



# UK TRADE & INVESTMENT

## AUTUMN PERFORMANCE REPORT 2009



UK  
*Fast track to the world*





# **UK Trade & Investment**

## **Autumn Performance Report 2009**

Presented to Parliament by the Minister for Business and Regulatory Reform  
and the Chief Secretary to the Treasury  
by Command of Her Majesty

December 2009

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# Ministerial Foreword

The global economic downturn has made this a difficult and challenging time for Britain's businesses. There has been understandable caution. Business and consumer demand for goods and services in traditional markets has fallen. Overseas investors have faced tough decisions.

Under these conditions, to ensure continued prosperity, UK companies have to explore and exploit new trade opportunities. The UK investment offer must continue to top that of our competitors.

This report confirms that UK Trade & Investment (UKTI), the national trade and investment promotion agency, working hand-in-hand with its public sector and commercial partners, has risen to the challenge of providing the vital support that UK companies have needed through this period.

As the country moves from economic crisis to building the recovery, UKTI can demonstrate a record of achievement and proven programmes to build success. Our strategy "Prosperity in a Changing World" has provided the basis for our model of marketing the UK to the world and for the strong partnerships that have been built between UKTI and business.

- In the 12 months up to the end of September 2009, UKTI assisted 22,800 businesses, an increase of over 20 per cent on the previous 12 month period. The number of innovative businesses helped rose by 25 per cent.

- UKTI trade services assistance helped UK businesses make an estimated extra £3.6 billion profit.
- There were a record number of 1,744 inward investment projects into the UK in the financial year 2008-09. Projects won in the same period with UKTI's direct assistance and the number of high value projects similarly won, both increased.

UKTI has won an additional £10 million funding to support its work through high impact events in the UK and overseas. The Government's strategic vision for economic recovery, "Building Britain's Future – New Industry, New Jobs", has recognised UKTI's work and role in delivering growth through trade. UKTI will therefore continue to play a major role in facilitating an export-led recovery.

The new "Take It To The World" initiative launched in March 2009 encourages businesses to explore new opportunities, especially in emerging and developing markets. In its launch month the campaign contributed to an increase of 10 per cent in visits to the UKTI website compared to the same period in 2008.

UKTI is forward-looking. Our marketing strategies target the sectors that match our strengths with real global opportunities. New strategies have been developed to tackle the innovative areas of advanced engineering and low-carbon, which present a very real opportunity for the UK to develop



and drive new technologies both here at home and in emerging markets.

When I travel with business representatives to help promote the UK in new and emerging trade and investment markets such as China or India, or immensely valuable established markets such as the USA or Japan, I experience and hear first-hand exactly what our international opportunities and challenges are.

For UKTI to be a success, it must add value to the trade efforts of the UK-based companies it works with and support them in new markets and with new strategies. It must also continue to tell the story about the UK's expertise and capability and maximise our inward investment offer. UKTI will work across its trade and investment promotion programmes to help build growth and new opportunities for businesses of all sizes.

**LORD DAVIES OF ABERSOCH**  
Minister for Trade, Investment  
and Small Business.

# Section 1: Introduction

This report is structured in the following way:

## Section 1

Introduction covering UKTI's aims, objectives and strategy

## Section 2

Details of UKTI's CSR2007 Funding and the progress against its Strategic Objective and targets

## Section 3

Efficiency targets under CSR2007 and UKTI's progress to date

This report covers the period since the Departmental Report and Resource Accounts 2008-09, up to the 30 September 2009. It provides an update on how UKTI has performed against its objectives over the 12-month period up to the end of September. This includes value-for-money targets as specified in the 2007 Comprehensive Spending Review (CSR2007)

- UKTI's Departmental Report and Resource Accounts 2008-09 (HC No. 482) published in July 2009, is available from The Stationery Office and on UKTI's website<sup>1</sup>. This provided the information on UKTI's operations for the 2008-09 financial year.

UKTI is committed to being customer-focused, marketing-led and performance-driven. The five-year strategy, "Prosperity in a Changing World"<sup>2</sup>, in July 2006 guides the overall direction and focus of all that we do and remains relevant in today's economic climate. The UKTI Board keeps the strategy under constant review. UKTI is a flexible pro-active organisation; appraising, adapting and deploying our resources as opportunities arise, within our strategy.

The current economic situation makes our work even more important as 2008-09 saw the global economic slowdown deepen,

affecting world trade and investment. The UK is not alone in feeling the impact, but its ability to weather the storm will determine our short, medium and long-term competitiveness. UKTI is working hard to foster an environment that combines innovation, determination and agility, coupled with a strong entrepreneurial spirit to ensure the UK emerges with an enhanced competitive edge. This will position our companies as global partners of choice, and secure a new wave of high-value investment.

In difficult times, businesses need to be flexible and innovative and seek out opportunities where they exist. Fiscal stimulus packages and major spending programmes have been announced around the world, which will create global supply-chain opportunities for UK firms. Earlier this year, UKTI recognised this and enhanced its support by focusing a dedicated team of business specialists to help companies of all sizes to identify and seize these opportunities in countries as diverse as Brazil and Saudi Arabia. The fiscal stimulus initiative will help at least 1,000 UK-based companies by March 2010. In addition to this, UKTI also strengthened its aftercare support for high-quality inward investors, to help ensure that overseas companies stay committed to continuing to work and prosper in the UK.

<sup>1</sup> See [www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk)

<sup>2</sup> See [www.uktradeinvest.gov.uk/ukti/fileDownload/UKTIStrategyJuly2006.pdf?cid=391741](http://www.uktradeinvest.gov.uk/ukti/fileDownload/UKTIStrategyJuly2006.pdf?cid=391741)



The eventual return to global growth will accelerate those trends that are reshaping the global economy – above all, fierce competition in our domestic and global markets. It is crucial that government policy not only offsets the risks to our competitiveness that come with a downturn, but ensures that we are in a stronger position to take advantage of the opportunities as the global economy returns to growth.

The strategic vision for Britain's economic recovery, "*Building Britain's Future – New Industry, New Jobs*", was launched in April 2009. It recognised UKTI's responsibility for delivering the export component of this strategy to secure the UK's future economic prosperity. UKTI will therefore continue to play a major role in facilitating an export-led recovery, and our success to date at delivering for business was recognised by an additional £10 million funding (£5 million per year in 2009-10 and 2010-11) to "support high impact events in the UK or overseas". This was a tremendous acknowledgement of the benefits UKTI has delivered to UK business.

"*Building Britain's Future – New Industry, New Jobs*" highlighted a number of sectors where it was recognised that closer sectoral focus in Government could unlock greater

potential, making a difference to the prospect of growth or high-value employment by removing barriers to market. This is where UKTI can deliver. The non-exhaustive list includes: advanced engineering, creative industries, energy, low carbon, construction, information and communication technologies (ICT) and financial services – all of which are reflected in one of our key business approaches of focusing a substantial share of our trade activity on a number of nationally-managed sectors.

We have developed this approach further this year, by working with UK business representatives through our Sector Advisory Groups to agree the priorities and opportunities we will look to support in our business planning process 2010-11. The events commenced in September 2009 with London Fashion Week and the London Design Festival. Other events include a showcase for the advanced engineering sector in Brazil, Technology World in Coventry in November and a consumer electronics show in the USA in January 2010. We are also preparing for a major security sector event in March 2010, building on the success model offered by the Farnborough International Air Show.

**In difficult times, businesses need to be flexible and innovative and seek out opportunities where they exist.**

As UKTI builds its services to help companies meet the challenges they face, it has developed a range of initiatives to help UK-based businesses grasp opportunities in particular key markets and sectors:

- The *Fiscal Stimulus Initiative* provides targeted help from business specialists for UK companies to access opportunities arising from new fiscal stimulus spending in overseas markets. So far, the specialists have analysed stimulus packages in Australia, Brazil, Canada, China, France, Germany, India, Saudi Arabia, South Africa, Spain, the United Arab Emirates and the USA. By the end of September 2009, they had advised 683 UK-based companies of related business opportunities. This initiative will help at least 1,000 companies by March 2010.
- The *Gateway to Global Growth*, a package of support to help experienced exporters diversify into new overseas markets. The focus is on innovative small- and medium-sized enterprises (SMEs) with two-ten years' export experience. By the end of September, 670 businesses had already signed up for this programme, with at least 1,250 businesses expected to be signed up by the end of the financial year.
- The Business Ambassadors' Network, involving 18 of the UK's foremost business and academic leaders, who work with the Government to promote the UK's

excellence internationally, and to highlight possible trade and investment opportunities. Each of them has a proven track record of delivery at the very top of their profession and they speak with authority and experience.

- Over the past 12 months, the Business Ambassadors have taken part in over 60 events, in more than 20 different markets around the world, including: Australia, Mexico, Japan, China, Russia, Brazil, South Africa and the Gulf Region. These events have varied from leading major trade missions to lower-profile engagements in the margins of the Business Ambassadors' personal business travel. On each occasion, they have delivered positive UK trade and economic messages. Over the coming months there are plans to widen membership of the network and increase sector coverage.
- A series of programmes to maximise the impact of the *London 2012 Games* on British business and the UK economy and to demonstrate to potential inward investors that the UK is the place to do business that has included:
  - A flagship 2012 Games Business Summit in November 2009 for over 500 UK companies, highlighting the domestic business opportunities around the 2012 Games and international opportunities at future major sporting events, jointly arranged with

Department for Business Innovation and Skills (BIS).

- The signing of Host2Host agreements with Russia and South Africa in regards to the Sochi 2014 Winter Olympic Games and the 2010 FIFA World Cup and the opportunities they offer for British companies. As a result of the Sochi agreement, the Olympics were discussed at the recent Russia-UK Intergovernmental Steering Committee chaired by Lord Mandelson.
- Planned activity during the Vancouver Winter Olympic and Paralympic Games in February 2010 and further expansion of the Host2Host programme.
- Implementation of the latest phase of "*Take it to the World*"; UKTI's marketing initiative, which encourages businesses to explore opportunities overseas – with expert help from UKTI. This is discussed in greater detail in section 1.5.
- New funding rules for the *Tradeshaw Access Programme (TAP)*, to help SMEs take part in more overseas trade fairs and explore more overseas markets.
- UKTI has strengthened its arrangement for bringing high-quality inward investors to the UK, adding value to the UK economy, including through global supply-chain opportunities for UK firms.

## 1.1 UKTI: THE ORGANISATION

UKTI has 2,400 people helping to deliver trade development and inward investment services for business. Of these 1,300 are in 96 markets overseas. Inward investment teams operate in 33 of these markets. Of the 1,100 people in the UK, 400 are in the nine English regions and 700 are in our London and Glasgow HQ.

UKTI is a joint department of the Foreign and Commonwealth Office (FCO) and the Department for Business Innovation and Skills (BIS), and contributes to the delivery of BIS's Departmental Strategic Objective (DSO) 1 – "Promote the creation and growth of business and a strong enterprise economy across all regions", and also fully delivers the FCO's DSO 2 – "Support the British Economy". UKTI's funding and human

resources reflect this framework and it delivers on behalf of these departments through staff mainly employed by either the FCO or BIS. For UK businesses wishing to export, UKTI's range of expert services is tailored to the needs of individual businesses to maximise their international success by providing companies with knowledge, advice and practical support. UKTI also helps overseas companies bring high quality investment to the UK's economy by providing support and advice to these investors at all stages of their business decision-making. UKTI also offers expertise and contacts through a network of international specialists across the English regions and in British Embassies and other diplomatic Posts around the world.

UKTI works closely with the Regional Development Agencies (RDAs) in the English regions and

with the trade promotion and inward investment organisations of the Devolved Administrations (DAs). Our other partners in delivering trade and investment services include the numerous private sector bodies that are active in this field together with other government departments (OGDs) and their agencies. In particular, UKTI also works alongside the MOD through the UKTI Defence and Security Organisation (UKTI DSO). UKTI DSO helps the UK defence and security sectors succeed internationally. Working together, with the continued support of the MOD, UKTI DSO delivers the essential government-to-government dimension to company-led marketing campaigns in pursuit of maintaining the UK's strong position in the global defence export market. Its staff are mainly employed by either the FCO or BIS along with staff from the MOD.

