector directors.

of delivering the GSF programme per grant awarded

In 2004/05 a total of 152 GSF grants were awarded. The average delivery cost per GSF grant awarded was estimated as **\$13,468** (i.e. 20% of the median grant awarded of \$64,688). The costs allocated to the GSF programme are driven by measures of NZTE staff's involvement. For 2004/05 this involvement is estimated to include some 97 NZTE staff and total 22,366 hours (12.1 FTEs) at an average of 147 hours per GSF grant. These costs are approximate only due to the difficulty mentioned above in separating GSF from non-GSF client management activities.

Figure 30

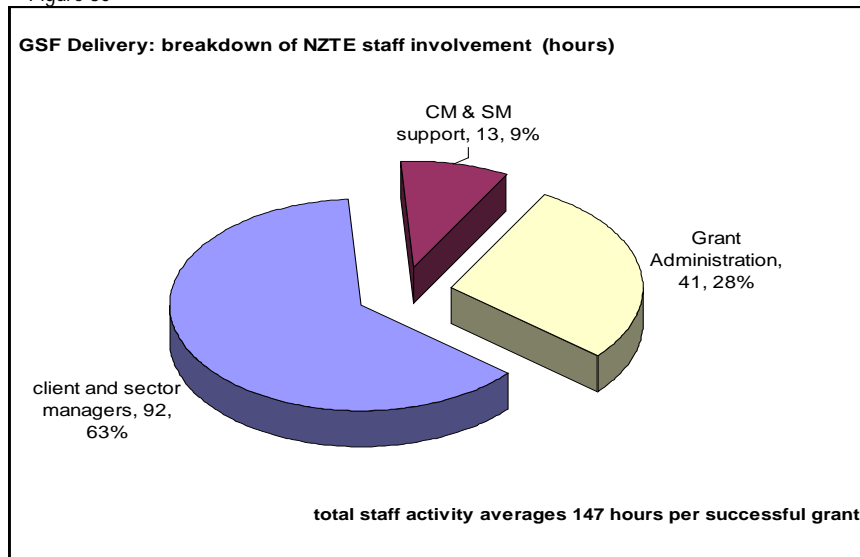
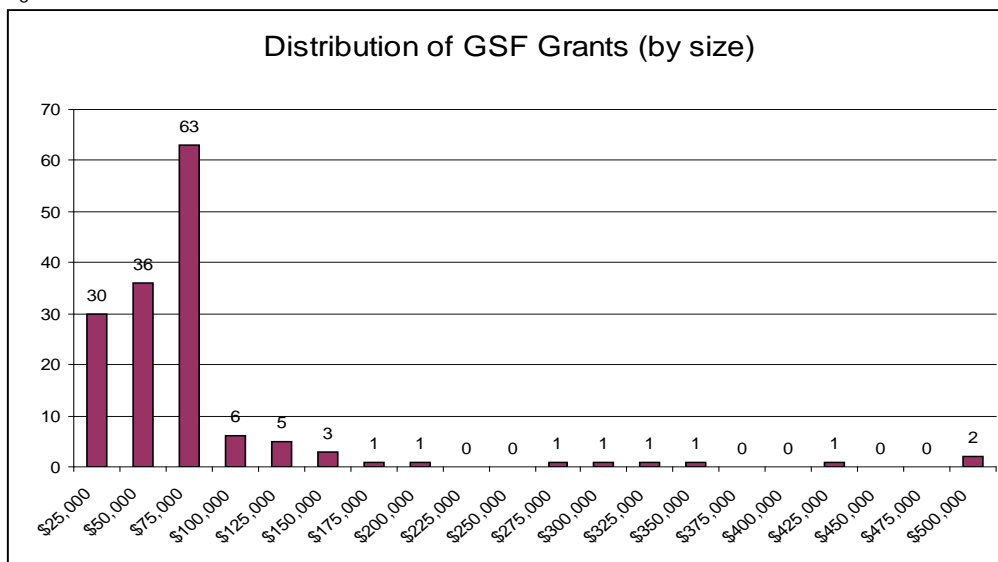


Figure 31



As described in chapter 6, the GSF programme requires a higher degree of authorisation for grant applications of \$75,000 or higher. Anecdotal responses from sector managers indicate their level of involvement is in these cases only nominally greater than for smaller grant applications. Some specific costs relating to the 23 grants of \$75,000 or greater in 2004/05 have been identified as \$40, 000 (this includes programme review committee and consultant fees)

grants under \$75,000	grants greater or equal to \$75,000	total # grants approved
129	23	152

Specific average costs are then:

- Average cost for grants under \$75,000 is \$13,222
- Average cost for grants greater or equal to \$75,000 is \$14,955

7.3. Market Development Services (MkDS)

The cost of delivering MkDS consists of on-shore and off-shore costs. NZTE has difficulty identifying the offshore component of MkDS. The 04/05 NZTE Output Plan splits the offshore component of MkDS between 5.2 International Market Intelligence and 6.1 Identifying and Qualifying International Market Opportunities. However, the two output classes fund much more than MkDS, as they cover the whole offshore network of 38 offices. MkDS is only one component of the total of \$45.1 million which funds the activities of the entire offshore network and consists of the following costs:

- a) Offshore costs include:
 - local staff time
 - Trade Commissioners & Regional Managers' time
 - rent
 - residences for TCs/ RMs
 - overheads for GGM
- b) International Marketing Managers, based onshore, are split between output 5.2 (\$0.2M) and output 6.1 (\$0.5M)
- c) 6.1% share of NZ regional offices is also allocated to output 6.1 (\$0.5M).

NZTE is currently working on estimating the cost of MkDS and expects to complete this work by 31 January 2006.

8. Conclusions

- 1) The overall conclusion of this evaluation is that the GSR seems effective in improving firm capability in areas that are important contributors to firm growth. The evaluation recommends the continuation of the GSR provided a performance management system is developed to improve assessment and management of the programme's performance and impact.

Focus of engagement

- 2) The evaluation examined which one or more of the above four GSR intermediate outcomes was the focus of firms' engagement with NZTE. The findings suggest that most GSR firms focused their engagement with NZTE on market knowledge and development. Capability to innovate and access new technologies was also a key focus, but mainly among firms that received the Growth Services Fund. Just over half the firms that received the Growth Services Fund focused on improving strategic, management, and business capabilities and only a quarter focused on improving access to finance. One of the recommendations from this evaluation is for a review and update of the GSR policy objectives, which would include an examination of the implications of these findings.

