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NESTA Making Innovation Flourish

Creating Innovation in Small and Medium-sized Enterprises

Evaluating the short-term effects of the Creative Credits pilot

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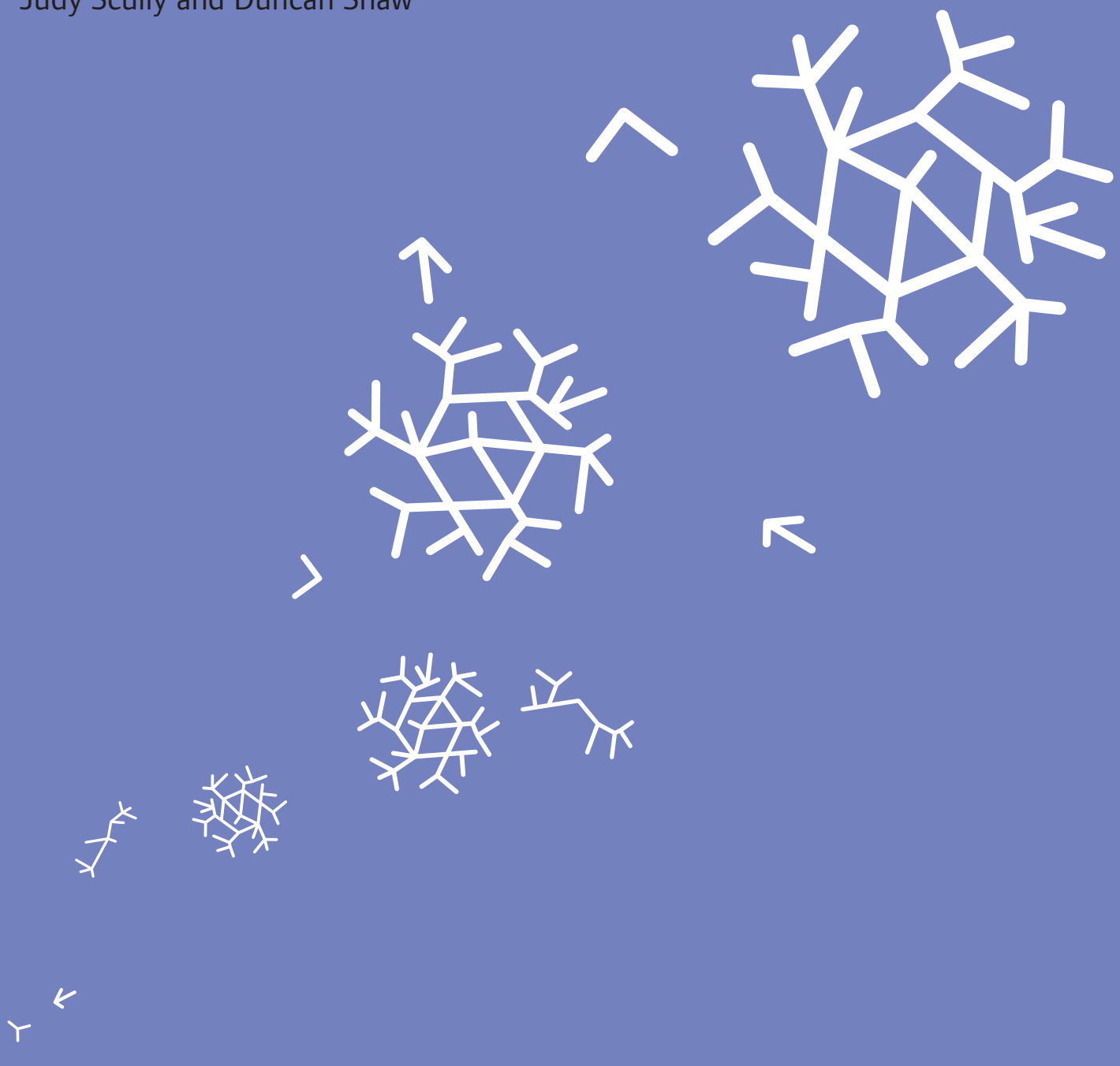

Executive summary

Creative Credits is a new way of supporting innovation in SMEs

Creative Credits is a new business-to-business voucher mechanism designed to encourage small and medium-sized enterprises (SMEs) to innovate. SMEs receive credits worth £4,000, which they can use to purchase a variety of creative services from creative businesses. This working paper looks at the short-term impact of the Creative Credits pilot which operated in Manchester City Region in the North West of England from September 2009 to September 2010. Future research will address whether the innovation capacity of SMEs is improved by the transfer of knowledge, skills and working practices from the creative businesses.