### UKTI IS IN 96 MARKETS COVERING 98 PER CENT OF GLOBAL GDP

#### UKTI Budgets 2008/09

- UKTI £91m
- BIS £56m
- FCO £177m

#### UKTI Spend 2008/09

- Trade £250m
- Investment £73m

#### UKTI Benefits 2008/09

- 22,800 businesses assisted
- £3.6bn value to UK economy
- £4bn defence sales
- 600 inward investment decisions
- 30,678 new jobs created by investment
- 18,800 jobs safeguarded by investment

## The majority of staff which work for UKTI, in the UK and overseas, have private sector experience

### UKTI – a partnership with business

In 2009-10:

- Over 40 board-level business representatives influences UKTI via the Business Ambassadors' Network, non-executive board members and advisory group chairs and members.
- Approximately 300 private sector International Trade Advisers (ITAs) delivering in the nine English regions.
- 1,100 locally-engaged staff throughout our global network, the majority of which have private sector experience.
- Over 20 private sector business experts working in UKTI on secondment.
- Around 90-100 Accredited Trade Organisations help UKTI deliver the Tradeshow Access Programme.
- British Chambers of Commerce help deliver the Export Marketing Research Scheme (EMRS) and Export Communications Review (ECR) for UKTI.
- UKTI currently has 65 business specialists helping to deliver its major programmes
- The China-Britain Business Council (CBBC) and the UK-India Business Council help deliver in China and India
- The Business Ambassadors' Network – 18 of the UK's foremost business and academic leaders, working with Government to promote the UK's excellence internationally, and to highlight possible trade and investment opportunities.
- UKTI programme of sector events are delivered in partnership with business.

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## 1.2 UKTI: WORKING WITH BUSINESS

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UKTI works closely with business, who play an integral part in the shaping of UKTI strategy and the delivery of its services. The majority of staff who work for UKTI, in the UK and overseas, have private sector experience. Business influences the way that UKTI works from the top down. From helping define our strategy via the various inputs from our non-executive board members, advisory group chairs etc to the delivery of its business objectives via the accredited trade organisations, International Trade Advisers etc. Their support of UKTI and its objectives ensures that UKTI is a business-led organisation, effectively focusing its service delivery on the areas that add the most value to the UK and business. This support also includes UKTI DSO, which has formed Advisory Groups for both Defence and Security to ensure that there is close co-operation with industry in developing forward plans and activities. These two groups have taken forward important work; developing strategies for marketing, identifying and selecting overseas markets, and promoting improved ethical standards.

UKTI is a dynamic organisation, continually looking to build on

existing services, to continue to help UK-based business grasp opportunities. In this respect, UKTI focuses on the sectors where it can add most value and on the markets where the potential for growth is the highest. UKTI has a presence in 96 markets (33 of these have inward investment teams), in 162 locations throughout the world, and works closely with the nine RDAs, the trade promotion and inward investment organisations in the Devolved Administrations, as well as other government departments. This ensures that UKTI has a presence both nationally and internationally to support UK business at home and abroad to achieve their business needs.

In addition to focusing on particular sectors, UKTI also provides specific support to the following groups of companies:

- Innovative inward investors.
- UK-based companies with the capacity to develop their international trade potential and access overseas markets.
- UK-based companies where trade development work will boost their research and development (R&D) output.
- Overseas-owned R&D companies that are R&D intensive.

- Companies that we can help do business in selected high-growth markets.
- Top FTSE 100 companies.
- Overseas-based entrepreneurs with innovative technology.

UKTI works with companies of all sizes. Just under 90 per cent of companies UKTI assisted were small- and medium-sized enterprises (SMEs).

UKTI also markets the UK worldwide as the best place for overseas companies to do business, because of the benefits of the UK business environment with its appropriate level of regulation and flexible work-force; its excellence in creativity and innovation, and as a gateway of international connections, taking companies beyond the opportunities offered by the UK and delivering a multiplier effect.

**UKTI continually strives to improve our assistance to UK businesses and to make the UK an attractive proposition for inward investment.**

### 1.3 UKTI: BENEFITS TO BUSINESS

UKTI continually strives to improve our assistance to UK businesses and to make the UK an attractive proposition for inward investment. The table below shows the total resources used during 2008-09 with comparators together with key outputs/outcomes.

The resource accounts only show the resource voted directly to UKTI to deliver programme activity (eg grants/marketing). Other resources relating to UKTI are included within the audited accounts of BIS and FCO respectively.

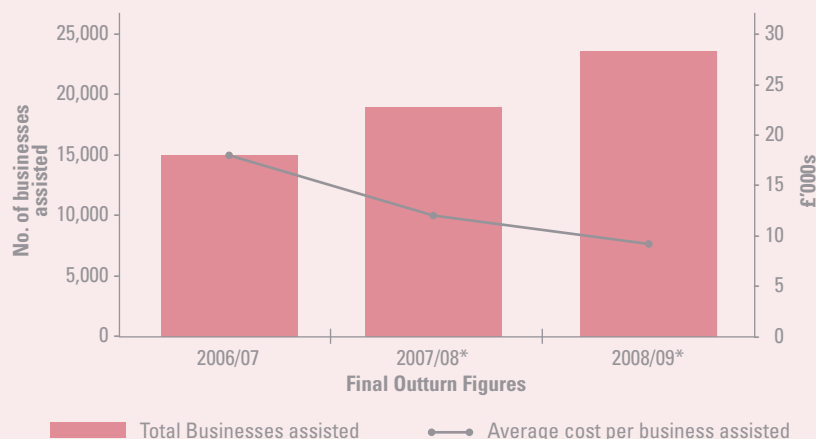
£249.9 million, UKTI increased the number of businesses assisted to 22,800, an impressive 22 per cent more than a year ago. This was coupled with a 25 per cent increase year-on-year in the number of innovative businesses assisted, up to 18,600. UKTI has achieved this against the backdrop of the global economic downturn. Some 70 per cent of businesses surveyed reported significant qualitative benefit and an estimated additional profit of £3.6 billion was gained by UK businesses as a result of UKTI assistance. In other words, every pound spent on trade services by UKTI helped generate on average £16 additional profit for UK business.

#### Trade Development

In the final outturn figures for 2008-09, for an outlay of

Figure 1 demonstrates that UKTI is assisting more businesses than ever, at a diminishing cost per business

**FIGURE 1: MORE BUSINESSES ASSISTED/LESS AVERAGE COST**



\* The cost of UKTI DSO has been excluded from these figures.

to the taxpayer. Over the last three years, UKTI has cut the average cost of assisting business by over 39 per cent from around £16,500 to just over £10,000. Over this same period, the quality and satisfaction of our trade has remained steady. Indeed, over this same period, UKTI has helped trade customers increase their additional profit. For every pound spent by the taxpayer, the average benefit reported by UKTI's customers has increased from £14 to £16. UKTI is becoming more efficient, by delivering more for less.

### Inward Investment

In 2008-09, the UK attracted 1,744 inward investment projects, of which, UKTI directly assisted 600 for an expenditure of £73.3 million.

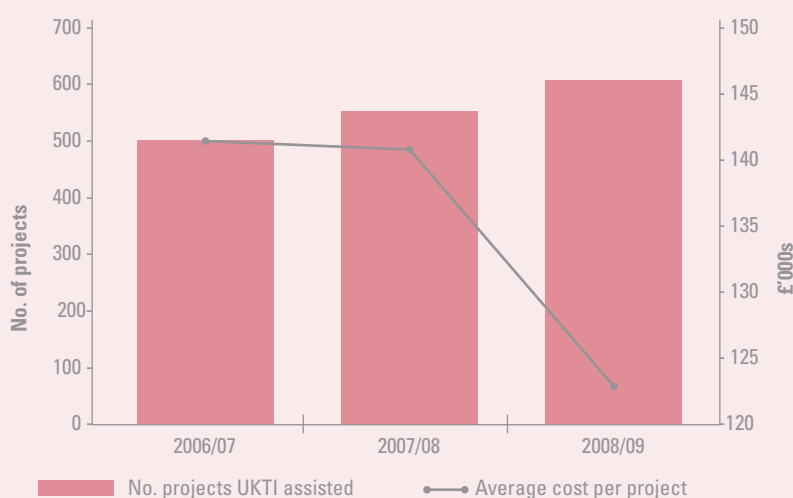
The UK total represented a record number of inward investment projects, as reported to UKTI, and the fifth consecutive year of growth. In 2008-09 alone, the 1,744 inward investment projects contributed to the creation of over 35,000 new jobs and helped safeguard more than 43,000.

Over the last three years inward investment projects to the UK has contributed to the creation in the UK of over 115,000 new jobs and helped safeguard over 140,000 jobs.

Figure 2 demonstrates that UKTI is helping to attract more inward investment than ever before, at a diminishing cost per project to the taxpayer. Over the last three years, UKTI has cut the average cost of

**Over the last three years inward investment projects to the UK have contributed to the creation in the UK of over 115,000 new jobs and helped safeguard over 140,000 jobs.**

**FIGURE 2: MORE INWARD INVESTMENT/LESS AVERAGE COST**



**UKTI offers services to all eligible companies seeking help in overseas markets where there is a UKTI presence.**

securing inward investment projects by over 13 per cent. UKTI is becoming more efficient, by delivering more for less average cost. The UK remains the number one recipient for inward investment projects into Europe.

UKTI has responded to the current demanding economic conditions by bringing real and measurable benefits to UK businesses and the UK economy, adding additional profits to numerous businesses that use its services and providing value for money as an organisation.

**Business Ambassadors share their knowledge with people in business around the world**

UKTI's Business Ambassadors continue to share their views and experience with people in business around the world. Here's a snapshot of some of the Business Ambassadors' achievements in October 2009.

On 2 October, Sir Philip Hampton, Chairman of J Sainsbury's and RBS, met with ten of Turkey's leading retailers at an event hosted by the British Consul-General in Istanbul. Sir Philip provided the group with an overview of the UK's retail sector and encouraged the group to take advantage of the recession to establish a foothold in the UK and to seize the current opportunities.

On 14 October, Sir Roger Bone, President of Boeing UK, delivered the opening address at the British Airways/UKTI – Face of Opportunity Business Reception in Middlesex, UK. To an audience comprising of over 200 US businessmen and women from Los Angeles, Sir Roger delivered a speech bolstering the UK's reputation and promoting the UK as the best place in the world to develop and grow a business.

On 22 October, Dr Chris Gibson-Smith, Chairman of London Stock Exchange delivered a personal account of his views of the events leading up to and following the financial crisis to 30 senior executives and members of the British Chamber of Commerce in Shanghai.



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#### 1.4 UKTI: MEETING THE NEEDS OF BUSINESS

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UKTI offers services to all eligible companies seeking help in overseas markets where there is a UKTI presence. It organises its product and service portfolio under three headings defined by the Business Support Simplification Programme<sup>3</sup> (BSSP):

- Developing your International Trade Potential
- Accessing International Markets
- Maximising Foreign Direct Investment

##### Trade Development Services

###### Developing Your International Trade Potential

Individually tailored packages of practical assistance to help companies develop the capacity needed to trade internationally and support for British companies needing to improve and extend their exporting experience. This includes:

- Access to an experienced local International Trade Adviser (ITA) to help develop a plan of action.
- Specialist help with tackling cultural and language issues when communicating with overseas customers and partners.

- Advice on how to go about market research and the possibility of a grant towards approved market research projects.
- Ongoing support to help businesses continue to develop their export potential and enter new and more sophisticated markets.

###### Accessing International Markets

Providing tailored help in accessing new markets and information about opportunities, or specific products or services, in particular overseas markets. This includes:

- Support to participate in trade fairs overseas.
- Opportunities to participate in sector-based missions and seminars to countries where the best opportunities lie.
- Access to major buyers, governments and supply chains in overseas markets.
- Information, contacts, advice, mentoring and support from UKTI staff based overseas.
- Advice on forming international joint ventures and partnerships.
- Exploratory visits to new markets.
- Alerts to the latest business opportunities through our website.

