

Business Collaboration Networks: Helping businesses to work together to improve performance and exploit market opportunities

SUMMARY

Business Collaboration Networks will bring together businesses to work on common challenges in fields of commercial activities that are essential for developing and strengthening regional economies.

Name of parent offer: Business Collaboration Networks

Product Name: Business Collaboration Networks

What?

Funding will be provided to procure intermediaries to establish and operate business collaboration networks. The intermediaries will facilitate access to a range of collaborative support activities.

Businesses will be able to participate in collaborations to address opportunities which they would not be able to address effectively alone.

The exact range of support provided via the intermediaries to the businesses participating in the networks will depend on the focus of the collaboration network and the size and attractiveness of the opportunity but may include the following:

- Awareness campaigns about the direct and non-direct economic benefits of collaboration;
- Collaborative work groups and consortia working on developing and exploiting specific opportunities such as:
 - Market exploitation;
 - Supply chain development;
 - Commercial exploitation of processes, technologies and products;
 - Sharing of best practice;
 - Marketing and distribution channels;
 - Image;
 - Environmental impact and sustainability;
 - Encouraging start-ups, spin-outs and other means of strengthening the network; and
 - Bespoke higher level, technician, leaderships and specialist skills needs and challenges.

These opportunities need to be effectively linked together to produce solutions which meet the needs of businesses in the network.

- Meeting based discussion forums on specific topics such as future proofing the businesses within the network;

- Disseminating the discussions and conclusions of the forum and other network specific information;
- Facilitating inter-linking of similar collaborative groups in other parts of Europe; and
- Facilitating cross-sector collaborations by inter-linking with collaborative groups in related sectors within the same region or elsewhere in Europe.

Support available via the intermediaries is received collaboratively by the businesses that are members of the network rather than on a one-to-one basis.

Funding for the support is not provided directly to the business but to the intermediary that provides the support on behalf of all the members of the network.

Selection of intermediaries will be undertaken regionally through competitive procurement or through processes compliant with procurement and state aid legislation.

The spatial aspect of the collaborative network will be determined by the needs of the sector and where appropriate may span more than one region (e.g. Midlands Aerospace Alliance which covers aerospace businesses in the East and West Midlands). There may be circumstances, for example, where there is market demand for a network yet one region does not really have critical mass, but where two regions do, where it may be in the interests of two or more RDAs to co-invest in a network.

The funding provided to the intermediaries to establish and operate the network will vary depending on the size, potential benefit and scope of the activities provided by the network. Funding will need to demonstrate that it is commensurate to the activities provided and represents value for money. Experience suggests that funding provided to intermediaries is likely (but not exclusively) to fall within the range of £10,000 to £10 million over the lifetime of the project.

Interventions will be restricted to collaborations where:

- The focus is on priority sectors highlighted in the relevant regional economic strategy;
- Market failure and difficulty in achieving collaboration is identified at the project level;
- Collaboration is necessary to develop and commercialise a business proposition that is outside the scope of supported activities elsewhere (e.g. under the 'Innovation Collaboration' product);
- The business case demonstrates the absence of subsidy to participating large companies; and
- Such networks will not support anti-competitive behaviour but will encourage co-operation between businesses.

Public sector investment in individual collaboration networks will be on a time-limited basis with a clear evaluation and exit strategy defined from the outset.

The length of the intervention should however reflect the fact that network development is a long term process¹ and the time given for the intervention to become self-sustaining should reflect this. Public investment is typically used for pump-priming the network over 3 to 4 years in order to allow it to establish a presence amongst constituent businesses, develop a clear action plan and become self-sustaining.

Each network will be reviewed on an annual basis as part of the yearly business planning round of the funding organisation. Each network will also be reviewed as part of the normal 3 year planning cycle of the Regional Development Agencies. This review will be linked to the key monitoring and evaluation criteria assigned to this product. This transparent recording of outcomes will be necessary if, in particular circumstances, RDAs need to go beyond the typical period for pump-priming of 3-4 years.

Extensions to public funding might occur in exceptional circumstances subject to stringent evaluation and where market requirements show that continued investment is justified.