Creative Credits differs from other enterprise support schemes in key ways.

First, it is the only dedicated business-to-business innovation vouchers scheme in the UK. Previous innovation voucher schemes have focused primarily on stimulating knowledge transfer from universities to businesses.

Second, Creative Credits makes use of an online 'Creative Gallery' to market potential creative service providers to the SMEs receiving credits. As such, the scheme is substantially cheaper to run than other business support schemes which rely on costly administration and brokerage.

Third, the evaluation of the Manchester pilot is as innovative as the scheme itself: it is structured as a randomised control trial, with credits being randomly allocated to eligible businesses. Applicants not allocated credits are also tracked over time, which provides a control group, enabling the extent to which Creative Credits genuinely added value to be evaluated rigorously.

Creative Credits is intended to address barriers to innovation in SMEs

Creative Credits – like other innovation voucher schemes – is intended to address barriers to innovation in SMEs which result in inadequate collaboration. These may reflect behavioural failures which are prevalent in smaller businesses, including inertia, excess levels of risk aversion and a tendency towards myopia. Theory suggests that creative businesses may be less prone to such behavioural failures, and there is some empirical evidence suggesting that firms that make greater use of services from the creative industries have superior innovation performance. Creative Credits aims to boost innovation in SMEs by directly linking them to creative businesses.

Creative Credits has proven popular with Manchester's businesses

The Manchester pilot suggests that the scheme is popular with both creative businesses and SMEs. A total of 300 eligible creative businesses from Manchester City Region applied to service credits on the Gallery and over 670 SMEs applied to receive credits (perhaps as much as one in eight of all the eligible population of firms). Being SMEs themselves, the creative service businesses shared many characteristics with the SMEs that were (randomly) awarded credits: they were by and large micro and small businesses servicing largely domestic markets and had experienced high rates of growth in recent years. But creative businesses were heavier investors in research and development, ICT and other forms of innovation expenditure. While there appeared to be little difference in their

past innovation *performance* (as measured by the percentage of businesses introducing new products or services in recent years, or the percentage of sales that could be attributed to new products), creative firms were also more likely to cooperate on innovation with clients and with other businesses in their industry.

The majority of projects supported by Creative Credits involved development of SMEs' websites, followed by marketing and video production activities. This no doubt says much about the needs of Manchester's SMEs in 2009/10. But it also reflects the comparative strengths of Manchester's digital media industries, as represented by their strong presence on the Creative Gallery.

For every ten credits awarded, eight were used to support B2B relationships involving creative servicers that would not have formed in the absence of the scheme

Almost 55 per cent of creative businesses servicing credits claimed to have serviced an SME that was in a different sector from their usual clients, and over 41 per cent described the SME as being outside their usual business networks. Consistent with this, comparing the behaviour of firms that were not awarded credits (the control group) with those that were (the treatment group), suggests that Creative Credits had very strong project additionality. Specifically, for every ten credits awarded, eight were used to create new B2B relationships involving creative services that would not have formed in the absence of the scheme, at least in the four to five-months stipulated project completion period. This is broadly the same as the level of short-term additionality identified in the pilot for the well-known Dutch innovation vouchers programme.

There is evidence of short-term commercial benefits

The Creative Credits projects proceeded largely as planned, with only 3 per cent deviating from their original plan. Ninety-three per cent of projects achieved either all or some of their innovation objectives, with around 25 per cent being associated with other unanticipated benefits. It is too early to establish the impact that Creative Credits had on the commercial performance of the businesses involved, but 'back of the envelope' calculations suggest that the scheme may have generated short-term additional sales of £514,000 (an average of £3,430 per credit). Alongside the short-term sales benefits, there are also signs that Creative Credits might have generated short-term strategic and behavioural gains for the SMEs. Just over 80 per cent of businesses awarded credits claimed that the projects had increased their innovative strengths and over three-quarters said that it had stimulated other ideas for new innovation projects. Three-quarters of SMEs agreed that their business's attitude to innovation had become more positive through engaging with the scheme.