**Providing tailored help in accessing new markets and information about opportunities, or specific products or services, in particular overseas markets.**

<sup>3</sup> See [www.berr.gov.uk/whatwedo/enterprise/simplifyingbusinesssupport/page44802.html](http://www.berr.gov.uk/whatwedo/enterprise/simplifyingbusinesssupport/page44802.html) for more details

## Inward Investment Services

### Maximising Foreign Direct Investment

Inward investment activities involve providing a free, bespoke and confidential service to potential inward investors on the benefits of investing in the UK. This includes:

- Focusing on key high-value investors to facilitate their continued growth and retention in the UK by providing investor development support (also known as “after-care”).
- Targeting high-value investors to invest in the UK. Key sectors on which UKTI focuses include: advanced engineering, financial services, low carbon technologies, energy, life sciences, information and communication technologies, software and creative and media industries.
- Providing comprehensive location benchmarking analyses, and specific information on key commercial considerations. For example, on company taxation, migration, financial incentives, skills, infrastructure and planning, and regulatory issues.
- Providing comprehensive regional and local analysis, in order to help overseas companies choose the best location to establish their business.
- Enriching the UK’s knowledge-based economy by attracting the world’s best early-stage technology companies and entrepreneurs to establish a UK global hub through UKTI’s Global Entrepreneurs Programme.
- Access, through the UK Advisory Network, to lists of professional service organisations.
- Practical help, including visits to suitable locations, finding business partners and accessing financial incentives.

### 1.5 THE “TAKE IT TO THE WORLD” INITIATIVE (March, June and October 2009)

The objective of this initiative, which was aimed at both new and existing exporters, is to promote the benefits of international trade and to reaffirm the role of UKTI as the organisation that can make this happen. This is in line with the recommendation made in the recent National Audit Office (NAO) report: “UK Trade & Investment: Trade Support” (HC297, Session 2008-09, published 3 April 2009)<sup>4</sup>.

<sup>4</sup> This report can be found on the NAO website at [www.nao.org.uk](http://www.nao.org.uk)



### Phase 1

“Take It To The World” Phase One was launched in March 2009.

The total hits to the UKTI website showed a substantial peak for March 2009, up 16 per cent on February at 337,558, representing a 10 per cent increase on the same period in 2008. In that month, there were 3,001 visits to the new webpage, which was created specifically for “Take It To The World” highlighting the benefits of exporting.

Calls to our enquiry line during the month of March were 2,535, an increase of 10 per cent on the previous month and up nearly 40 per cent compared to the same period in 2008.

This initiative cost £780,982 (0.25 per cent of total budget). It helped achieve an additional 46,000 visitors to UKTI’s website when comparing March to the previous month.



### Phase 2

“Take It To The World” Phase Two was launched in June 2009

The total hits to the UKTI website again represented a significant peak for June 2009, increasing by 19 per cent on May’s hits at 347,161, representing an 8 per cent increase on the same period in 2008. There were 9,022 visits to the new webpage, a cumulative increase on March’s hits of 3,001.

Calls to our enquiry line during the month of June were 2,201, an increase of 19 per cent on April and May and an increase of 9 per cent compared to the same period in 2008.

This phase cost £430,000 (0.13 per cent of UKTI’s total budget). For the month of June alone, it helped achieve an additional 25,000 more visits to UKTI’s website when compared with the same month in the previous year.



### Phase 3

“Take It To The World” Phase Three was launched in October 2009.

The total hits to the UKTI website once again showed a distinctive peak, increasing by 5 per cent on September to 357,544. Visits to the new webpage increased by 34 per cent over the month, finishing on 21,160 visits by the end of October, a cumulative increase on June’s hits of 9,022.

Calls to our enquiry line during the month of October increased by 9 per cent to 2,359 on September’s figures and increased by 17 per cent compared to the same period in 2008.

The cost and the number of additional hits to UKTI’s website for phase three of this marketing initiative were not available, at the time of writing.

# Section 2:

## UKTI Performance

**By 2011, deliver measurable improvement in the business performance of UKTI's international trade customers, with an emphasis on innovative and R&D active firms.**

This section sets out UKTI's performance against its 2007 Comprehensive Spending Review (CSR2007) settlement and the subsequent targets. This CSR2007 settlement requires UKTI to prioritise and deliver the outcomes of our high level targets while at the same time delivering real efficiency savings of 2.6 per cent. It covers the period 2008-09 to 2010-11. UKTI's Strategic Objective is:

By 2011, deliver measurable improvement in the business performance of UKTI's international trade customers, with an emphasis on innovative and R&D active firms; increase the contribution of foreign direct investment (FDI) to knowledge intensive economic activity in the UK, including R&D; and deliver a measurable improvement in the reputation of the UK in leading overseas markets as the international business partner of choice.

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### 2.1 CSR2007 FUNDING (2008-09 TO 2010-11)

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As a joint department of the FCO and BIS, UKTI has three separate funding streams. These are:

- BIS Administration – primarily for costs of directly employed staff together with related costs ie accommodation and IT,
- FCO Resource – primarily for the cost of overseas staff providing in-market support, together with their related costs ie accommodation, IT, security, etc, and
- UKTI Programme – direct support for businesses ie grants, Passport to Export, marketing, etc.

Since agreeing the CSR2007 in October 2007, there have been a number of changes to UKTI resource:

- From 1 April 2008, the responsibility for defence export promotions moved from the MOD to UKTI to provide greater integration with the Government's general support activities, which resulted in a £19.4 million 2008-09 baseline transfer from the MOD to UKTI Programme (£2.2 million), BIS Administration (£15.2 million) and FCO resource (£2.1 million).
- The FCO revised the estimated resource attributed to UKTI which increased the total resource from an estimated £170.3 million to £176.7 million.

	2008-09 £m Outturn	2009-10 £m Estimate	2010-11 £m Estimate
UKTI Programme	90.8	96.4	96.3
BIS Administration (including estimated overheads)	55.7	56.1	55.5
FCO Resource (including estimated overheads)	176.7	176.7	176.7
<b>TOTAL</b>	<b>323.2</b>	<b>329.2</b>	<b>328.5</b>

- In addition to this, a further £10 million resource (£5 million each year for 2009-10 and 2010-11) was announced in the April 2009 Budget for showcasing UK business strengths to overseas markets and customers at high profile events in the UK and overseas.

## 2.2 CSR2007 TARGETS

Over 2007-08, UKTI put in place new high-level targets to drive successful implementation of its new strategy. These new targets were confirmed, in a slightly modified form, in UKTI's CSR2007 settlement and form UKTI's Performance Management Framework for the three years from 2008-09 to 2010-11. This is explained in greater detail in Annex B.

## 2.3 UKTI STRATEGIC OBJECTIVE

The Strategic Objective for UKTI over the CSR2007 period is:

By 2011, deliver measurable improvement in the business performance of UKTI's international trade customers, with an emphasis on innovative and R&D active firms; increase the contribution of foreign direct investment to knowledge intensive economic activity in the UK, including R&D; and deliver a measurable improvement in the reputation of the UK in leading overseas markets as the international business partner of choice.

**Over 2007-08, UKTI put in place new high-level targets to drive successful implementation of its new strategy.**

**On inward investment UKTI has also made strong progress, with increasing numbers of high value projects, and in total 600 inward investment wins in the financial year 2008-09.**

**UKTI Strategic Objectives  
Targets & Indicators**

**OVERALL ASSESSMENT OF  
PROGRESS: (LATEST  
AVAILABLE FIGURES UP TO  
30 SEPTEMBER 2009)**

**STRONG PROGRESS**

UKTI has made strong progress since the last Autumn Performance Report, by showing some improvement against three out of five indicators, in relation to the comparable indicators for the previous year. On trade support, by the end of the September 2009, a total of 22,800 companies have been assisted by UKTI, a significant improvement on all previous years and an increase of over 22 per cent on this time last year. Of this figure, 19,000 businesses are innovative, a 25 per cent increase on this point last year. Despite the significant increase in the number

of companies being assisted, UKTI's quality and satisfaction ratings have remained steady. On inward investment UKTI has also made strong progress, with increasing numbers of high value projects, and a total of 600 inward investment wins in the financial year 2008-09 and a further 318 (provisional figures) for the six-months to end-September 2009. These results have been achieved in spite of the downturn in international trading conditions and the associated problems affecting exporters' access to finance and export credit insurance, factors that were outside UKTI's control. The whole network will continue to focus their efforts in order to achieve all of our targets, despite the challenging global economic climate.

Delivery of this objective is tracked via the following targets:

**Target 1:** Attract high value foreign direct investment to the UK.

Annually, over the 2008-2011 spending review period, to achieve at least 525 involved inward investment project successes, of which:

- (a) at least 125 should be high value;
- (b) at least 285 should be good quality; and
- (c) at least 70 per cent should agree that UKTI or its RDA delivery partner had significant favourable influence on the decision to locate or expand in the UK, or on the scale or scope of the project.

At least 30 of the good quality or high value projects should involve additional R&D activity in the UK. The profile of the remaining involved successes will be determined by RDA regional priorities.

Progress Report (comparable figures for the previous year are in brackets):

UKTI has delivered 600 (549) involved successes in financial year 2008-09, of which latest estimates suggest:

- (a) 244 (172) were high value projects recorded as successful or success pending,
- (b) 180 (178) were defined as good quality projects, and
- (c) 76 per cent (74 per cent) agreed that UKTI or its RDA delivery partner had significant favourable influence on the decision to locate or expand in the UK, or on the scope of the project.

23 (47) of the good quality or high value projects involved additional R&D activity in the UK.

Assessment of Progress:  
**IMPROVEMENT SHOWN**  
(already exceeding target)

**Target 2:** Improve the performance of UK businesses by helping them internationalise.

Annually, over the 2008-2011 spending review period, to help at least 20,000 businesses to exploit overseas business opportunities, of which (a) at least 12,000 should be innovative; and (b) at least 50 per cent of all business groups, including the sub-group of businesses helped to enter high growth markets, should improve their business performance as a result of UKTI support.

Progress Report (comparable figures for the previous year are in brackets):

UKTI's most recent performance and impact monitoring survey (PIMS) shows that over the past year, 22,800 (18,600) businesses have been assisted and, of these,

- (a) 19,000 (15,200) were innovative businesses and
- (b) For the improved business performance element of this target, the outturn was 52 per cent (54 per cent) overall, and 52 per cent (54 per cent) in high growth markets.

Assessment of Progress:  
**IMPROVEMENT SHOWN**  
(already exceeding target)

Annually, over the 2008-2011 spending review period, at least 1,000 businesses increase their R&D activity in the UK as a result of UKTI support.

**Target 3:** Increase the quantity of R&D activity in the UK through business internationalisation.

Annually, over the 2008-2011 spending review period, at least 1,000 businesses increase their R&D activity in the UK as a result of UKTI support, including at least 70 foreign direct investment (FDI) R&D projects.

Progress Report (comparable figures for the previous year are in brackets):

- (a) In the past year 2,050 (3,086) businesses have increased R&D in the UK as a result of UKTI trade support. Although this figure is well above target, it has decreased due to the global economic downturn.
- (b) This includes 49 (67) FDI R&D projects.

Assessment of Progress:  
NO IMPROVEMENT SHOWN  
(already exceeding target)

**Target 4:** Improve the UK's reputation as the international business partner of choice.

To achieve a measurable improvement over three years in the reputation of the UK's business strengths, in particular in a defined set of sectors and in a set of named markets.

Progress Report (comparable figures for the previous year are in brackets):

This involves an annual reputation survey to measure UK reputation in the USA, China and India in the following sectors: financial services, ICT, life sciences and energy sectors. In 2008, a benchmarking survey was completed and in 2009, the results from the first annual survey were collated. This has shown no progress against the benchmarking survey. However, the final progress report will only be assessed in the final year of the survey, 2010-11.

Assessment of Progress:  
NO CHANGE



**Target 5:** Improve UKTI's Operational Performance.

**Increase Professionalism**

To achieve 80 per cent quality ratings and 80 per cent satisfaction ratings across both trade and inward investment services.

**Increase Charging**

To increase UKTI's revenue from charging to £2 million in FY 2007-08, to £4 million per annum by the end of the CSR2007 period (FY 2010-11).

**Progress Report** (comparable figures for the previous year are in brackets):

*This is an operational target.*

The current performance is:

- (a) 76 per cent (75 per cent) for quality and 75 per cent (76 per cent) for satisfaction against a target of 80 per cent for both.
- (b) Charging revenues for this period are approximately £5.5 million (approx. £4.2 million)

Assessment of Progress:  
**IMPROVEMENT SHOWN**  
(partially exceeding target)

- Delivery of all of these targets will contribute to the delivery of BIS's Departmental Strategic Objective (DSO) 1 – "Promote the creation and growth of business and a strong enterprise economy across all regions", and

also deliver the FCO's DSO 2 – "Support the British Economy".