Intermediate outcomes: Firm capability

- 3) Based on the following findings, the evaluation concludes that there is sufficient⁵² evidence to suggest that the GSR is effective in achieving several intermediate outcomes that are important contributors to the ultimate outcome of increasing firm growth:
 - a) Two-thirds of GSR firms indicated that since involvement with the GSR, their firm experienced improvements in market knowledge and engagement, innovation capacity, and strategic, management, and business capabilities. GSR firms that received both the Growth Services Fund and Market Development Services had higher improvement rates than those who only received the Growth Services Fund.
 - b) Firms that received the Growth Services Fund are significantly more likely to experience improvements compared to firms that did not receive the Growth Services Fund (including non-GSR firms that received only Market Development Services).
 - c) The possibility that the observed improvements are due to selection bias⁵³ rather than the GSR, is somewhat mitigated by the survey design targeting improvements since receiving GSR services.
 - d) Over 70% of the GSR firms that received both the Growth Services Fund and Market Development Services attributed their improvements at least partly to the GSR.
 - e) When asked what would have happened if their project had not received GSF funding, only 18% thought the project would have gone ahead using other funding sources. A similar proportion (17%) thought their projects would not have gone ahead at all. Other firms indicated that the timing of their projects would have been affected (started later and/or taken longer to complete), the project would have gone ahead on a smaller scale, and/or the results of their project would be inferior.

Firm growth

- 4) GSR firms that received client management services and/or the Growth Services Fund are selected based on their 'high growth potential'. 'High growth potential' is defined by NZTE as the potential to generate either average 20% per annum revenue growth sustainable for five years, or revenue growth of \$5 million within five years. The 20% threshold is approximately three times greater than the national average over the past five years.

⁵² Bearing in mind the methodological limitations described in Chapter 3.

⁵³ i.e. firms with stronger capabilities in the areas of intermediate outcomes are more likely to access the GSR.

- 5) Estimated firm growth rates obtained from the evaluation survey indicated that:
 - a) A third of GSR firms indicated that they experienced over 20% per annum growth in turnover and exports over the past five years (including the period before and after receiving the GSR). There was little difference between GSR and non-GSR firms in turnover growth.
 - b) In terms of growth after receiving the GSR, surveys of 24 firms that received the GSF (or its predecessors) in 2000 or 2001 (i.e. four or five years prior to the evaluation survey being conducted) indicated the following:
 - 42% of these firms experienced over 20% average annual growth in turnover since receiving the grant funding. Firms that received both the Growth Services Fund as well as Market Development Services were more likely to experience high growth than those that only received the Growth Services Fund.
 - Most (over 85%) of these firms attributed their growth in profits 'at least partly' to the GSR.
- 6) Due to data limitations and the short time lag between programme intervention and measurement of impact, this evaluation is unable to make a firm conclusion on the impact of the GSR on the ultimate outcome of increasing firm growth.

Reach and quality of service

- 7) In terms of programme reach, the GSR has met most of its quantity output targets for 2004/05 (as reported in NZTE's 4th quarter report).
- 8) During the period 1 January 2000 to 30 June 2005, NZTE records show that:
 - a) A total of 583 GSR firms received the Growth Services Fund. This includes 253 that received both the Growth Services Fund and Market Development Services.
 - b) A total of 3735 firms received Market Development Services.
- 9) In terms of service quality, the following findings were positive even though the target of 85% of firms indicating satisfaction was not reached:
 - a) Client Management: 81% agreed their client manager provided timely response and 62% agreed their client manager has the experience and expertise to help their business.
 - b) Growth Services Fund: 79% agreed their client manager provided sufficient help for the application and 56% agreed the process of preparing the application was helpful for their business and the time and resources required were acceptable.
 - c) Market Development Services: 79% agreed the service was timely and about two-thirds agreed the service was valuable, met their needs, the cost was reasonable and the staff in the offshore offices had sufficient experience and expertise.

Complementarity within the GSR

- 10) The evaluation also concludes that Client Management and the Growth Services Fund appear to be working well as a package of complementary services. The Growth Services Fund serves as a 'carrot' which attracts firms to NZTE. Client Management has an important role in helping refer firms to the right services (including screening firms for the Growth Services Fund).⁵⁴
- 11) The majority of firms that received Market Development Services are not GSR firms as they did not receive either the Growth Services Fund or growth services Client Management. Although Market

⁵⁴ It is recognised that some firms that have high growth potential, but due to their size are not eligible for the Growth Services Fund, still receive intensive client management which provides advisory, mentoring and referral services.

Development Services were presented in the GSR policy as part of the GSR, they do not seem to fit well within this range as they are not targeted at high growth potential firms and are generally more reactive services (discussed further in following section under Recommendations for policy review).

2004/05 Programme Cost

- 12) NZTE does not currently have the costing data required for an efficiency evaluation of the GSR. It is undertaking an internal costing project to identify the costs of delivering the GSR in 2004/05. However, due to lack of comparative data on other years, and other programmes, this project was not be able to conduct an efficiency evaluation by 30 November 2005. To date NZTE has estimated the costs for the client management and Growth Services Fund in 2004/05, which provides a baseline for future efficiency evaluations:
- a) \$3.13 million⁵⁵ for Client Management: This includes engagement with firms relating to grants from the Growth Services Fund and more general mentoring, advice, and referral provided to firms. It was not feasible to separate grant from non-grant related client management as mentoring and advice (e.g. preparation of a strategic plan) often indirectly contributes to a grant proposal even if it does not directly focus on the grant proposal.
 - b) \$2.05 million cost for delivery of the \$10.6 million Growth Services Fund: Two-thirds of the grant delivery cost represents time spent by client/sector managers assessing firm's eligibility and providing advisory services which help firms apply for the grant, and 28% of the costs represent grant administration. These costs are approximate only due to the difficulty mentioned above in separating grant from non-grant client management activities. The average cost per grant awarded was estimated at \$13,468 (i.e. 20% of the median grant awarded of \$64,688).

⁵⁵ All costs given are GST exclusive.

9. Recommendations

NZTE has been undertaking a number of projects aimed at continuous improvement of its operations (not limited to, but including, the delivery of the GSR). This evaluation identified the following opportunities to further increase the effectiveness of the GSR.