The ongoing qualitative interviews point to some mechanisms through which these benefits occur (e.g. the transfer of skills and knowledge that relate to the process and content of creativity), but also indicate where there are obstacles (e.g. differences in how creative and 'non-creative' businesses perceive the value of creativity).

A complete assessment of the scheme's economic benefits must await the longitudinal evaluation, the full results of which will be published by NESTA

This working paper assesses the impacts of the Creative Credits pilot as they stood at the end of the four to five-month period over which the Creative Credits projects had to be completed under the rules of the scheme. Many firms receiving credits indicated that they expected the benefits of their Creative Credits projects to increase, in some cases substantially, in the future. At the same time, the surveys suggest that in the longer term a number of SMEs awarded credits would have proceeded with their creative projects in any case. How these two effects net out in quantitative terms, and what this means for the long-term additional impact of Creative Credits, is something we will uncover in our future research.

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NESTA is the UK's foremost independent expert on how innovation can solve some of the country's major economic and social challenges. Its work is enabled by an endowment, funded by the National Lottery, and it operates at no cost to the government or taxpayer.

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Part 1: Introducing Creative Credits

1.1 Introduction

Creative Credits is a new business-to-business (B2B) voucher mechanism designed to encourage small and medium-sized enterprises (SMEs) to work innovatively with creative companies. Businesses receive credits worth £4,000, which they must match with at least £1,000, to spend with creative firms on a variety of creative services.

This working paper looks at the short-term impact of the pilot scheme which operated in the Manchester City Region in the North West of England from September 2009 to September 2010, and was funded by NESTA, Manchester City Council, the North West Development Agency, the Economic and Social Research Council (ESRC) and the Arts and Humanities Research Council (AHRC). The longer-term research project, of which this paper is the first published output, addresses whether the innovation capacity of SMEs can be improved by the transfer of knowledge, skills and working practices from the creative industries. This follows previous research by NESTA suggesting that firms accessing creative services are, other things equal, more likely to innovate.[1] This working paper looks in particular at whether the vouchers stimulated business-to-business (B2B) relationships between SMEs and creative businesses that would not otherwise have formed.

Creative Credits is innovative in four ways. First, it is the only B2B innovation vouchers scheme in the UK. Previous innovation voucher schemes have focused primarily on linking SMEs with universities and public research institutions rather than other businesses. Second, Creative Credits makes use of an online 'Creative Gallery' to market potential creative industry partners to the SMEs receiving credits. This is intended to reduce administration and brokerage. A third innovative aspect of the pilot is that it is structured as a randomised controlled trial, with credits being allocated randomly to eligible firms. Applicants not allocated credits are also tracked, which provides a control group, enabling the extent to which the scheme genuinely added value to be evaluated rigorously. Finally, the pilot adopts a mixed-methods approach to the evaluation, combining the quantitative approach above to assessing additionality with qualitative perspectives on the scheme's behavioural impacts.

In the remainder of this section we set the scene for the evaluative material in later sections. Part 1.2 outlines the rationale for the Creative Credits scheme and its fit with Manchester City Region's economic strategy. Part 1.3 provides a more detailed overview of the scheme and section 1.4 outlines the pilot evaluation.

1.2 The rationale for Creative Credits

Creative Credits – like other innovation voucher schemes – is intended to address systemic failures linked to a lack of collaboration in innovation. Such systemic or network failures can lead to sub-optimal levels of innovation activity.[2]

These systemic failures have been linked to behavioural failures which may be particularly prevalent among SMEs,[3] including inertia, excessive risk aversion and myopia. Inertia is the tendency to accept the status quo, no matter how strong the case for change

1. Bakhshi H., McVittie E. and Simmie J. (2008) 'Creating Innovation: Do the creative industries support innovation in the wider economy?' London: NESTA. Available at: http://www.nesta.org.uk/library/documents/Report%20-%20Creative%20Innovation%20v5.pdf ; also Potts J. and Morrison K. (2009) 'Nudging Innovation: Fifth generation innovation, behavioural constraints, and the role of creative business – considerations for the NESTA innovation vouchers pilot.' London: NESTA. Available at: http://www.nesta.org.uk/nudging-innovation
2. Woolthuis, R.K., Lankhuizen, M. and Gilsing, V. (2005) A system failure framework for innovation policy design. 'Technovation.' 25, pp.609-619; also Carlsson, B. And Jacobsson, S. (1997) In search of useful public policies: key lessons and issues for policy makers. In Carlsson, B. (Ed.) (1997) 'Technological systems and industrial dynamics.' Dordrecht: Kluwer Academic Publishers.
3. Potts J. and Morrison K. (2009) 'Nudging Innovation: Fifth generation innovation, behavioural constraints, and the role of creative business – considerations for the NESTA innovation vouchers pilot.' London: NESTA.