The figures in brackets which are used to represent the previous year's figures are based on a comparable 12-month period for the indicator.

UKTI DSO presently only contributes to the charging revenue figures (target 5b), as they are currently being integrated into the data sources that UKTI currently use. UKTI expect that UKTI DSO will be integrated and making a contribution to all relevant UKTI indicators by December 2009.

UKTI has exceeded the CSR2007 targets for the first three targets and maintained performance against our reputational targets.

The first annual survey measuring UK's reputation as the international business partner of choice (target 4) has been completed and, as expected, shows no progress against the benchmarking survey. However, the final progress will only be fully assessed in the final year of the survey. Professionalism (target 5a) is below target and shows that UKTI must improve the quality and relevance of our services. This has stayed steady throughout the year. Using customer feedback from UKTI's Performance and Impact Monitoring Survey (PIMS), UKTI is promoting best practice. This has included making the quality and satisfaction of our customers the main theme of the UKTI Leadership

**UKTI has exceeded the CSR2007 targets for the first three targets and maintained performance against our reputational targets.**

**The National Audit Office has reviewed all of our data sources. It considers the UKTI evaluation to be robust and that all of its systems are considered “fit for purpose”.**

conference in June 2009 and providing more training and guidance, with the aim of improving the quality of the UKTI service to our customers, thereby improving their levels of satisfaction.

#### **Data sources**

Raw data are obtained from UKTI’s CRM (Customer Relationship Management) system and forwarded to an independent market research company. From this data a large sample (approximately 4,000 companies for trade services, and approximately 150 companies for foreign direct investment) are interviewed through UKTI’s Performance and Impact Monitoring Survey, which is an independent central monitoring survey of the users of UKTI’s business services (Targets 1, 2, 3 and 5a). The sample is randomly selected. The data for foreign direct investment is validated once a year with a 12-month time-lag, and for trade support every quarter but with a six-month time-lag.

The data for Target 1 (a) (b) (c) and 3(b) are provisional for this year, because data are derived from PIMS and full results are only available with a year lag. Therefore estimates are based on interim results, derived from approximately half the full interview programme for 2008-09;

and the figures in brackets are the outturn for 2007-08.

Targets 2, 3(a) and 5(a): The figures for end-September 2009 are the final outturn figures for the 2008-09 financial year due to the six month time-lag for trade support.

The UK Reputation Measurement Survey will measure the change in UK reputation (Target 4) and is being carried out by an independent market research company.

The revenue figures (Target 5b) are obtained from UKTI’s financial system, which is audited yearly by the NAO. All UKTI data is considered robust.

The National Audit Office has reviewed all of our data sources. It considers the UKTI evaluation to be robust and that all of its systems are considered “fit for purpose”.

**More information can be found in:**

**Annex B – UKTI CSR2007 Performance Framework Agreement**

**Annex C – Key Sources of UKTI Data**

**Annex D – UKTI Evaluation Process**

## Section 3:

# CSR2007 Efficiency Targets

### 3.1 VALUE FOR MONEY IN UKTI: ECONOMY, EFFICIENCY AND EFFECTIVENESS

**Economy:** Minimising the cost of resources used for an activity, while having regard to appropriate quality

UKTI budgets have generally increased over the spending period due to apportioned overheads costs by Parent Departments that are not directly within our control. UKTI received £10 million additional funding in the Budget (£5 million per year for 2009-10 and 2010-11) to support the export-led recovery.

In 2008-09 UKTI reduced its controllable costs by £2.6 million, a 1.6 per cent reduction. To date (up to end September 2009-10) we have reduced controllable costs by £5.3 million, or 3.6 per cent.

In 2008-09 the costs apportioned to us by our Parent Departments increased by £10.3 million. This was split into BIS apportioned costs which were up by £4.3 million (a 7.5 per cent increase to the relevant budget) and FCO apportioned costs of £6.0 million (a 4 per cent increase in their relevant budget). As FCO and BIS have reduced in staff numbers, the overhead allocation per person has increased, as the fixed costs are now attributed over a smaller base.

Income increased by £1 million, from £3.6 million in 2007-08, a 28 per cent increase.

**Efficiency:** The relationship between outputs and the resources used to produce them.

UKTI is constantly striving to become a more efficient organisation. We can track our inputs, services, outputs and outcomes.

In 2008-09, our inputs (budgets) totalled £323 million.

UKTI spent £249.9 million on trade activities and assisted 22,800 businesses, an increase of over 20 per cent from 18,600 in 2007-08. Our cost per business significantly assisted fell from an approximate £11,800 in 2007-08 to around the £10,000 mark in 2008-09, a reduction of over 15 per cent. These figures discount the cost of UKTI DSO, as they presently do not contribute to the UKTI trade performance figures.

We spent £73 million on inward investment activities and assisted 600 inward investment projects, an increase of 9 per cent from 549 in 2007-08. Our cost per inward investment project assisted fell from around £140,000 in 2007-08 to approximately £122,000 in 2008-09, a reduction of 13 per cent.

Our quality and satisfaction scores remained at 76 per cent and 75 per cent respectively.

**Effectiveness:** The extent to which objectives have been achieved, and the relationship between the intended impacts and actual impacts of an activity.

UKTI received £10 million additional funding in the Budget (£5 million per year for 2009-10 and 2010-11) to support the export-led recovery.

## Exhibit 2

Funding stream	UKTI Programme	FCO Administration & Overseas Delivery	BIS Administration
Baseline	£91.5 million*	£169.5 million*	£53.3 million*
VFM Target	£0.3 million	£4.4 million	£2.4 million

\* The figures above include estimated BIS and FCO overheads. As the figures are estimates they are liable to change over the spending review period.

## Exhibit 3: UKTI CSR07 Efficiency Programmes – Outturn at Q2 2009-10

£m	2008-9		2009-10			2010-11	
	target	actual	target	YTD actual Q2	forecast	target	forecast
FCO Administration & Overseas Delivery	1.4	1.4	2.8	3.1	3.5	4.4	4.4
UKTI Programme	0.1	0.4	0.2	0.4	0.6	0.3	0.8
BIS Administration	0.8	0.8	1.6	1.8	1.8	2.4	3.4
	2.3	2.6	4.6	5.3	5.9	7.1	8.6

### Non-target

Accommodation	1.0	1.0	1.0
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In 2008-09, UKTI generated an estimated £3.6 billion for the UK economy. This means that for every £1 we spend, we generate £16. This represents an increase of 14 per cent on 2007-08. (Please see Annex A for an explanation of how this is calculated).

### 3.2 CSR2007 FUNDING

UKTI estimated funding over the CSR2007 period:

The Value For Money (VFM) target for UKTI over the CSR2007 period is to make VFM savings of

£0.3 million against UKTI Programme; £4.4 million against FCO Admin & Overseas Delivery and £2.4 million against BIS Admin. This is illustrated in Exhibit 2 with the relevant baseline figures.

Value For Money savings have been hard-wired into the department's settlement as a part of the CSR and delivering them is now a core part of UKTI's mainstream business.

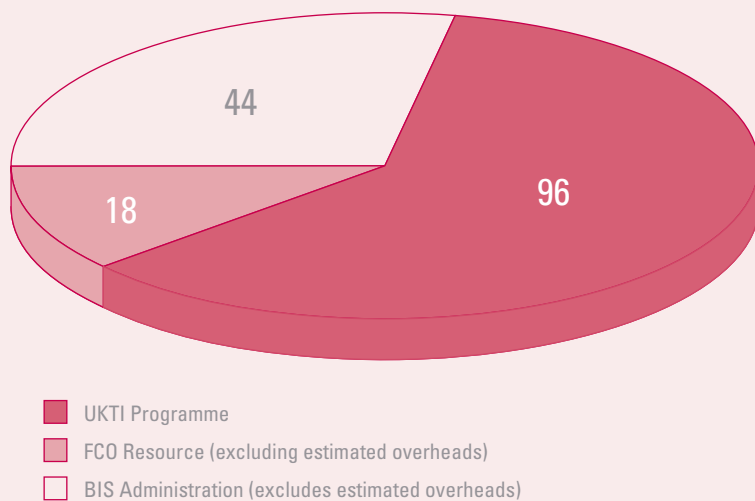
UKTI has achieved cumulative VFM savings of £5.1 million up to the end of Q2 2009-10 and expect to deliver £7.6 million of VFM savings by the end of CSR07. All reported

gains are cash releasing, sustainable and reported net of cost.

In addition to these VFM savings, UKTI has driven efficiencies and cost-reductions in our accommodation costs by utilising existing space when embedding DSO staff transferred from the Ministry of Defence. This delivers a year-on-year reduction of £987,000 in accommodation costs to BIS.

UKTI's VFM targets, actual savings to date and forecasts by programme are outlined in Exhibit 3.

FIGURE 3: DIRECT BUDGET ALLOCATION BY SOURCE IN £m



In addition to our directly managed budgets, UKTI is also apportioned costs by the FCO and BIS of £165 million.

### UKTI Programme

UKTI programme is devolved to us on a flat cash\* basis. This means we need to live with inflationary pressures to meet the target. These funds are voted directly by Parliament.

### FCO Administration and Overseas Frontline Delivery

UKTI will live within flat-cash\* funding for the paybill of its UK and locally-engaged overseas staff. This will remain at £41 million over the CSR period. This means that our gross pay bill will not increase despite inflationary pressures but will still require UKTI to maintain the overall output of the network. This will produce efficiencies totalling £3.4 million. We will also

deliver £1 million of additional efficiencies linked to some flat-cash funding of the £42 million for non-pay bill front-line costs.

### BIS Administration

UKTI has agreed to a BIS administration settlement that requires savings of 5 per cent real cost reductions per annum over the period.

Figure 3 shows budgets which are either in UKTI direct control or for which UKTI's Accounting Officer has responsibility.

In addition to our directly managed budgets, UKTI is also apportioned costs by the FCO and BIS of £165 million.

\* Flat-cash: funding that is maintained at the same cash level year-on-year, meaning that inflationary pressures need to be absorbed through VFM initiatives to live within the budget.

As an organisation UKTI also need to be able to react to the changing economic environment and to key policy decisions to ensure that our resources are moved to high priority markets and high priority policy areas.

### 3.3 KEY VALUE FOR MONEY DELIVERY RISKS

As an organisation that delivers much of its business overseas, the combination of the low value of sterling and high overseas inflation is a continuing delivery issue and one set to remain as a constant risk over the CSR period. The ability to manage this risk, without cutting activity and maintaining and improving output and outcomes, is a significant delivery issue.

As an organisation UKTI also need to be able to react to the changing economic environment and to key policy decisions to ensure that our resources are moved to high priority markets and high priority policy areas. In a tight resource environment, the achievement of this remains a key delivery issue.

#### Initiatives to deliver efficiency savings

Exhibit 4 summarises the main initiatives through which UKTI will deliver its efficiency savings.

To reinforce these initiatives, UKTI has the following internal controls in place:

- **Business Planning:** To track delivery of these targets, UKTI monitor its performance using a “Scorecard”. The Scorecard sets out key activities from the Departmental Strategic Objective and Group Business Plans that are regularly monitored and discussed by the Executive Board.

- **Financial Reporting:** The Central Finance Team reports on a monthly basis to the Executive Team across all budgets. Supporting narratives draw out any pressures and discuss its ability to live within the budgets allocated to UKTI.
- **Reporting to Parent Departments:** To ensure transparency of UKTI’s performance and resource management, UKTI reports to the BIS Board through the monthly management accounts, and to the FCO Board and Finance Committee through the monthly Key Performance Report.
- **UKTI Audit Committee:** Responsible for consideration of audit, risk and other corporate governance matters. The Audit Committee acts in an advisory capacity and brings an independent element into the consideration of audit, risk and other corporate governance matters within the organisation. The members’ role is to bring challenge and independence to the Committee’s proceedings by:
  - advising on risk management,
  - advising on the work of internal audit and the National Audit Office,
  - reviewing the annual accounts, and
  - recommending the accounts including the Statement on Internal Control for Accounting Officer sign off.