- 1) MED, in consultation with NZTE, should review the April 2003 GSR policy objectives, principles and design, to ensure it provides a sufficiently clear and updated framework to guide the development of a GSR Performance Management System.
- 2) NZTE is invited to consider the following recommendations and report back, as part of the GSR Post Implementation Review, and Strategy Implementation, by 31 March 2006 with its response and implementation plan.
 - a) NZTE, with the support of MED, should develop a **Performance Management System (PMS)** to improve assessment of the impact (including additionality) of the GSR. The following should be considered in this work:
 - i) GSR key performance indicators and targets: Given the lack of ex-ante key performance indicators and targets for the GSR, a draft set was developed and tested in this evaluation. These indicators and targets should be reviewed in light of the lessons learned from this evaluation and the outcomes of the review/update of GSR objectives. The impact of targets on NZTE's risk tolerance in awarding GSF grants also needs to be considered. It is recognised that the process of developing indicators and targets may be iterative with review and revision after an initial implementation period.
 - ii) Accurate recording of the following data:
 - firm capability and performance at the start of engagement with NZTE (assessment of firm capability should be sufficiently standardised to enable comparisons across firms and over time, but also flexible enough to accommodate the diversity among firms);
 - regularly updated data on firm capability and performance following start of engagement;
 - decisions and underlying reasons made by Sector Managers to decline firms interested in accessing the Growth Services Fund; and
 - the focus of engagement and focus of grants from the Growth Services Fund.
 - iii) Examining efficient methods of accessing objective pre- and post-intervention data on firm performance to improve assessment of the programme's additionality. This includes exploring the feasibility of obtaining time series data on GSR and comparison firms from Statistics New Zealand.
 - iv) Increasing focus on managing for outcomes in order to promote accurate recording and updating of information.
 - v) MED's work on management capability.
 - b) **Client Management:** NZTE should consider:
 - i) reviewing guidelines and criteria to ensure clarity regarding firm entry and exit from GSR client management. Both objective as well as subjective criteria should be stated and the results of the assessment documented;

- ii) monitoring the number of new GSR firms receiving client management each year and examining the appropriateness of setting annual targets on the number of new GSR clients served;
 - iii) reviewing whether Sector Managers have sufficient guidelines, professional development and other support to provide effective assessment, mentoring, advice and referrals for firms. Suggestions from Sector Managers interviewed for this evaluation include: forums to discuss approaches with each other and learn from each other's experiences, and ensuring Sector Managers have sufficient time to stay abreast of key developments in their industry of focus and develop and maintain good networks with relevant contacts in the private sector and other government agencies.
- c) **Growth Services Fund (GSF):** NZTE should consider:
- i) monitoring the impact of the new GSF application process on firms and assessing the transaction costs and benefits of this process; and
 - ii) developing a system for regularly tracking and monitoring the outcomes of GSF projects to ensure that the anticipated outcomes (including direct benefits to the GSF recipient and spillovers) are being realised. The level of risk tolerance is an operational decision for NZTE that could be adjusted based on feedback from the regular monitoring of GSF impact.
- d) **Market Development Services (MkDS)**⁵⁶: It is recommended that NZTE:
- i) examine the reasons behind and implications of the finding from this evaluation concerning the variability in service quality among different NZTE offshore offices (posts); and
 - ii) consider how best to balance the increasing focus of NZTE offshore offices on Sector Projects versus providing MkDS to individual firms.

⁵⁶ At the time of this evaluation, NZTE was undertaking its own review of offshore services including MkDS. At the request of NZTE, the number of MkDS staff interviewed for this evaluation was limited in order to minimise burden on the staff.

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11. Appendices

11.1. Description of Market Development Services

Market Development Services			Description	
International Market	Market Evaluation and Selection	Foundation Services	In this service, New Zealand Trade and Enterprise (NZTE) provides committed and capable companies with a brief perspective on the potential for their products and services in up to three export markets which they have not previously researched or approached. The Foundation Services report, if positive, should act as a foundation for further market development activities.	
		Regulations and Compliance	This service provides the client with a customised report detailing: The access and regulatory requirements their specific product or service must comply with; and The steps they must take obtain compliance	
		Statistics	This service presents the client with a report providing statistical trade data. In addition, the report can often also provide and indication of cost, including insurance and freight values in the market.	
		Market Structure	This service provides an overview of market structure and competition in the client's potential export market(s). The report is broad enough to cover a wide range of needs.	
	Market Monitoring	Market Monitoring	The Market Monitoring service tracks changes in market conditions, and can also include comments on the performance of agents or distributors in the market	
		Development Bank Monitoring	These subscription services help services exporters gain direct access to billions of dollars worth of projects funded by the World Bank and the Asian Development Bank. NZTE's offices in Washington and Manila have developed close working relationships with key bank officials and liaise with them regularly to ensure they have the most up-to-date information and can assist exporters in marketing their expertise to relevant project officers.	
	Market visits and In-market assistance	Identifying a Buyer / Partner	Partner Contacts	This service provides the client with a list of potential buyers/business partners for a particular product or service in a particular market. Basic contact details are provided and, if required, New Zealand Trade and Enterprise can contact the companies on the list to find out if they are interested in meeting the client. However, the list does not include detailed feedback about the product or service. The alternative Potential Partners service provides the client with detailed feedback about prospects for their product or service in the market
			Company Checks	Company check is a service that provides information about the credentials of a prospective business partner.

Market Development Services		Description	
		Potential Partners	<p>This service:</p> <p>Identifies potential buyers/business partners for the client's product or service in the market and provides the client with background information on each. This background includes information about the potential buyer/business partner's financial viability and market position.</p> <p>Provides samples/brochures etc to potential buyers and business partners, and provides feedback to the client on the acceptability of its product or service. Feedback covers such issues as pricing, packaging, sizes and flavours.</p> <p>An appointment programme is included free of charge if the client requests it within three months of receiving the report.</p> <p>Note: The alternative Partner Contacts report gives the client a list of potential buyers/business partners and their contact information, without providing feedback on the client's product or service.</p>
		Inward Buyer Programme	NZTE brings potential buyers or business partners to New Zealand to meet New Zealand exporters. The service includes arranging the programme and co-ordinating the offshore buyer / business partner's visit
	Visiting the market	Market Visit Programme	<p>New Zealand Trade and Enterprise organises a programme for a client's visit to the market, including, as required:</p> <p>Arranging appointments.</p> <p>Accompanying the client to appointments.</p> <p>Interpreting.</p> <p>Arranging transport to and from appointments.</p> <p>Briefing and de-briefing the client before and after appointments.</p>
		Trade Missions	This service involves organising and on occasion partially-funding a group of clients to visit an offshore market. There are several types of missions, including group missions to selected export markets, Ministerial trade missions, and participation in New Zealand pavilions at overseas trade fairs or other major international events.
		Events Consultancy	Assistance with participation in offshore trade events including advice on budgeting and planning, market research, translation/interpretation, NZ branded promotional material, organisation of in-market receptions, media releases etc.
	In-market Assistance	Trouble Shooting	<p>NZTE staff can help clients resolve one-off problems when difficulties arise in a market and the client's representative is unable to solve them.</p> <p>They can offer assistance in many areas including customs clearance, payment issues, agent relationships, and liaison with Government authorities on access issues.</p>
		Education Brochure Display	On-shelf display, monitoring and replenishment of education brochures and course calendars within NZTE's offshore offices.