might be. Excessive risk aversion refers to how cognitive biases push owners of SMEs to make choices that predict more certain outcomes, particularly at the boundaries of their knowledge or experience. This is a phenomenon that potentially afflicts all decision-makers and organisations, but is arguably made worse by the small – often one person – 'top teams' of SMEs. Myopia is the tendency to opt for short-term gain at the expense of longer-term, strategic decisions. These behavioural failures may contribute to reluctance on the part of SMEs to undertake innovation.

Interventions such as the Creative Credits scheme, which encourage collaboration with creative businesses, aim to overcome these behavioural failures, and thereby 'nudge' SMEs into innovating. The particular focus of Creative Credits – linking SMEs with the providers of creative services – is prompted by theoretical arguments that creative businesses are less prone to such behavioural failures[4] and empirical research suggesting that firms that make greater use of services from the creative industries have superior innovation performance.[5]

The 'logic model'[6] for the Creative Credits scheme is shown in Figure 1. This links the justification for public intervention in the SME-creative relationship, the scheme's objectives, the process for the initiative, its outputs and intended longer-term outcomes.

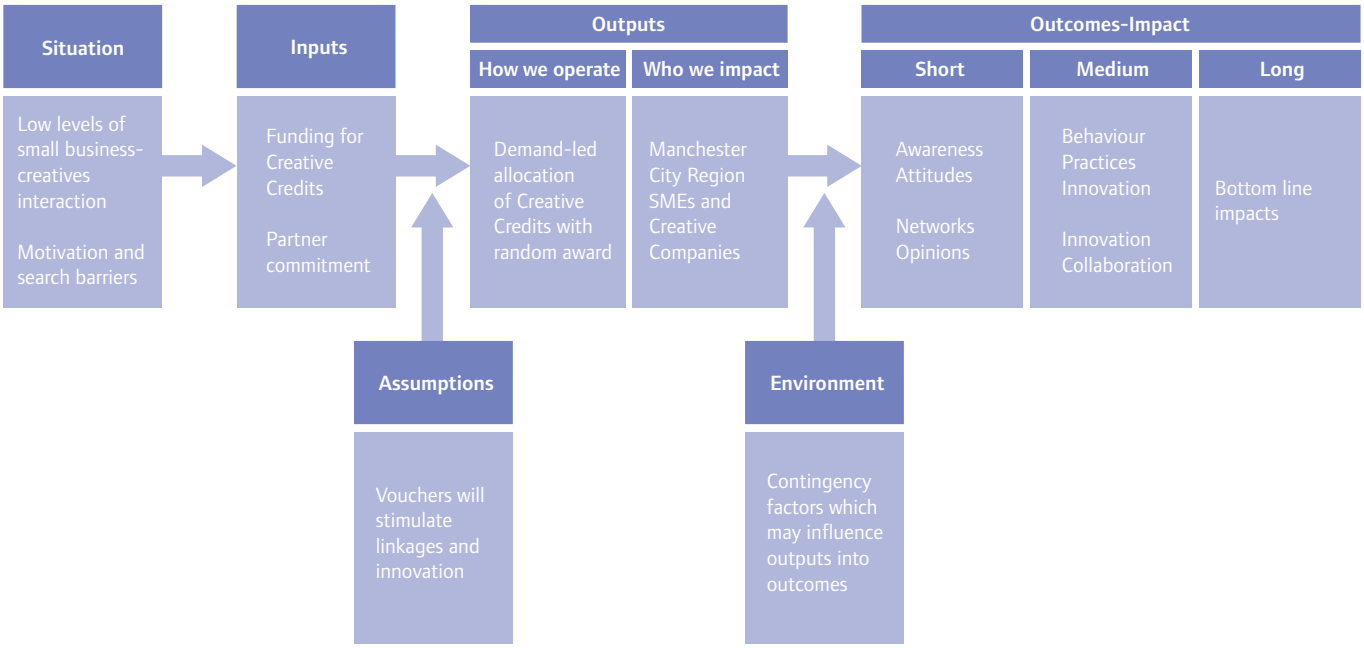
Figure 1 sets out the pilot's objective to stimulate new SME-creative partnerships in order to improve knowledge transfer and innovation, and to act as a catalyst for longer-term behavioural change.