Exhibit 4: Main initiatives for achieving CSR2007 efficiency savings period by programme

Funding stream	Initiative
<b>Programme</b>	<p>Better procurement ensuring economy, effectiveness and efficiency through the following programmes:</p> <ul style="list-style-type: none"> <li>• Harnessing framework agreements. UKTI currently has thirty framework contracts in place, covering services such as publicity and marketing, design and print and accountancy services: <b>£0.4 million</b></li> </ul>
<b>FCO Administration &amp; Overseas Frontline Delivery</b>	<p>Driving network efficiencies through the following programmes:</p> <ul style="list-style-type: none"> <li>• Localisation of UK-based slots overseas to drive down the cost of front-line operations and harness local expertise; <b>£2.125 million</b></li> <li>• Hub and spoke operations to rationalise how UKTI delivers its services. Regional networks deliver more flexible and efficient customer support; <b>£0.14 million</b></li> <li>• More effective and efficient use of UKTI ring-fenced budgets through monthly reviews. More challenging targets based on flat-lined resources; <b>£0.675 million</b></li> <li>• Moving resources from lower productivity FDI markets to higher value markets. Analysis of foreign direct investment (FDI) inputs, outputs and outcomes, with detailed metrics of performance standards, resulted in revised targets for FDI staff across the network and movement of resources to support this. The UKTI Board and HMT support the findings of the report to move resources to higher value markets. <b>£0.16 million</b></li> </ul>
<b>BIS Administration</b>	<p>Improved staff capabilities and professionalism, and refining Headquarter (HQ) business processes through the following programmes: <b>£1.8 million</b></p> <ul style="list-style-type: none"> <li>• Implementation of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management (FM) Model and the Audit Agency Value for Money indicators to generate a single improvement plan. This will also help to inform the degree of progress in modernising and professionalising finance functions; the recommendations of the CIPFA FM Model will be presented to the Executive Team by 31 December 2009, with a view to implementing them by 31 March 2010.</li> <li>• All corporate service functions are being asked to benchmark their respective functions.</li> </ul>

**The Performance and Impact Monitoring Survey (PIMS) provides quantitative and qualitative measures of UKTI's performance in delivering its targets, including data on customer satisfaction with service outputs and quality.**

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### 3.4 QUALITY MEASURES

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UKTI is committed to achieving efficiencies by reducing input costs whilst delivering improved customer services. Reprioritising resources to where it is most needed will ensure better quality outputs.

UKTI has a programme of external evaluation on the quality of its services. The Performance and Impact Monitoring Survey (PIMS) provides quantitative and qualitative measures of UKTI's performance in delivering its targets, including data on customer satisfaction with service outputs and quality. Management information generated by PIMS is used to inform decisions on further improving the quality of service delivery and achieving further productivity gains, backed up by improved staff capabilities and professionalism, and refining Headquarter (HQ) business processes.

An overview of the Key Sources of UKTI Data is available at Annex C.

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### 3.5 PLANS AND PROSPECTS FOR DELIVERING VALUE FOR MONEY SAVINGS OVER THE NEXT SIX MONTHS

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In the second year of the spending period, UKTI is driving forward work-streams to maximise the delivery of efficiencies as an organisation.

UKTI continues to scan the inputs and outputs of its overseas

representation. We continue to monitor the benefits of localisation, regionalisation, and hub and spoke operations to make sure that these policies continue to benefit UKTI and our parent departments.

In 2008-09, UKTI undertook successful audits and review by FCO Internal Audit Department on our systems in place to monitor VFM gains; by the FCO Efficiency team on the robustness of our data and how well this met HMT criteria; and by NAO as part of our Department Report and Annual Accounts.

We have in place both external and internal control mechanisms that will allow us to meet our targets and express our efficiencies as an organisation. We will continue to monitor risks to delivering our agreed efficiency targets and ensure we are hitting our priorities – that we have the right resources in the places where they are most needed.

We continue to strive to be an exemplar in Whitehall for innovative and cost-effective delivery. The outcome of Operational Efficiency Programme will help focus our plans and facilitate further initiatives to ensure we are delivering maximum VFM to our stakeholders and customers.

The NAO will be auditing UKTI's VFM programmes as part of a Whitehall-wide review of progress against CSR2007 targets. Dates to be announced.



## VFM CASE STUDY: EUROPE REGIONALISATION AND LOCALISATIONS – LESSONS LEARNED

### Background/Rationale

The combination of the five-year UKTI Strategy published in July 2006 – “Prosperity in a Changing World”; an ever-changing environment in a dynamic UKTI overseas network where resources are tight; the different resource needs of Developed and High Growth Markets and the CSR2007 settlement put significant pressure on resources in Developed Markets. A variety of solutions have been introduced to deliver VFM savings across the network whilst maintaining and improving the quality of services we provide. These include attaining better VFM including localisation of Posts, the cutting of slots, downgrading of slots and Regional Networks which, in a sense, can be seen as a combination of all of the others.

### Benefits

Regional Networks provide benefits for individuals, Posts and UKTI as a business.

Examples include quality job opportunities for locally-engaged staff as a result of UK-based staff redeployed into emerging markets. In addition, the spreading of good practice between teams allows development opportunities, such as secondments between Posts and joint coverage of large events.

A Regional Network allows closer working across trade and investment activities, brings together sector priority handling and allows management structures to be streamlined, providing a more efficient regional operation. It also provides cashable savings.

### UKTI Regional Networks

By the end of Q1 2008-09, UKTI had established the following regions:

Iberia	Nordics
Baltics	Benelux

Regions are organised as hub-and-spoke operations to rationalise how UKTI delivers its services. Regional Networks deliver more flexible and efficient customer support.

### European Posts localised by UKTI

UKTI has localised the following markets in the current spending period:

Austria	Belgium	Bulgaria
Cyprus	Denmark	Finland
Greece	Netherlands	Norway
Portugal	Sweden	

### VFM Savings

Moving to regional networks and localising markets has released VFM savings of £1 million to date.

### Ensuring success and continued VFM

Delivering organisational change is not enough on its own to ensure success and continued VFM. UKTI also embeds the following processes to ensure that quality services are delivered in the most cost-effective way:

- A senior member of staff from HQ plays an integral role in the recruitment of new locally-engaged (LE) Heads of UKTI.
- New LE Heads of UKTI visit HQ early in their tenure to learn more about the business groups, how HQ operates and to meet key contacts.
- Regular video and teleconference meetings with market desk colleagues to ensure that new leaders are supported and know where to turn for support.
- Regional Best Practice events allow teams to cross-fertilise on innovative ways of delivering our services; networking and rapport-building allows virtual buddying and mentoring groups to grow.

# Annexes

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## ANNEX A – TECHNICAL NOTE ON MEASUREMENT OF FINANCIAL BENEFITS GENERATED BY UKTI TRADE SERVICES

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### Introduction

1. An estimate of total financial benefits generated by UKTI trade services is published annually in reports by OMB Research on results from the Performance and Impact Monitoring Survey. Results published at the end of March 2009, based on data derived from surveys carried out during the financial year 2008-09, reported estimated total benefits of £3,640 million. This translates into a benefit-cost ratio for UKTI trade services for the period of some £16:£1. For briefing purposes, UKTI has reported this figure rounded down to £3.6 billion.

2. The estimates reflect businesses' own judgments about the value of additional profits which they expect to achieve as a direct result of the help provided. Evidence from businesses is gathered through surveys carried out by OMB Research, an independent market research company specialising in business surveys. Interviews are conducted at two stages, the first being between four to seven months of the support, and a follow up, with a smaller sample, a year later. Interviews are designed to capture a rounded picture of the quality and impact of the support, taking into account the business context.

3. The values of financial benefit given by the firms themselves, in the context of PIMS interviews, are then adjusted downwards through

application of discounting and a number of robustness checks. These adjustments cover the following:

- **Discounting:** Expected future profits are discounted at 8 per cent and counted over a limited period, normally up to five years, exceptionally up to a maximum of ten years. After this period, the discount rate is, in effect, increased to 100 per cent.
- **Additionality:** Two separate additionality tests are applied. Benefits which are not explicitly attributed by the client directly to the support are excluded.
- **Consistency:** Additional profits attributed to UKTI by the client are not counted unless the client has also reported significant impact on one or more qualitative indicators, showing how the service had enabled the additional profits to be made.

4. Details of these adjustments, and of their effects on the mean reported additional profit attributable to UKTI support, are published quarterly in the summary reports by OMB Research on PIMS results. A more detailed description is provided by OMB Research in its full annual report on PIMS.

5. Analysis of PIMS data shows that the significant qualitative impacts most frequently reported by UKTI clients who consider that

the support has enabled them to generate additional profit are:

- Gained access to customers/business partners not otherwise available.
- Gained access to information not otherwise available.
- Improved profile or credibility overseas.
- Improved knowledge of the competitive environment.
- Improved overseas marketing strategy.
- Gained the confidence to explore or expand in an overseas market or markets.

6. These findings confirm that the reported financial benefit is generated as a result of UKTI trade services enabling clients to upgrade their approach to overseas business and overcome barriers to accessing overseas opportunities.

### Scope of Benefits Measured

7. The £16:£1 benefit cost ratio counts only the additional profits attributable to UKTI trade services, net of the above adjustments. It does not include any allowance for wider economic benefits which are likely to occur through the following:

- Effects on jobs: Additional earnings are likely to accrue to

staff in the supported firms, some of whom might otherwise be unemployed or earning lower wages elsewhere. These benefits are likely to be significant, as academic research shows that exporters have higher productivity and stronger financial performance than non-exporters. Exporting firms are also some 11.4 per cent more likely to survive. Accordingly they are likely to be able to offer better paid and more secure jobs.

- Effects of knowledge transfer to other UK firms: Benefits are likely to occur through knowledge transfer from supported firms to other UK firms, either through business networks or through movement of staff, or both. Recent surveys of users and non-users of UKTI trade services show that nearly half report that they have taken on members of staff who had brought with them expertise in doing business overseas, or specific overseas contacts, or both, which had been acquired while employed by another firm.
- Effects on UK reputation in overseas markets: Promotional activity, which showcases UK capability and promotes the reputation of the UK business in overseas markets, is likely to benefit other UK firms, as well as those who take part directly in the promotional events. Although difficult to measure,

these wider benefits are expected to be substantial.

### Other Possible Measures of Benefit

8. Two other measures of economic benefit which are sometimes used in the evaluation of trade services or other business support services are:

- Additional exports: This measure was commonly used in evaluations of trade services carried out in the UK prior to 2002 and featured in the Public Service Agreement Targets for British Trade International for the period 1999-2002<sup>5</sup>. For the Spending Review period 2002-04 it was replaced by a measure of improved business performance of users of the trade services, where performance was defined in terms of improved productivity and profitability<sup>6</sup>. This change reflects the fact that export activity is not an end in itself, but benefits the UK economy through enabling businesses to improve their performance. Focus on additional exports can potentially be misaligned with the business development needs of a company, whereas focus on a business performance improvement target ensures clear alignment with these needs.
- Gross Value Added (GVA): This measure is closer to the concept of improved business performance, and is often used in the context

of evaluating other forms of publicly funded business support. However, as the measure includes wages, there is a need to take into account the likelihood that staff in the supported business might be able to earn similar wages in another company or sector, possibly in another UK region. The measure should therefore be reported net of displaced alternative wage earnings, either at regional or national level, as appropriate in context.

9. It should be noted that both of these alternative measures would give much larger headline benefit numbers than the additional profit measure. In the case of additional exports, as the measure is gross of production costs, including purchased inputs, using it would substantially overstate the contribution to the UK economy.
10. Additional GVA would be a more complete measure of benefit to the UK economy, assuming it is reported net of displacement. However, UKTI has not identified examples of successful practical methodology for measuring GVA net of displacement. Experience from PIMS indicates that business surveys are not a suitable method for collecting GVA data, as respondents are generally not well placed to make the necessary assessments, and these lines of enquiry are perceived as burdensome by interviewees.

<sup>5</sup> The target was set on "the value of additional exports generated for each £1 DTI/FCO expenditure", with the baseline set at £20:£1.

<sup>6</sup> The target was to "deliver a measurable improvement in the business performance of UKTI customers".

## Calculation of Total Benefit

1. The method of calculation of the £3.6 billion estimated total benefit generated by UKTI trade services is summarised below, in three parts:

- Estimation of mean benefit per business supported: For this period, the mean was £170,000 across all trade services, including web site users, and £175,000 excluding web site users. The former figure has been used in the illustrative example in paragraph 2 below.
- Deduplication to count the number of businesses who received support during the year: Deduplication is necessary because some businesses will have used more than one service in the course of a year. For purposes of measuring performance against UKTI's CSR2007 target, this figure is shown excluding web site users, and was 20,700. An alternative, 21,400, which includes website users, is also published in the PIMS results.
- Grossing up from the mean: The total deduplicated number of businesses is multiplied by the mean. For all trade services excluding web site, this is  $£175,000 \times 20,700 = £3,620$  million; including website users, this is  $£170,000 \times 21,400 = £3,640$  million.