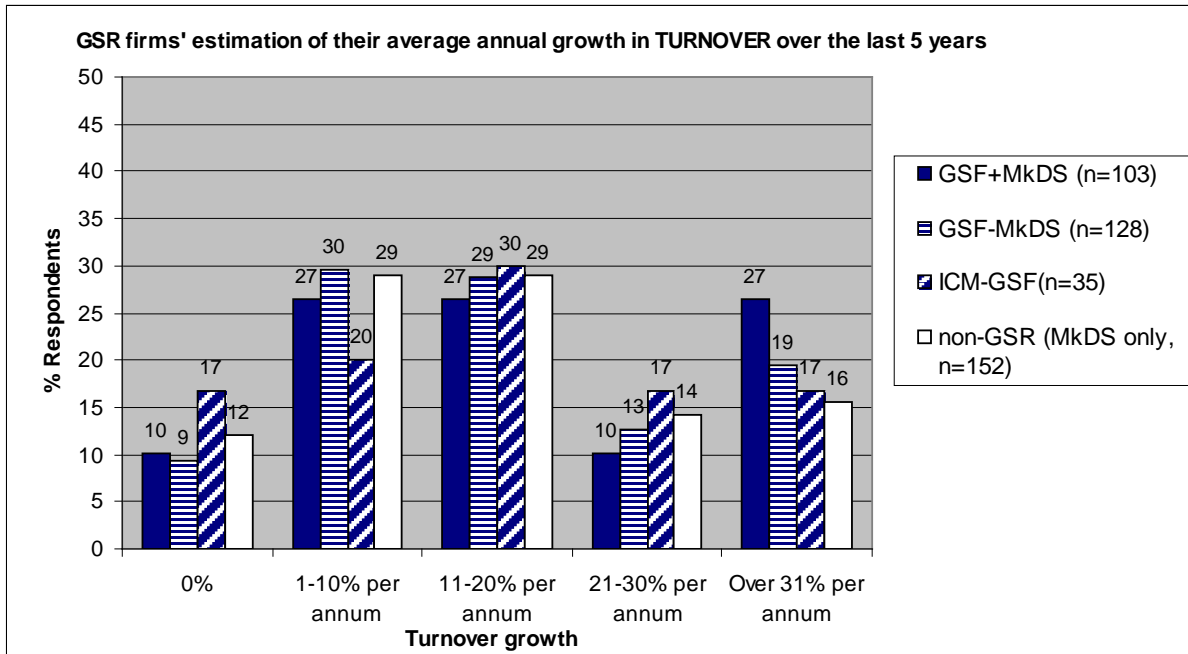
Market Development Services			Description
		Enhance Brochure Display and Student Placement Service	NZTE's Kuala Lumpur, Manila and Singapore offices provide a student placement service. This service is undertaken in partnership with individual New Zealand institutions offering tertiary studies and the New Zealand Immigration Service. The service includes displaying the institutions' brochures in NZTE offices and counselling and assistance to enrol students at New Zealand institutions.
		Examination Facilities	NZTE's offshore offices provide safe and secure venues in which to supervise exams on behalf of individual New Zealand institutions
Identifying and Qualifying International Market Opportunities	Identifying New Opportunities	Market New Zealand.com	Provides a website that showcases New Zealand's best exporters. TNZ uses information on profiled firms to match companies with market opportunities, business leads or general enquiries that fit the capabilities and export markets of interest to those firms.
		ProjectLink	An online subscription service for services exporters in the engineering, marine and building and construction industries. ProjectLink provides companies with qualified business opportunities and market intelligence about upcoming projects in Australia and throughout the Pacific. This is a unique service that provides pre-tender business opportunity identification specifically tailored to company's needs.