Typically business collaboration networks will move from a project based organisation to a more membership based organisation as reliance on government funding decreases.

The exit strategies will establish how the benefits of collaboration will become apparent and, where continuity is required, how the networks will be able to become self sustaining.

Where benefits are not apparent then public funding to the networks will cease. Networks can be expected to have a limited time in which public sector funding is necessary.

Timing of exit for public funding would be determined by clear exit criteria and monitoring results which will be defined at the outset and written into the funding agreement. Exit criteria and monitoring results will be taken into account at the annual and three yearly reviews.

Business collaboration networks are most likely to be managed and organised at the regional and local levels and therefore will primarily be funded by Regional Development Agencies and Local Authorities.

Funding applications for business collaboration networks will be subject to scrutiny through the funder's rigorous project appraisal process.

The intermediaries that will establish and operate the business collaboration network will be selected through compliant procurement processes which will ensure that the most credible and economically advantageous service providers are selected.

¹ Best practice suggests that it takes a minimum of three years to build up momentum.

Who is it for? Main target audience

Intermediaries who have a proven track record of successful facilitation of business collaboration, or could demonstrate the ability to undertake the facilitation of business collaboration, and who will be private or public sector firms or organisations led by individuals with relevant experience.

Network participants will primarily centre around small and medium sized firms. The definition of a small and medium sized firm adopted is the European definition of a firm having <250 employees, a turnover of up to €50 million or balance sheet total of €43 million.

For businesses to participate in a business collaboration network they must also meet the following criteria:

- Be in a priority sector, market, technology or other area identified as critical to the successful delivery of the relevant regional or local economic strategy;
- Looking to diversify into a priority sector market, technology or other area identified as critical to the successful delivery of the relevant regional or local economic strategy;
- Face opportunities that are more effectively addressed through collaboration
- Be willing and able to collaborate with related businesses

The exact composition of the network will depend upon the sector(s) it is representing. Some business collaboration networks will have more large firm participants than others.

Why? (Purpose/Rationale - what is trying to do for the UK and business?)

The purpose of this product is to encourage collaboration between businesses operating in key regional sectors and markets so businesses are able to come together to exploit opportunities that stimulate and accelerate economic growth.

Business collaboration networks provide participants with the opportunity to work collaboratively to develop and pursue opportunities that they are unable or unwilling to exploit alone. These opportunities are likely to have positive impacts on the longevity, productivity and turnover of participating businesses.

There are a series of barriers faced by businesses wishing to participate in collaboration which can be summarised as follows:

- Participants may be unaware of the benefits of collaboration;
- There may be problems internalising the benefits of the collaboration;

- Participants may not know or be able to agree how benefits will be divided up, because they are not clear in which part of the value chain the benefits will occur, or what the benefits will be; and
- There are issues of timeliness – some market opportunities require fast response to win early-mover advantage. But this is the time when knowledge is lowest and risk may appear highest for businesses. Public pump priming can help to build early momentum and reputation for the industry.

Business collaboration networks provide the following benefits to the public sector:

- They build and grow effective industries and economies through collaboration;
- They increase tacit knowledge and the size of the skills base for the sector and / or locality in which they are based;
- A cost effective way of engaging and supporting a large number of businesses, intermediaries and public agencies;
- They provide a conduit for establishing industries' needs for feeding into policy formation at the local, regional and national levels; and
- They provide information, evidence and support for public sector agencies to ensure that investment programmes are demand led and meeting the needs of business.

Marketing and Access

Intermediary access

Regional Development Agencies will commission networks for the priority sectors set out in Regional Economic Strategies. Intermediaries will be selected through state aid compliant procurement procedures.

Where market demand emerges businesses will be able to come together to establish an intermediary to deliver such a network and apply to the relevant body in the appropriate manner.

Intermediaries will work in partnership with Business Link to market the business collaboration networks available within each region. Marketing of each business collaboration network will follow the national branding guidelines. Best practice suggests however that it is important that the network will be most effective if it has its own brand².

Intermediaries will be expected to provide details of their network to the relevant Business Link. As such, a list of available business collaboration networks will be available for each region and Business Link will provide information on each of the networks.