2. Calculation of the mean benefit, in terms of additional profit attributed specifically to the help

provided by UKTI, follows the following steps:

- Stage 1 – Firms asked to estimate the expected benefit in terms of bottom line profit £ (E9) – £285,000.
- Stage 2 – Estimates converted to profit for those indicating figure given is in terms of turnover (E10/E4) – £113,000.
- Stage 3 – Future expectations allowed for (using annual discounting rate of 8 per cent); number of years in the future is normally capped at five years, for example when the respondent says the revenues will continue “indefinitely”. Exceptionally up to ten years are counted, where the respondent is specific about the number of years (E11-13) – £388,000.
- Stage 4 – Allowance made for actions not taken as a result of support (E15-18) – £387,000.
- Stage 5 – Adjustment for non-additionality: Total profit is weighted by proportion “would have realised anyway” (E14) – £179,000.
- Stage 6 – Consistency check and further additionality check: Adjusted to zero if no impact has been recorded against at least one of two qualitative impact measures, namely: “change in behaviour (A83)” or “barriers to market access overcome” (A92) – £170,000. Impact is not

counted in these qualitative measures if the firm has said they would have achieved similar results in any case.

3. To calculate the average benefit-costs ratio, the total additional profit generated by UK businesses is divided by the total costs of trade support (adjusted to remove the defence exports promotion costs as these are NOT included in the scope of benefits measured for 2008-09).

- £3,640 million divided by £228.3 million (£249.9 million – UKTI DSO costs of £21.6 million) = £16 to £1.

4. All outliers are checked by a qualitative call back to the respondent by one of the OMB Research Directors. (If the respondent is not able to provide a credible or consistent explanation the observation is reduced to zero.)

5. Whilst around 70 per cent of businesses surveyed reported a qualitative benefit, the benefits figure above represents the average/mean forecast. The underlying survey data shows that 43 per cent of those responding to the survey forecast some financial benefit, while 57 per cent forecast no financial benefit.

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## ANNEX B – UKTI CSR2007 PERFORMANCE FRAMEWORK AGREEMENT

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Technical note on definitions and measurement of high level targets

**Note:** The measurement mechanism for CSR2007 Target 1 includes a survey-based instrument which was tested through surveys of respondents from previous years' inward investment involved successes. Analysis of the findings has shown that the initial formulation of some of the detail was not fully capturing some aspects of the impact and influence of the support. The rating used for measuring influence of the support against the 70 per cent target has been revised to take account of these findings.

### Definitions and measurement mechanisms

**Target 1: Attract high value foreign direct investment to the UK.**

(a) Number of involved inward investment successes:

Measurement mechanism: Project records on UKTI's CRM.

Definition: Criteria defining an involved inward investment success were set out by the International Business Development Forum (IBDF) and agreed by IBDF members including the RDAs, Devolved Administrations and UKTI. The IBDF was formerly known as the Committee on Overseas Promotion (COP). The criteria have recently been reviewed by the IBDF Output

Measures and Benchmarking Sub Group.

(b) Number of "high value" and "good quality" projects:

Measurement mechanism: Via independent survey of a random sample of the reported involved successes. The survey collects data on project characteristics which are used to classify the projects as "high value", "good quality", or other. The fraction of projects classified in each category is then grossed up to provide estimates of the total number of involved successes which are "high value" and "good quality".

Definitions: The project characteristics which are used to classify the projects as "high value" or "good quality" capture features of projects which have been identified by academic research as likely to be associated with a positive impact on UK productivity, in particular through knowledge spillovers and increases in knowledge intensive economic activity in the UK. Project characteristics are classified as high, medium or low indicators of value, and projects are then classified according to the number and quality of these indicators which are present. Indicators include: having R&D as the main focus of a project is classified as a high indicator of project value; having new to the world, new to the sector, or new to UK business models or technical processes at the site.

Background: Identification of project characteristics likely to be associated with positive impact on UK productivity and knowledge spillovers benefited from advice provided by Professor Richard Harris, of the University of Glasgow. Professor Harris carried out a project for UKTI in this context to analyse characteristics of inward investment projects using data from the Community Innovation Survey, and made recommendations about indicators which should be used to classify projects as "high value" and "good quality". These indicators were then tested for practical use through a pilot survey of involved inward investment successes, carried out by OMB Research during 2006-07. Recommendations from the pilot were then used to refine details of the methodology, in particular to ensure that the required data could be captured without undue interview length. UKTI continues to monitor developments in the academic literature with respect to factors associated with productivity growth and knowledge spillovers, and would expect to review the set of value indicators periodically, to take account of relevant new evidence.

(c) Percentage agreeing that UKTI or its RDA delivery partner had significant favourable influence on the decision to locate or expand in the UK, or on the scale or scope of the project:

Measurement mechanism: Via the same independent survey of a random sample of the reported

involved successes as is used to measure project value.

Definition: Respondents are asked about the extent to which the support provided had influenced the project with respect to decisions on a number of project features, including aspects of project scope such as increasing the amount of R&D at the site, as well as the decision to go ahead with the investment at all. A 1 to 5 rating scale is used, where 1 = no influence, and 5 = very significant influence. Performance against the target is measured as the percentage rating the influence at 3, 4 or 5.

Background: A former UKTI Public Service Agreement (PSA) target on major projects focused on “the percentage of firms reporting that UKTI support was a significant factor in their performance”. The target level was 70 per cent. A higher level is not realistic, because experience of previous research has demonstrated that the extent to which businesses are willing to attribute influence to support reflects variable subjective judgments by individual business people about the relative significance of internal vs external influences on their business’s management decisions. In addition, performance against the target is likely to be influenced by UKTI’s strategic policy focus on high value projects, which means that lower priority projects are expected to receive less intensive forms of assistance, making recall by respondents for these projects more difficult. Given that decisions relating to inward investment

projects are likely to be of substantial strategic importance to the company concerned, scores of 3-5 against this target as defined above could be seen as a challenging indicator of significant influence.

**Target 2: Improve the performance of UK businesses by helping them to internationalise.**

(a) Number of businesses helped to exploit overseas business opportunities.

Measurement mechanism: Via independent analysis of data from UKTI’s CRM and from the administrative records of businesses that have paid for trade development support under the Overseas Market Introduction Service (OMIS). The analysis is carried out by the market research specialist who also uses these data to conduct the PIMS for UKTI trade services.

Definitions: Businesses are counted against the target only once in the year, even if they have received support relating to more than one overseas market during the year. A business is defined as a separate legal entity. Businesses are only counted against the target for which details of support have been provided to the independent market research specialist for inclusion in PIMS. All such businesses are eligible for interview and are selected for interview at random.

(b) Number of innovative businesses helped to exploit overseas business opportunities

Measurement mechanism: Via independent survey of a random sample of businesses who have received help from UKTI to exploit overseas business opportunities (PIMS).

Definition: PIMS respondents are asked about characteristics of their business including R&D activity and other key indicators of innovation, and are classified as innovative if they report such characteristics. The indicators used for this classification are based on relevant questions from the Community Innovation Survey, and are defined to capture innovation in services sectors as well as in manufacturing. Full details are published in the annual reports on PIMS on the UKTI website at [www.uktradeinvest.gov.uk/UKTI/pims](http://www.uktradeinvest.gov.uk/UKTI/pims). The fraction of respondents classified as innovative is grossed up to provide an estimate of the number of innovative businesses helped. A business is counted against the target only once in the year, even if they have received help in more than one market.

Background: Details of the methodology for capturing data about R&D and other key indicators of innovation activity were tested through a number of waves of PIMS, seeking to ensure that the questions used would capture innovation activity in services sectors as well as in manufacturing. Analysis of responses by sector suggests that services sector respondents are somewhat less likely to be classified in PIMS as innovative. It is not clear whether this reflects a true picture, or perhaps a slight remaining bias in

the methodology which may not fully capture innovation in services sectors. However, analysis of PIMS results has consistently shown that businesses classified as innovative are more likely to derive substantial benefit from UKTI support, as measured by the percentage reporting improved business performance. This is consistent with recent academic research which shows that innovative companies have greater capacity to identify and benefit from new ideas and knowledge from external sources, or “absorptive capacity”<sup>7</sup>.

(c) percentage improving business performance as a result of UKTI support

Measurement mechanism: Via independent survey of a random sample of businesses who have received help from UKTI to exploit overseas business opportunities (PIMS).

Definition: The definition used for this measure was developed by a team of academic researchers at the University of Reading, and focuses on capturing medium term impact on overall business productivity and profitability, rather than on additional sales or exports. In order to be counted against the measure, the respondent must report impact on both productivity and profitability. In addition, as a robustness and consistency check, the respondent must also have reported evidence of new business

having been won as a direct result of the support.

Background: This definition has remained unchanged from the previous Spending Review period, in order to ensure continuity and comparability of results over time. Details of the data collection methodology changed on 1 January 2006, when OMB Research took over responsibility for the survey from the University of Reading, and the scale of the survey was also substantially increased. Prior to the change, a large scale pilot survey was carried out to test details of the new methodology; full details are described in the report on the pilot, available on the UKTI website at [www.uktradeinvest.gov.uk/UKTI/pims](http://www.uktradeinvest.gov.uk/UKTI/pims).

As another approach to testing the validity of the measure, analysis has been carried out to investigate the specific mechanisms through which the support leads to impact on business performance. For each trade service, the most frequently reported mechanisms of impact are reported regularly in the PIMS results. These show that impact on business performance results from enabling the client to overcome key barriers to overseas markets, and/or to upgrade their approach through learning more about how to go about overseas business. The most frequently cited mechanisms of impact are:

- gained access to customers/business partners not otherwise available,

- gained access to information not otherwise available,
- improved profile or credibility overseas,
- improved knowledge of the competitive environment,
- improved overseas marketing strategy, and
- gained the confidence to explore or expand in an overseas market or markets.

### Target 3: R&D activity

Measurement mechanism: Via independent survey of a random sample of the reported FDI involved successes, and a separate independent survey of a random sample of businesses who have received help from UKTI to exploit overseas business opportunities.

Definition: Respondents are asked about additional R&D activity as a result of the support provided. The fraction of respondents reporting such additional R&D for involved inward investment projects, and the fraction of businesses who have received help to exploit overseas business opportunities, are then grossed up, respectively, to provide estimates of the total number of businesses increasing R&D activity in the UK.

Background: Details of the methodology for capturing data

<sup>7</sup> A discussion of the concept of “absorptive capacity” is provided in Harris and Li (2006) and (2007), together with quantitative evidence showing clear links between levels of absorptive capacity and innovation, as well as links to export activity.

about additional R&D activity were tested through a number of waves of UKTI's PIMS. In addition, follow-up qualitative research was conducted to investigate interpretation of the R&D results, and to explore the mechanisms which were generating influence on business R&D. A full report on this research, *Internationalisation, Growth and Novel Product Development in Young Innovative Businesses*, is published on the UKTI website. The research found that trade development support generates additional business investment in R&D through a combination of learning benefits, which give rise to ideas for new R&D, and business performance benefits, which enable the firm to afford the increased investment. The findings are consistent with recent quantitative academic research<sup>8</sup> which demonstrates that exporting and investment in R&D are closely linked.

#### Target 4: UK reputation

Measurement mechanism: Via independent survey of businesses and opinion formers in four key sectors: financial services, ICT, Life science and energy; and three major overseas markets: USA, China and India. A baseline survey was carried out by RSM during 2007-08, and change will be monitored by annual replication of the baseline survey.

Definitions: As the target relates to impact over the Spending Review period, success will be measured by comparing the results of the survey in the final year of the period with those of the baseline. Success is defined as an increase in a range of Key Performance Indicators (KPIs) which capture the various aspects of UK reputation. The indicators are:

KPI 1: UK favourability Measure (QC1): Increased mean favourability score for UK relative to average score for comparator countries.

KPI 2: UK reputation measures Measure (QC4a): Increase in one or more of the four reputation measures (RM1-RM4) compared to 2008 benchmark.