11.2. Characteristics of GSR recipients

11.2.1. Estimated annual growth rate over the last five years

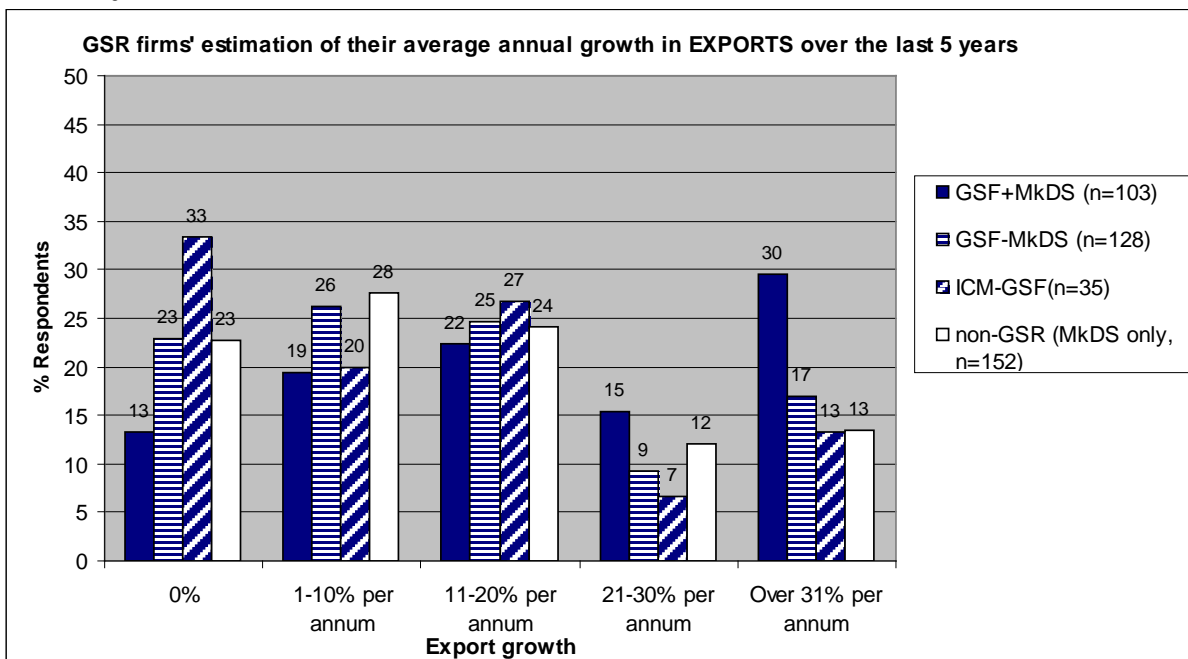
Turnover growth

Figure 32



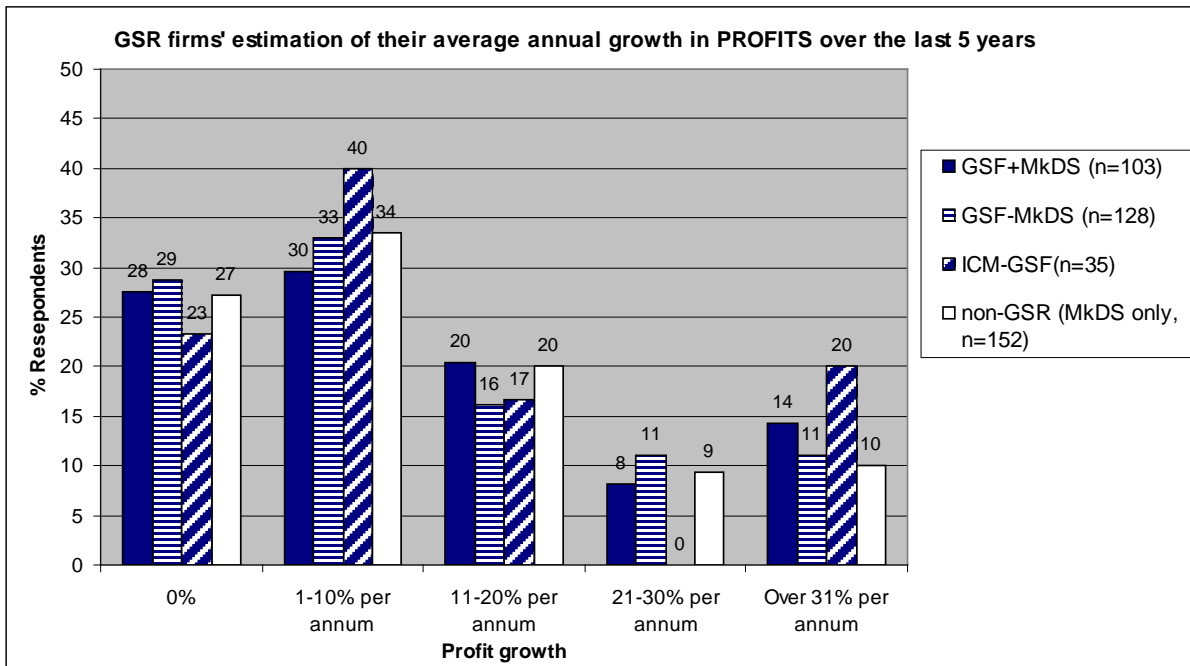
Export growth

Figure 33



Profit growth

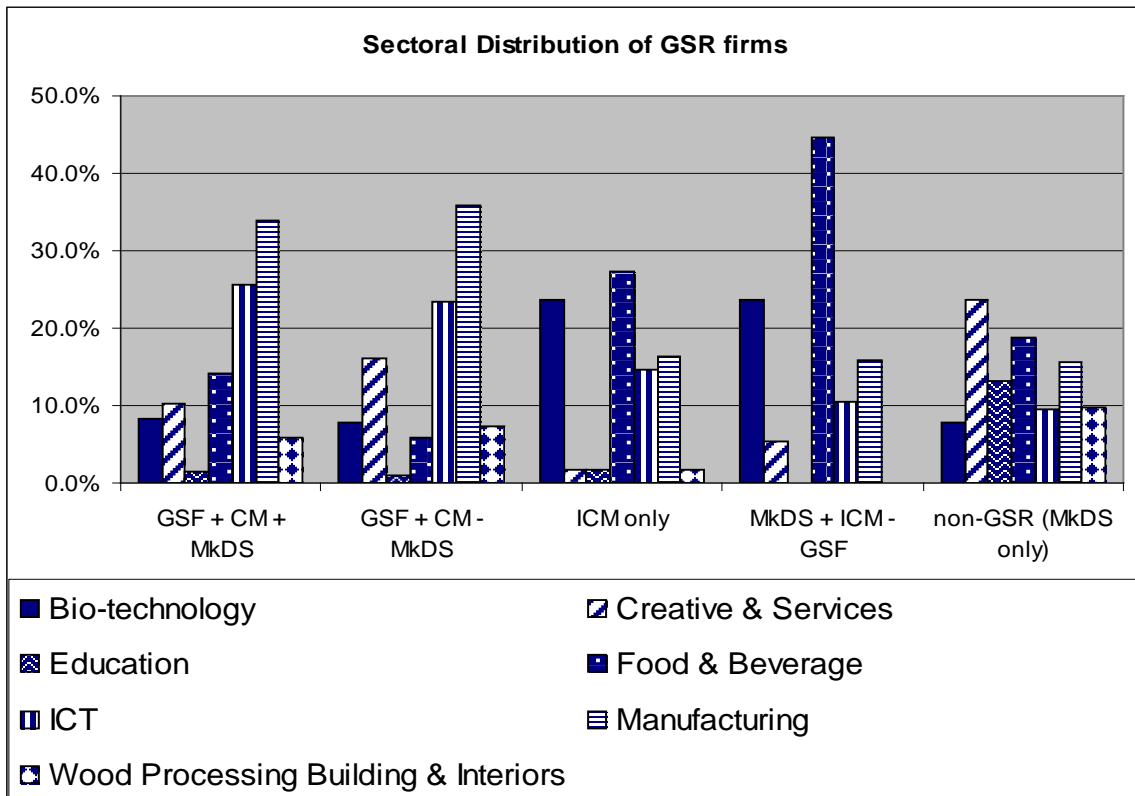
Figure 34



11.2.2. Other characteristics

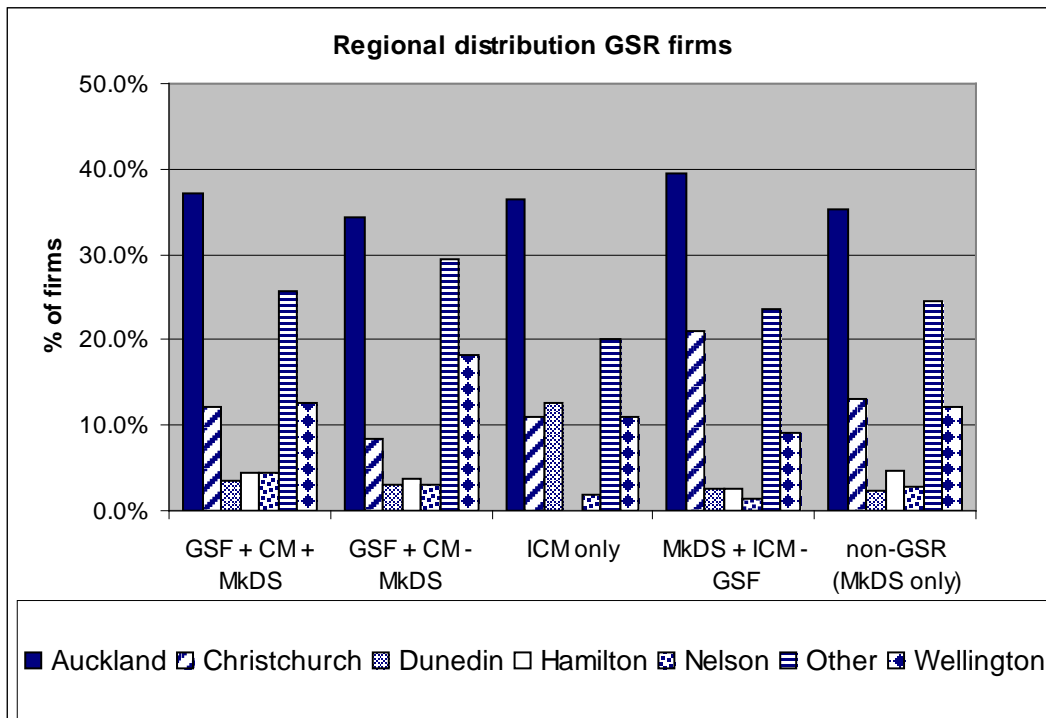
Sectoral Distribution

Figure 35



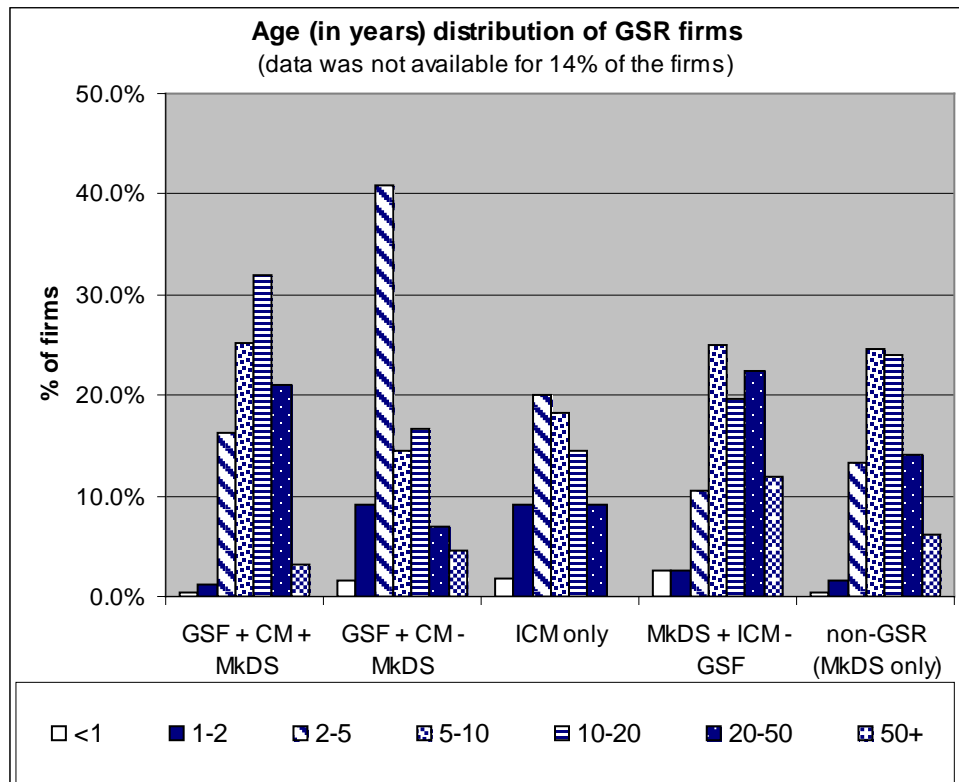
Regional Distribution

Figure 36



Age

Figure 37



11.3. Growth rate of New Zealand firms

Table 9

Growth rate of New Zealand firms (based on data from Statistics New Zealand)						
% change from previous year						
	2000	2001	2002	2003	2004	Average
turnover	8.9%	10.0%	7.2%	2.5%	5.2%	6.7%
export	10.3%	22.8%	5.6%	-3.7%	-4.5%	5.6%
profit	-1.0%	-1.4%	39.7%	0.7%	3.3%	8.6%

Source data: Statistics New Zealand
 Turnover: Sales of Goods and Services, Annual Enterprise Survey 2001-2004
 Export: Balance of Payments Goods and Services,
 Profit: Operating Surplus Before Income Tax, Annual Enterprise Survey 2001-2004