Figure 1 also makes clear the assumptions by which the intervention achieves the desired programme objectives. Here the key assumption is that the award of a credit will help SMEs become more entrepreneurial, less risk-averse and more open to new ideas through new collaborations with creative partners. For the SMEs, the credit provides a stimulus and incentive to engage with a creative partner. For the creative partner the credit represents a new business opportunity.

The final element of the Creative Credits logic model relates to the specification of scheme outputs and their relationship to longer-term outcomes. In the short term, outputs from the

4. Ibid.
5. Bakhshi H., McVittie E. and Simmie J. (2008) 'Creating Innovation: Do the creative industries support innovation in the wider economy?' London: NESTA; also Muller, K., Rammer, C. and Truby, J. (2009) The role of creative industries in industrial innovation. 'Innovation: Management, Policy & Practice.' 11:2, pp.148-68.
6. Donaldson, S.I. and Gooler, L.E. (2003) Theory-driven evaluation in action: lessons from a $20 million statewide work and health initiative. 'Evaluation and Program Planning.' 26, pp.355-366.

Figure 1: Logic Model for Creative Credits



pilot will be measured in terms of increased levels of SME-creative interaction (relative to the control group). Our prior assumption, based on the theoretical and empirical grounds discussed earlier, is that in time this will be reflected in increased innovation and enhanced business performance in SMEs, though this is the subject of the longer-term research. Behavioural outcomes might also be anticipated, encouraging sustained co-operation and a willingness to engage in other SME-creative interaction. The logic model makes clear, however, that such outcomes will be contingent on other factors influencing firms' innovation processes, as well as other market and contextual factors.

The evaluation approach we adopt in the Creative Credits pilot aims to test the logic model in Figure 1. We focus on the 'causative' elements of the scheme's programme theory rather than undertaking a more 'normative' approach to evaluation of the scheme's goals and objectives. In other words, our objective is not just to assess programme outcomes but also to consider whether these outcomes are being achieved through the mechanisms envisaged in the underlying programme theory.[7] This requires a theoretical analysis of process and causal mechanisms alongside the evaluation of outcomes. In empirical terms, it underlines the value of a mix of both quantitative and qualitative methods.[8]

1.3 Creative Credits implementation

Creative Credits was implemented as a regional pilot focused on the Manchester City Region (MCR). The Manchester Independent Economic Review (MIER) had previously investigated creativity and innovation in the region and found that large numbers of creative firms, while well connected to firms outside the region, were poorly integrated into local supply chain networks.[9] The MIER therefore argued that there may be large and immediate payoffs to innovation if creative businesses could be better integrated into its supply chain networks. In the MCR the Creative Credits pilot operated alongside the North West Development Agency's own established innovation voucher scheme which, more traditionally, focused on knowledge transfer between universities and SMEs.

A total of 150 Creative Credits worth £4,000 each were available within the pilot scheme, with an intention to distribute these equally between two waves. The first wave opened for applications in September 2009 and the second in February 2010 (Table 1). The scheme was promoted and marketed through a number of channels:

- **PR Campaign** – North West News, Crains, North West Insider, Manchester Evening News, Metro AM.
- **Above the Line campaign** – Crains, North West Insider Networks.
- **Networks** – Business Link advisors, NWDA networks, Manchester City Council networks, other business consultants and financial advisors to SMEs.
- **Online** – posts on LinkedIn and Facebook.
- **Direct** – emails, telemarketing.
- **Launch event**.
- **Website**.

In promoting and advertising the scheme, care was taken to avoid selection biases. For example, the telesales companies who were telemarketing the scheme were encouraged to use a strictly random method in identifying which SMEs to call. More than 2,000 firms enquired about the scheme over the two waves.

Online applications from SMEs were checked for eligibility by a NESTA project manager. Creative Credits was open to SMEs in almost any sector of the economy.[10] The eligibility criteria for the scheme (see also Appendix 1) had a number of further dimensions:

- **Geographical coverage** – SMEs and creative firms had to have their main office located in either the City of Manchester, the City of Salford, Stockport, Tameside and Trafford (Greater Manchester South), Bolton, Bury, Oldham, Rochdale and Wigan (Greater Manchester North), Congleton, Macclesfield, Vale Royal or Warrington.
- **Size range** – SMEs and creative firms had to have fewer than 250 employees and turnover of less than £46 million at the time of application.
- **Legal status** – both SMEs and creative firms had to be either limited liability companies, limited liability partnerships, general partnerships (added in Wave Two) or industrial or provident societies.