RM1 = Average score across all Business Environment indicators

RM2 = Average score across all Innovation, Creativity indicators

RM3 = Average score across all Connections indicators

RM4 = Average score across all Quality, Value and Delivery indicators

KPI 3: Overall UK reputation Measure (QC4b): Increased mean score for UK compared to 2008 benchmark.

KPI 4: Current/intention to invest/source Measure (QA1/2/7/8): Increase in

those currently investing in, or very likely to invest in/source from, the UK in the next five years.

KPI 5: Positive associations Measure (QC5): Increase in scores relative to one or more comparator countries in the number of attributes associated with the UK.

Background: A review of literature on measurement of reputation could not identify any examples of research which had very similar objectives, although some examples of academic research in broadly related areas were found. In order to inform development of methodology, UKTI hosted a seminar in September 2007, which included presentations from a number of these researchers. One of these, Dr Nicolas Papadopoulos from Carleton University, Ottawa, Ontario, Canada, also contributed more detailed advice on the methodology for the baseline survey during the course of its development. A pilot qualitative survey was conducted by RSM prior to finalising details of the methodology for the main baseline survey.

#### Target 5: Improve UKTI's operational performance.

(a) Increase professionalism

Measurement mechanism: Via independent survey of a random sample of businesses who have

<sup>8</sup> Reports for UKTI on this issue are available on the UKTI website, and include: Harris and Li (2006) [Establishment Level Empirical Study of Links between Exporting, Innovation, and Productivity]. Reports to UKTI include Harris and Li (2007) [Firm Level Empirical Study of the contribution of Exporting to UK Productivity Growth]



received help from UKTI to exploit overseas business opportunities (PIMS).

Definition: Quality and satisfaction ratings are measured as the percentage of respondents giving scores of 4 or 5 on a 1 to 5 rating scale, where 1 = very poor and 5 = very good, in response to a specified set of questions. The quality measure, PIMS measure A09, is defined as the average score across ratings for a number of specific aspects of service quality, details of which vary by service. Satisfaction is defined as PIMS measure B10, and is based on a single question, which is the same across all services. Full details are provided in PIMS reports available at [www.uktradeinvest.gov.uk/UKTI/pims](http://www.uktradeinvest.gov.uk/UKTI/pims).

Background: For purposes of comparability, the PIMS quality and satisfaction measures are based on measures which were used in the BIS Business Support Cross-Product Monitoring Survey (BSMS), and which can be identified in reports on these surveys by the same reference numbers. Variation in the detailed set of questions used to

measure quality allows the surveys to capture ratings on the specific aspects of service quality which are most relevant in the business context. Analysis of PIMS data shows that quality scores are significantly correlated with impact scores, particular on aspects of service which relate most closely to the mechanisms of impact on business performance, such as the quality and relevance of information and advice provided.

#### (b) Increase charging

Measurement mechanism: Via actual revenue, received into UKTI's OMIS account on a monthly basis.

Definition: Customers pay for OMIS services online. Revenue is received via Worldpay and credited to UKTI's OMIS account after reconciliation. The final figure for each month is available around the third day of the following month.

Background: The work that the staff in UKTI's overseas network achieves for private sector companies is charged for via OMIS. Companies and groups of companies can

commission work online through ITAs in the English regions, equivalent staff in the Devolved Administrations or direct from Posts overseas. Charges are based on the amount of time estimated to complete the work requested. Work covered includes market information, contacts, face-to-face advice, programme arranging, product launches, organisation of receptions, etc. UKTI does have other income sources but OMIS is by far the largest. OMIS Income has grown from under £1 million per annum in 2006-07 to more than £3.6 million in 2008-09. This has been achieved by:

- highlighting the flexibility of UKTI services available from the network,
- spreading best practice in the overseas network,
- targeting overseas network and English regional network, and
- introducing changes to the OMIS system to enable greater volumes of work to be delivered more efficiently.

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## ANNEX C – KEY SOURCES OF UKTI DATA

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The key source of data for measuring how we are performing against our targets is UKTI's CRM system, which provides the foundation information used within our PIMS.

- CRM – provides UKTI staff worldwide with a single view into customer history, allowing us to share relevant customer information across the organisation and avoid duplication of effort. In doing this, it enhances the quality and professionalism of the service we provide to customers.
- PIMS – our key performance measurement tool. It is an independent survey of our performance carried out on our behalf by a leading market research organisation, OMB<sup>9</sup>.

It is, therefore, vital for measuring our progress, as well as for the delivery of high-quality, professional services to our customers, that all customer interactions, service deliveries and active and successful inward investment projects are recorded fully and accurately on the CRM system throughout the year. To underline the importance of this to UKTI, all CRM users are required to meet a 100 per cent accuracy target for entering customer data onto the CRM system within 48 hours.

### Customer Relationship Management (CRM)

UKTI's implementation of a web-based CRM system was further progressed in 2008-09 and the system is now available in all 96 markets where UKTI has a presence, the nine English regions and HQ. The system:

- provides UKTI staff worldwide with a single view into customer history,
- shares relevant customer information across the organisation,
- avoids duplication of effort,
- enhances the quality and professionalism of the service provided to customers, and
- helps to measure UKTI's activities and performance.

CRM therefore helps customers by enabling UKTI staff to respond to them more quickly and efficiently, and with a greater understanding of their needs.

The data from CRM underpins UKTI's PIMS. This client interview based survey provides evidence about service quality and about what difference UKTI makes to business.

The CRM system now has details of over 120,000 organisations, half a million services and interactions with our customers and 17,000 inward investment projects.

### The Performance and Impact Monitoring Survey (PIMS)

PIMS is an independent central monitoring survey of users of UKTI's business services. It measures the performance and impact of UKTI support.

PIMS covers all significant customer-facing trade services and provides evidence about service quality and about what difference UKTI makes to businesses. It uses a range of measures, including information on the overall performance of UKTI against its DSO indicators.

The percentage figures in the measure used to report improved business performance against UKTI's target reflects those firms reporting that they have achieved sustainable (ie longer-term) improvements in productivity and profitability, after they have secured additional export business as a result of support from UKTI. Measures of a range of other business activities that are covered by PIMS have improved UKTI's measurement of other aspects of its impact on business capabilities.

<sup>9</sup> PIMS Research Reports, providing quarterly assessments of our performance can be found at: [www.uktradeinvest.gov.uk/ukti/pims](http://www.uktradeinvest.gov.uk/ukti/pims)

PIMS quarterly surveys are based on telephone interviews with a sample of users of UKTI's principal services. The interviews are carried out in two waves.

The first wave captures clients' initial assessment of the difference that UKTI's support has made, taking into account changes the business may have made to its products, practices or marketing strategies, or impact on other business decisions. These interviews are carried out four to seven months after support has been provided.

The second wave of interviews is designed to assess the longer-term impact of UKTI services, and to capture any revisions to the clients' initial assessment of this impact. These second wave interviews are carried out 10-12 months later. The surveys concentrate on gathering information on business performance and processes; how these have changed over the period since service delivery; and the factors which lie behind the reported changes, such as improved knowledge and capabilities, or help with overcoming other barriers to overseas market entry. The emphasis is on factors affecting business competitiveness, and the measurement methodology aims to capture sustainable rather than unsustainable improvements in performance and competitiveness.

Issues covered by the survey questions include:

- Barriers overcome, and new business, both in the target

market as well as new sales in any other market, and any (positive or negative) effect on domestic sales.

- Impact on skills and business behaviour, including improvements in products, processes or strategies, and impact on investment in research and new product development.
- Quality, relevance and usefulness of information, advice or contacts provided by UKTI.
- The extent to which similar benefits could have been achieved through other means.
- Willingness to pay more for services.
- Business profile characteristics.
- Strategic motives for exporting.

During the past year, the surveys have also tracked the impact of the economic downturn on businesses, including problems with access to finance and export credit insurance, effects of the depreciation in sterling exchange rates, and the extent to which they have benefited from sustained demand in any overseas markets.

As well as being used to measure performance against UKTI's targets, results from the initial wave of interviews also provide UKTI managers with early indications of how well different services are performing, so that any necessary adjustments can be made to drive up service quality and effectiveness.

Analysis of correlations between reported qualitative benefits and reported impact on productivity and profitability shows that these hard business performance improvements most frequently occur when clients report substantial benefit from:

- Gaining access to contacts not otherwise accessible.
- Gaining access to information not otherwise accessible, including understanding about how to navigate unfamiliar business environments.
- Raising the firm's profile or credibility in overseas markets.
- Improving knowledge of the competitive environment overseas.
- Improving the firm's overseas marketing strategy.
- Gaining the confidence to explore a new market or expand in an existing market.

For some clients, the key factor has been help to overcome a particular problem or difficulty with a legal or regulatory issue, including Intellectual Property protection.

Data gathered on business profile characteristics and strategic motives for exporting are used in analysis of the survey results, to help identify characteristics of businesses most likely to benefit from UKTI support. The questions also contain crosschecks, ensuring that any inconsistent responses or outliers can be identified, and

checked through a follow up call where necessary.

The follow-up interviews provide a further opportunity for crosschecks with firms' initial responses and also provide evidence about the time profile of benefits resulting from the support. Clients who had reported in the initial interview that they had gained access to information or contacts not otherwise accessible, or had benefited substantially from raising their profile in the market, are also asked whether these had turned out to be more or less useful than they had initially thought, or about the same.

Analysis shows that across most impact measures, there is little change between the results derived from the initial interview wave and the follow up. Exceptions are:

- Initial assessments of the business benefit resulting from raising their profile, and from gaining access to information not otherwise accessible, are significantly more often revised upwards in the follow up interview.
- Innovation impacts tend to increase, with firms reporting improvements to products or processes, or impact on R&D, who had not expected such effects at first interview.

Full details of the PIMS survey results, and depth analysis of these and other issues, can be

found in the PIMS reports, published on the UKTI web site at: [www.uktradeinvest.gov.uk/ukti/pims](http://www.uktradeinvest.gov.uk/ukti/pims).

The Performance and Impact Monitoring Survey of UKTI trade service users is complemented by a smaller annual survey of UK exporters who have not used UKTI services. The aims of this non-user survey are to provide evidence on usage of non-UKTI export support, measure the extent to which firms encounter barriers which give rise to the need for such services, investigate attitudes towards support amongst those firms not yet accessing it, and provide data on the profile of non-user firms to allow comparison with the profile of UKTI users. Those firms who have used some form of non-UKTI export support are asked about its quality and effectiveness, using questions designed to be consistent with the measures used for UKTI trade services.

Comparison of data on the profile of users and non-users shows that UKTI clients differ from many non-users in a number of important ways. UKTI clients are:

- More likely to be innovative, and to undertake R&D.
- More growth oriented, with over 80 per cent expecting to grow, and 38 per cent to grow substantially, as compared with 70 per cent and 18 per cent respectively for non-users.

- More likely to report substantial business benefits from exporting, especially in terms of benefits from exposure to new ideas, cited by 51 per cent of UKTI users as a substantial benefit, but by only 15 per cent non-users.<sup>10</sup>

Nevertheless, the non-user surveys also show that there is a significant minority of non-users which match the profile of users, but had not been aware of the availability of UKTI trade services.

In order to inform on-going development of the survey methodology, and to provide deeper insights into the results, UKTI also commissions two small qualitative studies annually to follow up respectively on the user and non-user surveys. These qualitative studies involve a small number of depth interviews with companies who had taken part in one of the initial survey interviews, and had expressed willingness to take part in further research. The specific focus of these follow up interviews is guided by topical priorities. The 2009 study focused on "Overseas Development Strategies for a Stormy Economic Climate", and involved in-depth interviews with 20 innovative companies to see how the economic situation was affecting their business.

On-going methodological development of UKTI's monitoring surveys is also guided by an advisory group involving academic researchers as well as UKTI economists. The PIMS Advisory

<sup>10</sup> PIMS Non-User Survey Report 2009.

Group meets at least twice a year to look in depth at particular aspects of the surveys and analysis of key findings, and to make recommendations. During the past year the agenda focused on measures of business benefit, and included investigation of consistency across different measures of benefit and over time.

Development of the monitoring surveys is also informed by evidence and analysis derived from UKTI's research and evaluation programme, which is described in Annex D.