11.4. Focus of engagement

Figure 38

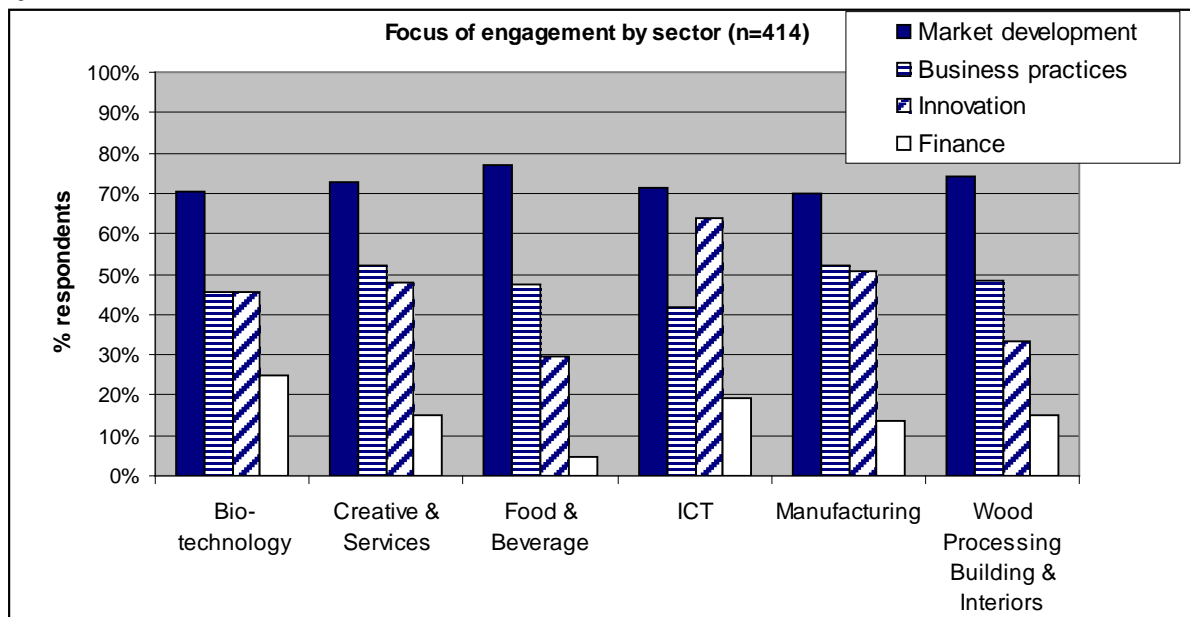


Figure 39

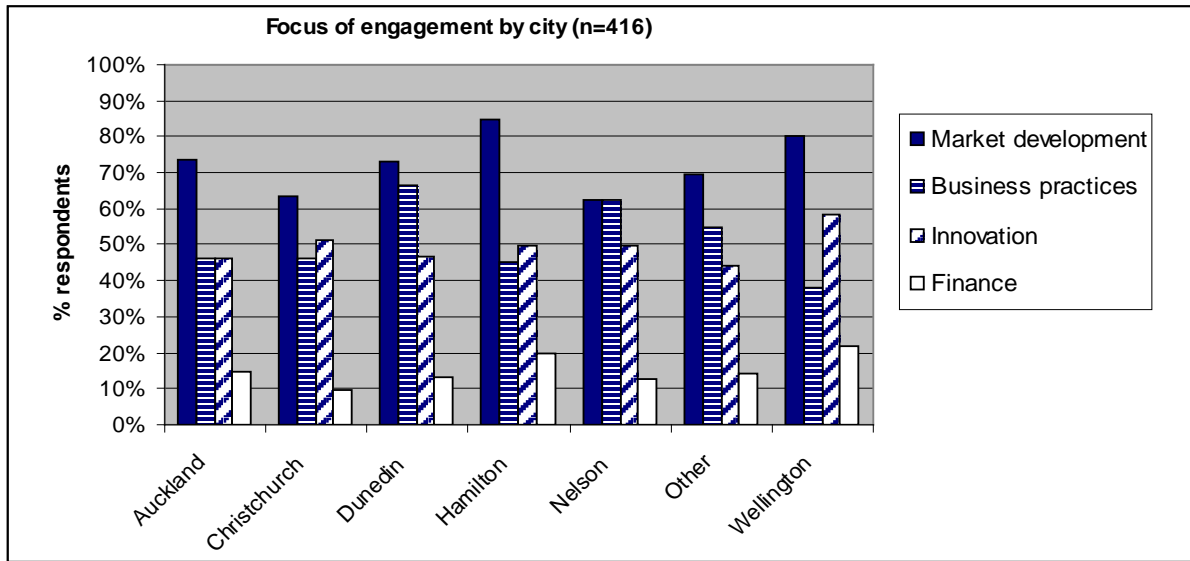


Figure 40

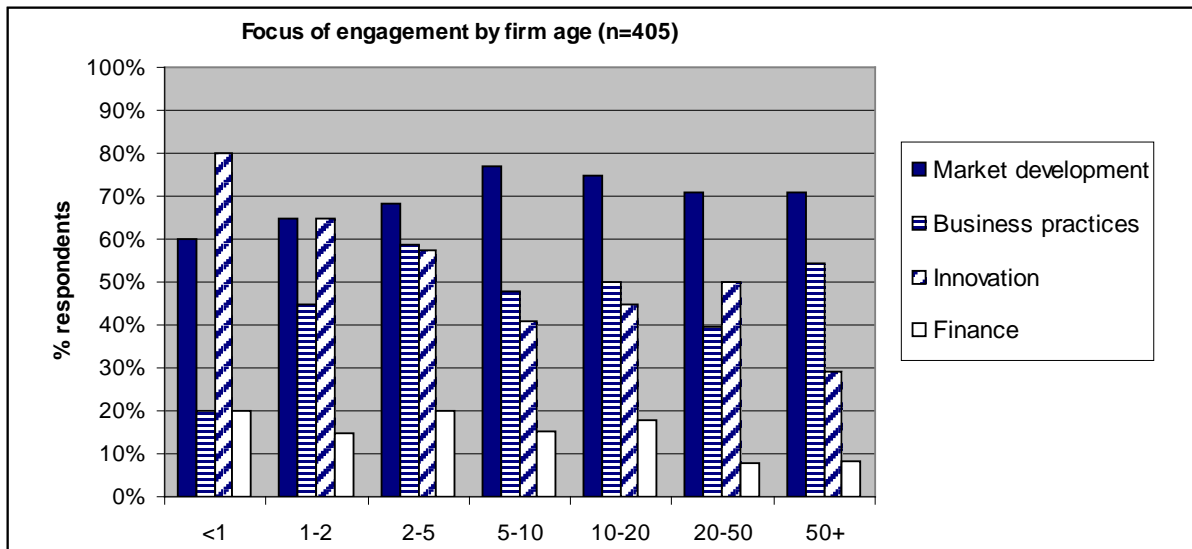


Figure 41

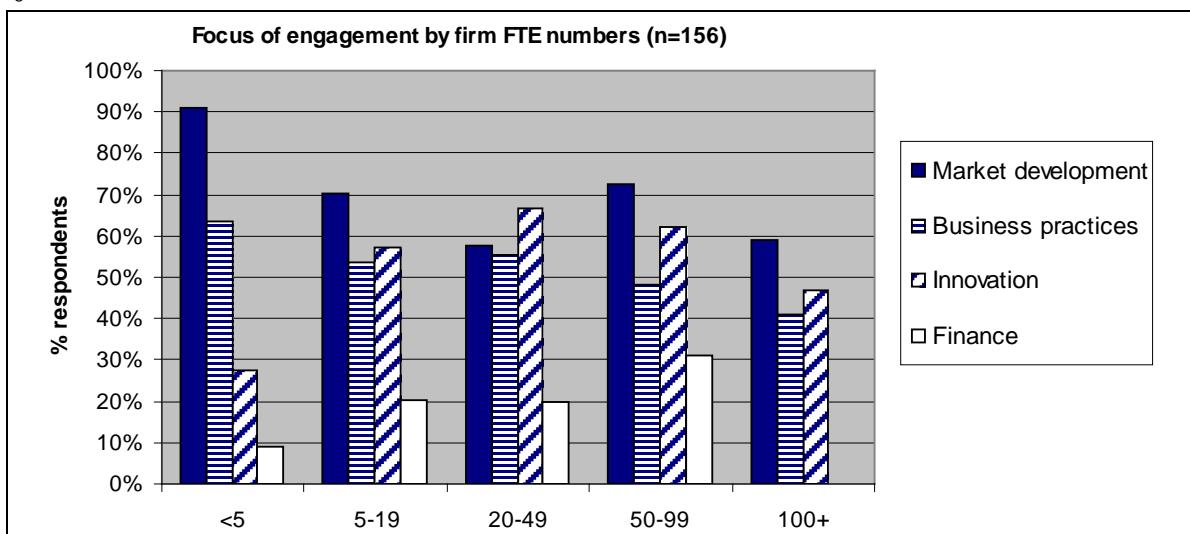


Table 10 Market Development Services provided by NZTE offshore offices (indicating export market)

Type of service		Number of firms accessing MkDS by country											
		China	United States	Australia	New Zealand	Japan	United Kingdom	Germany	Korea (South)	Thailand	Vietnam	Other	Total
Selecting an export market	Foundation Services	76	76	76	41	23	39	17	6	9	1	220	380
	Regulations & Compliance	21	57	21		12	43	15	5	2	4	72	190
	Statistics	5	5	4	15	7	2	3	4	7	1	68	59
	Market Structure & Research	125	141	101	3	72	68	29	41	16	14	444	599
	Entry Strategies Report	1	1	1								3	5
	Access & Opportunity Indicator	3	9	3	1	7	5	1	3	1	1	23	38
	Competitor Product Check	10	7	10		1	7	2		1		6	32
	Product Overview	26	31	25	1	10	15	5	3	2	1	58	99
	Subscription Market Intelligence											0	12
	Potential Partners (incl Buyer/Partner Identification)												
Identifying a buyer/partner	Company Check	80	120	76		28	67	24	14	12	11	270	468
	Partner Contacts	9	16	9	4	4	13	7	11	4	2	107	194
	Liaison with Local Buyer	77	77	73	4	36	81	41	21	24	21	344	533
	Inward Buyer Programme	1	1	1		4	1	2	1	1	3	15	29
	Market Visit Programme		1			3		1	4	1	26	55	77
Visiting the market	Missions (incl Trade Missions)	31	35	31	1	35	13	18	25	37	55	258	394
	Events Consultancy (incl In Market Support)		2			2		15	18	9	13	95	122
	Accompany & Interpret	152	120	111	146	37	57	92	51	36	78	448	896
	Appointments		2			11		3	21	13	16	56	125
	Facilitation	20	23	18		50	21	36	46	61	45	316	392
	Trouble Shooting	6	2	6		1			1	3		15	31
	Government Liaison	3	5	3		5	1	2	5	3	3	73	104
Post-market entry monitoring export markets	Development Banks		1								1	5	8
	Monitoring		73						2	2	2	38	99
Other	Annual Service Agreement											6	8
	Projectlink	2	2	1	2	5	4	4	5	2	3	63	26