7. Chen, H.-T. (1990) 'Theory-Driven Evaluations.' London: Sage.
8. Jackson, A. (2001) An evaluation of evaluation: problems with performance measurement in small business loan and grant schemes. 'Progress in Planning.' 55, pp.1-64; also White, H. (2008) Of probits and participation: The use of mixed methods in quantitative impact evaluation. 'IDS Bulletin.' 39, pp.98-109.
9. Manchester Independent Economic Review (2009) 'Innovation, Trade and Connectivity.' Manchester: MIER. Available at: http://www.manchester-review.org.uk/projects/view/?id=719
10. For state aid related reasons, firms in primary industries (Agriculture, Forestry or Fisheries) were excluded from the scheme. Businesses in the creative industries were also barred from applying.

Table 1: Principal dates for the Creative Credits scheme

	Wave One	Wave Two
Opened for Applications	9th Sept 2009	1st Feb 2010
Deadline for Applications	9th Oct 2009	1st March 2010
Creative Credits randomly awarded	17th Oct 2009	3rd March 2010
Project Proposal Deadline	28th Nov 2009	16th April 2010
Project Completion Deadline	31st March 2010	15th Sept 2010
Payment Claim Deadline	16th April 2010	15th Sept 2010

- **VAT-registered** – SME applicant firms had to be registered for VAT.

A total of 672 SMEs made eligible applications for the Creative Credits scheme: 312 in the first wave and 501 in the second; 141 applying in both waves.

A lottery was held to allocate Creative Credits to firms with 75 firms in each wave being notified that they had been 'awarded' a credit. In total, 22 per cent of the businesses that applied were awarded a credit. Awards were made to firms in the first wave in October 2009 (Table 1).

SMEs awarded credits were encouraged to identify a creative partner and develop a collaborative project proposal. To help with this process a web-based marketplace – a Creative Gallery – of approved creative firms (who were responsible themselves for uploading information and details of sector and work experience) was designed and made available to all eligible SMEs.[11] The businesses were encouraged to select their preferred supplier from the Gallery by themselves. SMEs were permitted to make independent contact with creative suppliers on the Gallery; creative businesses on the Gallery were also permitted to make direct contact with SMEs, as normal business practice.[12] The Gallery was set up to explore the potential for a minimal brokerage model and reduce the burden of administrative costs associated with the pilot. In the event, the 150 Creative Credits were 'spent' on a much smaller number of creative businesses, 79 in total, as might be expected in a competitive marketplace. In fact, one creative business serviced no fewer than 13 credits in total.

First wave Awarded firms were required to submit their final project proposal for approval by late November 2009 together with the name of their 'servicer' – i.e. the creative business they had chosen to service their credit. (Other creative companies on the Gallery who were not selected are referred to as 'non-servicers'.)[13] Project eligibility criteria were changed slightly between Waves 1 and 2 to tighten the definitions of 'innovation projects'. SME-creative partnerships were then given four further months (five in the case of Wave 2) to complete their project and the SME could claim the credit once they had been invoiced by their creative partner.