² The Cluster Initiative Greenbook (2003)

Business Collaboration Networks will not duplicate any of the IDB services available through Business Link.

The intermediary and Business Link will run joint campaigns to highlight events. Business Link should through effective profiling be able to signpost relevant customers to the network.

In certain instances Business Link might become more proactively involved in assisting with the marketing of the network.

Network member access

Potential network members will be able to access the network in two complementary ways:

- via Business Link; and
- by directly contacting the intermediary running the network.

The intermediary will however be responsible for managing the client relationship with the members of the network. The intermediary will keep its members updated on activities, events and progress.

Delivery–procurement

Business Collaboration Networks are a key tool for supporting and accelerating the growth of regional and local economies and should therefore be procured at the appropriate regional or local level using national design guidelines/principles.

Key characteristics³ of successful business collaboration networks which should be reflected in any application for funding should include at least some of the following:

- Be focused on regional priority sectors;
- Intermediaries are selected through a compliant procurement process;
- Intermediary has strong and broad range of contacts and links with other networks for the industry;
- Explicit vision and consensus about what is to be achieved;
- Clear and explicit framework of activity based on the priority sectors strengths; and
- Strong brand awareness.

³ The Cluster Initiative Greenbook (2003)

State Aids Advice

Advice from the state aids department suggests that there is no need to seek state aids clearance prior to the business collaboration networks product being launched.

Instead, individual business collaboration network projects should undergo a state aids assessment as part of the public sector funder's normal project appraisal process.

Detailed advice from BERR's State Aids team in respect of this product is as follows:

"State aid: the state aid position here will depend on the way networks are designed, the kind of services they offer and how the intermediary is selected and paid. Funding of very basic networks which provide a virtual or physical meeting space or circulate freely available, non-company or sector-specific information and advice is unlikely to involve state aid to the members. Where networks are funded to provide more in-depth sector- or company-specific advice or consultancy this would be likely to constitute state aid to the business members and the value of the service to them would have to be costed - possible approval routes include:

- De Minimis: covers aid up to €200,000 per recipient over any three year period, applies to any size of company, large or SME, no eligible cost restrictions and no notification is required, but there are restrictions on cumulation with other De Minimis grants and other state aid generally where this is being given to cover the same project costs

- the SME Block Exemption which allows subsidy of 50% of consultancy costs (for SMEs only). Schemes must be registered with the European Commission and annual reports are required (the SME Block Exemption is due to be replaced in summer 2008 by the General Block Exemption Regulation but the consultancy aid provision is likely to stay the same)

- the state aid framework for R&D and Innovation: allowable aid categories include aid for innovation support and advisory services worth up to €200,000 over three years per recipient. This category is restricted to SMEs only. Schemes must be notified and cleared in advance with the Commission and annual reports provided.

Of these three De Minimis is likely to be the best route as it covers the widest range and involves the least administrative burden.

In all cases, care should be taken to avoid aid to any intermediary body delivering the service (preferably by selecting them through a competitive tendering process to ensure that they are being paid a

market rate) and also to avoid overlaps with commercially provided services."

Current 'schemes'

The guidance asks for product groups to identify national schemes which will need to close or transition.

Business collaboration networks primarily have a regional or local scope and therefore will not lead to closure of any existing national projects.

Individual Regional Development Agencies and Local Authorities will, however, work with Regional Transition Management Boards to identify and address schemes which no longer meet the criteria associated with this product.

Initial thoughts on Monitoring and Evaluation

It will be important to monitor and evaluate the specialist business support product as well as individual specialist shared business support projects.

Any evaluation criteria must be related to the Investment Evaluation Framework currently employed by the Regional Development Agencies.

Indicators that could be used to monitor and evaluate business collaboration networks at the product or project level could include:

- Increased GVA in the target groups;
- No of businesses participating in the network relative to the size of the sector/group (e.g. penetration rates);
- Sector's contribution to regional GVA;
- Awareness and take up of the activities of the network;
- Business confidence amongst participants; and
- Private sector contribution – cash or in kind