	Other	249		129	1							105	186
Total													
		1,150	1,133	894	714	641	581	544	535	511	484	5,335	7,121

Table 11 Fees paid by firms by MkDS provided by NZTE⁵⁷

Type of service		Actual \$ paid for each job: All years				
		Average	Median	Minimum	Maximum	Total
Selecting an export market	Foundation Services	0	0	0	0	0
	Regulations & Compliance	1,578	700	0	20,160	299,873
	Statistics	3,170	400	0	67,981	187,036
	Market Structure & Research	9,050	1,400	0	1,254,220	6,353,171
	Entry Strategies Report	23,620	0	0	114,800	118,100
	Access & Opportunity Indicator	1,920	140	0	62,750	72,970
	Competitor Product Check	1,777	820	0	8,960	56,857
	Product Overview	15,696	4,080	0	175,600	1,553,906
	Subscription Market Intelligence	958	1,000	500	1,000	11,500
	Identifying a buyer/partner	Potential Partners (incl Buyer/Partner Identification)	17,227	2,000	0	1,188,720
Company Check		606	280	0	7,000	117,510
Partner Contacts		3,212	1,120	0	51,200	1,711,743
Liaison with Local Buyer		2,197	630	0	25,200	63,705
Inward Buyer Programme		2,011	200	0	131,052	154,880
Visiting the market		Market Visit Programme	2,512	640	0	402,325
	Missions (incl Trade Missions)	9,035	0	0	560,652	1,138,350
	Events Consultancy (incl In Market Support)	3,530	404	0	1,042,501	3,579,524
	Accompany & Interpret	1,206	840	0	10,690	150,751
	Appointments	958	490	0	11,660	456,024
	Facilitation	477	280	70	2,600	14,783
	In-market assistance	Trouble Shooting	1,121	560	0	16,960
Government Liaison		420	280	0	1,120	3,360
Post-market entry monitoring export markets	Development Banks	2,313	500	0	79,905	312,290
	Monitoring	1,252	980	140	3,080	10,019
Other	Annual Service Agreement	10,988	2,998	0	110,010	285,677
	Projectlink	1,211	928	0	30,750	324,548
	Other	11,142	280	0	6,779,414	34,428,963
Total		7,030	500	0	6,779,414	60,698,238

⁵⁷ The 'Other' category under countries represent 28 other countries in which NZTE has offshore offices. The 'Other' category under services represent the services outside the scope of this evaluation.