In addition to its programme of monitoring surveys, UKTI also commissions an annual programme of independent evaluations of the economic impact and rationale for specific services. These studies use a range of quantitative and qualitative research techniques, typically including econometric analysis of the performance of UKTI supported firms and a comparison group of non-supported firms, to test for service impact on key business performance variables. Methodology for evaluation of the economic rationale for services typically involves a review of relevant literature, together with collection of evidence on various aspects of additionality and the most likely counterfactual, to provide a basis for assessing what would have happened without the service. Each evaluation project is

guided by an advisory group involving a number of academic researchers with relevant expertise.

A key principle which guides UKTI's approach to evaluation is that analysis of the policy logic of an intervention should precede and inform detailed decisions about evaluation methodology. This principle helps to ensure that the economic rationale for the policy is properly understood, and that the evaluation methodology will be both robust and credible. Evidence from literature reviews accordingly plays an important part in the evaluation process in UKTI. This helps to ensure that individual evaluation research projects are grounded within existing theory and evidence, and that design of evaluation methodology is in each case informed by a sound understanding of relevant issues.

New academic research is also commissioned on occasion, where there is a clear need to fill a gap in the wider evidence relating to the economic rationale for UKTI services. For example, UKTI has commissioned new quantitative research to investigate:

- Causal links between exporting and productivity, at firm level and at aggregate economy level (Harris and Li 2007<sup>11</sup>). This study found that on average firms gained 34 per cent productivity up-lift,

taking account of selection effects, as a result of beginning to export. The study also found that some 60 per cent of UK productivity growth was attributable to exporters, with non-exporters mainly contributing to aggregate productivity growth through net exit.

- The respective contributions of exporters and inward investors to business R&D in the UK. The study found that the contribution of exporters to business R&D was nearly twice the level of their share in total turnover.<sup>12</sup>
- The effects on the UK economy of international mergers and acquisitions.<sup>13</sup> The study looked at effects on employment, profitability, and the probability of plant closure, as well as at effects on labour productivity and total factor productivity.

Analysis of the economic rationale for UKTI trade services has also been used to inform development of monitoring arrangements.

UK Trade & Investment regards its monitoring, evaluation, and research programme as a dynamic interactive process, through which each of the three sources of evidence and analysis is enriched. To this end, events are hosted regularly at which evidence from monitoring and evaluation and

<sup>11</sup> *Firm level empirical study of the contribution of exporting to UK productivity growth*. Harris and Li (2007). Report to UKTI.

<sup>12</sup> *An Empirical Study of the Respective Contributions of Exporting and Foreign Direct Investment to UK R&D*, Harris (2008). Report to UKTI. For inward investors the picture was less clear, but suggested that R&D was not exceeding turnover share.

<sup>13</sup> Harris (2009) *The Effect of Foreign Mergers and Acquisitions on UK Productivity and Employment*.

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academic research are all discussed, with participation by officials with policy responsibility as well as government economists, evaluation specialists, and academic researchers. This process fosters cross-fertilisation across the monitoring, evaluation, and academic research, and ensures development of a richer and more robust evidence base. It also ensures that policy relevant insights and lessons from all three sources of evidence can be identified and debated in the round, thus providing a more rounded and reliable basis for policy.

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## ANNEX D – UKTI EVALUATION PROCESS

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UKTI places strong emphasis from high quality, independent evaluation of its activities. Good, independent evaluation is an essential component of sound policy and business planning decisions. Evaluation monitors the organisation's performance and demonstrates that UKTI is making a difference.

Through the work of its Economics and Evaluation Team, UKTI has, in recent years, taken a number of steps to strengthen the monitoring and evaluation of its activities. The arrangements that have been put in place aim to meet a number of distinct organisational needs, and to do so in a cost-effective way that does not place undue burdens on either customers or staff. These needs are:

- to measure impact and value for money,
- to track progress against UKTI targets, including Departmental Strategic Objectives indicators,
- to identify which types of activity generate greatest impact,
- to inform and drive continuous improvement,
- to understand the needs of different groups of customers, and thus inform targeting and service development, and

- to inform resource allocation.

The approach UKTI has taken builds on work BIS has done to upgrade its business support monitoring and evaluation systems. The objective is to ensure independent rigour and consistency, as well as comparability with relevant BIS performance measures.

There are four main elements:

- **Universal capture of data on businesses helped by UKTI.** The essential underpinning to all evaluation of what difference UKTI makes is keeping good records of who was helped and what form of help they received.
- **The Performance and Impact Monitoring Survey (PIMS).** PIMS is UKTI's central monitoring survey of users of its business services. This is described in more detail in Annex C. PIMS also provides a wealth of other data, including the profile of supported firms and customer perceptions of individual services, which provide qualitative as well as quantitative measurement of UKTI's performance. PIMS evidence shows that in 2008-09, for every £1 spent by UKTI, £16 benefit to UKTI clients was generated in terms of additional profit. This is explained in more detail in Annex A.

- **An annual programme of independent economic impact evaluations.** This is a rolling programme of studies of particular areas of UKTI's work which looks in depth at the economic rationale for the work UKTI does and seeks to assess the value for money for the taxpayer.

- **An annual programme of economic research.** This seeks to fill key gaps in the wider economic evidence relating to the rationale for government support for the trade and inward investment, focusing on issues which the academic research community has not addressed. The research provides evidence on benefits to business and the UK economy from trade and investment, and on barriers and market failure which would prevent the private sector unaided from achieving these benefits.<sup>14</sup>

Further detail is provided at Annex B, in the context of measuring UKTI's performance against its DSO target and indicators.

### UKTI's Evaluation Programme

UKTI's evaluation programme involves commissioning independent external research teams to carry out specific evaluation studies. These studies use a range of quantitative and

<sup>14</sup> Evidence relating to the economic rationale for UKTI services is set out in detail in DTI Economics Paper Number 18: International Trade and Investment – the Economic Rationale for Government Support (2006).

qualitative research techniques, typically including econometric analysis of the performance of UKTI supported firms and a comparison group of non-supported firms, to test for service impact on key business performance variables. Methodology for evaluation of the economic rationale for services typically also involves a review of relevant literature, together with collection of evidence on various aspects of additionality and the most likely counterfactual, to provide a basis for assessing what would have happened without the service. Each evaluation project is guided by an advisory group involving a number of academic researchers with relevant expertise.

A key principle which guides UKTI's approach to evaluation is that analysis of the policy logic of an intervention should precede and inform detailed decisions about evaluation methodology. This principle helps to ensure that the economic rationale for the policy is properly understood, and that the evaluation methodology will be both robust and credible. Evidence from literature reviews accordingly plays an important part in the evaluation process in UKTI. This helps to ensure that individual evaluation research projects are grounded within existing theory and evidence, and that design of evaluation methodology is in each case informed by a sound understanding of relevant issues.

All evaluation reports are published in full on UKTI's web site. Recent reports include:

- **Evaluation of UKTI's Tradeshow Access Programme (TAP)** A study undertaken by London Economics to evaluate UKTI's Tradeshow Access Programme. This is an innovative study, triangulating a number of research methodologies including data linking, propensity score matching, surveys and qualitative case studies.

The evaluation was also underpinned by evidence from a comprehensive review of literature on the economics of trade shows, trends in trade show attendance and development, and the role of governments in supporting trade shows, carried out by SQW Consultants.

#### **Intellectual Property and UKTI Passport Firms**

An econometric study undertaken by Oxford University that analyses the characteristics and performance of firms that participated in UKTI's Passport to Export scheme and which register for intellectual property (IP). The study was unique in using FAME data enhanced with IP data, allowing the test for Passport impact to control for the IP activity of non-supported firms.

Impact evaluation in UKTI is supported by the programme

of wider economic research on issues related to strengthening the economic rationale for government roles.

New academic research is commissioned where there is a clear need to fill a gap in the wider evidence relating to the economic rationale for UKTI services. For example, UKTI has commissioned new quantitative research to investigate:

- Causal links between exporting and productivity, at firm level and at aggregate economy level (Harris and Li 2007<sup>15</sup>). This study found that on average firms gained 34 per cent productivity up-lift, taking account of selection effects, as a result of beginning to export. The study also found that some 60 per cent of UK productivity growth was attributable to exporters, with non-exporters mainly contributing to aggregate productivity growth through net exit.
- The respective contributions of exporters and inward investors to business R&D in the UK. The study found that the contribution of exporters to business R&D was nearly twice the level of their share in total turnover.<sup>16</sup>
- The effects on the UK economy of international mergers and acquisitions.<sup>17</sup> The study looked at effects on employment,

<sup>15</sup> *Firm level empirical study of the contribution of exporting to UK productivity growth*. Harris and Li (2007). Report to UKTI.

<sup>16</sup> *An Empirical Study of the Respective Contributions of Exporting and Foreign Direct Investment to UK R&D*, Harris (2008). Report to UKTI. For inward investors the picture was less clear, but suggested that R&D was not exceeding turnover share.

<sup>17</sup> Harris (2009) *THE effect of foreign mergers and acquisitions on UK productivity and employment*



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profitability, and the probability of plant closure, as well as at effects on labour productivity and total factor productivity.

- How barriers to entering new export markets vary with business profile and export experience. The analysis used data from previous UKTI surveys, and found that the incidence of barriers is not linked to firm size, but does tend to decline after firms have gained 10-20 years export experience.<sup>18</sup>

Other recent research included reviews of literature relating to the role of international trade and investment in business growth and development<sup>19</sup>, and relating to causal links between innovation and international trade and investment.<sup>20</sup>

UK Trade & Investment regards its monitoring, evaluation, and research programme as a dynamic interactive process, through which each of the three sources of evidence and analysis is enriched. To this end, events are hosted regularly at which evidence from monitoring and evaluation and academic research are all discussed, with participation by officials with policy responsibility as well as government economists, evaluation specialists, and academic researchers. This process fosters cross-fertilisation across the monitoring, evaluation, and academic research, and ensures

development of a richer and more robust evidence base. It also ensures that policy relevant insights and lessons from all three sources of evidence can be identified and debated in the round, thus providing a more rounded and reliable basis for policy.

<sup>18</sup> Kneller, R. and Pisu, (2007) *Export Market Entry, Sunk Costs and Firms' Performance*

<sup>19</sup> Harris, R. and Q. Cher Li, (2005a), *Review of the Literature: the Role of International Trade and Investment in Business Growth and Development*;

<sup>20</sup> Harris, R. and Q. Cher Li, (2006a) *Review of the Literature: Causal links between innovation and international trade and investment*

# Glossary

AO	Accounting Officer
ATO	Accredited Trade Organisations
BERR	Business, Enterprise & Regulatory Reform
BIS	Department for Business, Innovation and Skills
BSMS	Business Support Cross-Product Monitoring Survey
BSSP	Business Support Simplification Programme
CBBC	China-Britain Business Council
CIPFA	Chartered Institute of Public Finance and Accountancy
COP	Committee on Overseas Promotion
CRM	Customer Relationship Management
CSR	Comprehensive Spending Review
DA	Devolved Administration
DSO	Departmental Strategic Objective
e-CRM	Electronic Customer Relationship Management
ECR	Export Communications Review
EMRS	Export Marketing Research Scheme
FCO	Foreign and Commonwealth Office
FDI	Foreign Direct Investment
FTSE	Financial Times Stock Exchange
FM	Financial Management
FY	Financial Year
GDP	Gross Domestic Product
GVA	Gross Value Added
HMT	Her Majesty's Treasury
HR	Human Resources
HQ	Headquarter

IBDF	International Business Development Forum
ICT	Information and Communication Technologies
IT	Information Technology
ITA	International Trade Adviser
KPI	Key Performance Indicator
MOD	Ministry of Defence
NAO	National Audit Office
NINJ	New Initiatives, New Jobs
OGC	Office of Government Commerce
OGD	Other Government Department
OMIS	Overseas Market Introduction Service
PIMS	Performance and Impact Monitoring Survey
PSA	Public Service Agreement
R&D	Research and Development
RDA	Regional Development Agency
SAG	Sector Advisory Group
SITPRO	Simplifying International Trade Promotions
STBA	Short Term Business Attachment
SME	Small- and Medium-sized Enterprises. SME's are companies that have less than 250 employees and a turnover of under €50 million
TAP	Tradeshaw Access Programme
TSO	The Stationery Office
UK	United Kingdom
UKTI	UK Trade & Investment
UKTI DSO	UKTI Defence & Security Organisation
VFM	Value for Money

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For further information please visit  
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