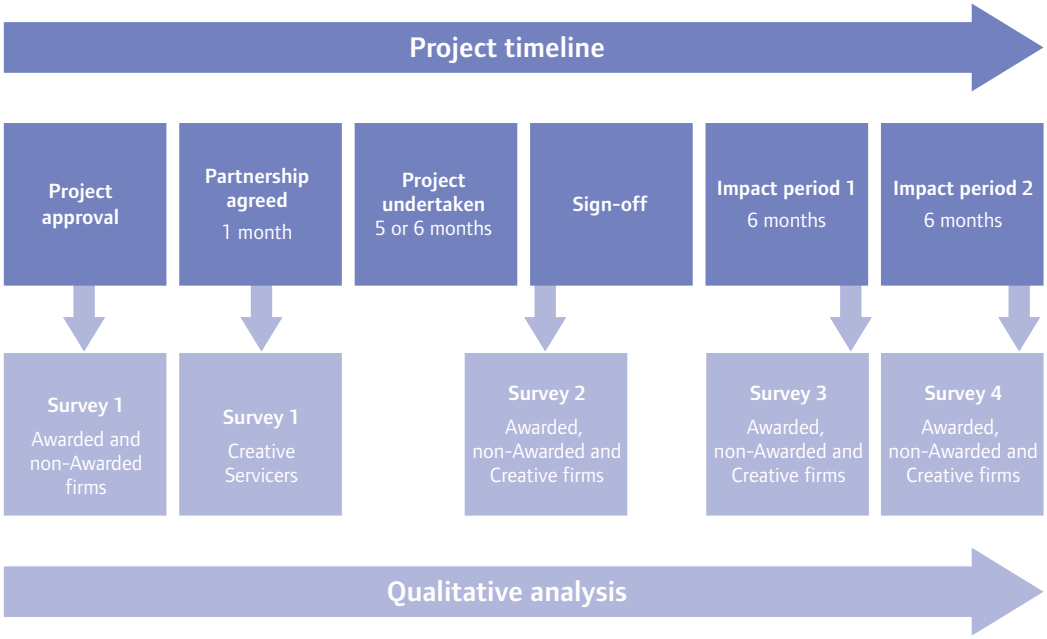
1.4 Evaluating the Creative Credits pilot scheme

The Creative Credits pilot has been structured as a randomised control trial (RCT) with the credits being allocated randomly and the successful SMEs representing the 'treatment' group. This random allocation was used to avoid any systematic bias in the characteristics of firms winning credits and to help provide a more robust indication of the extent of additionality of the credits.[14]

A major research project into Creative Credits (including an evaluation of the business-to-business voucher mechanism) began in September 2009 and will continue until March 2012, 18 months after the completion of the last Creative Credits projects. The evaluation considers both the short-term effects of the Creative Credits pilot and its potential longer-term outcomes. The evaluation uses a mixed methods approach combining both quantitative and qualitative approaches and is based on a longitudinal data strategy (Figure 2).

11. To be approved, creative firms had to have been a going concern for at least one year with supporting account documentation, and also have professional indemnity insurance.
12. Analysis of the Wave One choices revealed that there was a statistical correlation between position on the Creative Gallery and success in being chosen as a Servicer; those positioned earlier being more likely to be selected. In Wave Two, this possible bias was addressed by requiring the Awarded SME to perform a keyword search on the Gallery to generate different orderings according to the SME's requirements.
13. In the event that an Awarded SME proposed to use their credit for a project that did not satisfy the eligibility criteria, the SME was asked to go back and rework their proposal. If the SME could not identify an eligible project within the deadlines, the credit was allocated, again on a random basis, to a business on the reserve list.
14. Technically, the randomised control trial is 'unblinded' in that both the 'treatment' and 'control' groups know whether or not they have received a credit.

Figure 2: Timeline for Creative Credits projects and their evaluation



This working paper's primary focus is on the short-term additionality of the scheme, but the wider evaluation has been guided by a series of research questions reflecting the logic model outlined earlier (Figure 1):

1. How does the effectiveness of this method of business-to-business knowledge transfer compare with more standard innovation voucher models which stimulate knowledge transfer from universities to businesses?

2. Does the voucher model encourage new business connections between creative and 'non-creative' businesses that would not otherwise form?

3. To what extent have the credits led to additional innovation by 'non-creative' businesses; that is, innovation that would not otherwise have happened?

4. Has the pilot met its aims, objectives and outcomes? If so, what are the characteristics that have made the model successful?

5. How does the pilot compare to other innovation voucher pilots and has it been successful in developing a distinctive method for business-to-business engagement?

6. How has the pilot developed and what are the key features of the iterative process?

7. How has the 'Creative Gallery' developed? Is it successful as a format for business-to-business interaction?

8. What types of brokerage activities occurred? Which ones were the most effective?

9. How much time was spent on brokerage? What was the quality of the brokerage elements?

10. Does the model require an element of brokerage above or below what was originally foreseen? What are the implications of this going forward?

11. Is the voucher pilot a scalable model that can be transferred to other organisations? If so, who would these be?

The initial baseline survey, at the time the credits were allocated, and the second survey (around the time of completion of the project) have been completed both for Wave One and Wave Two firms, allowing us to ascertain the pilot's short-term additionality. In subsequent sections we report an analysis of these two surveys and the short-term impacts of the credits. Subsequent surveys and papers will focus on the longer-term impacts of the scheme.

Part 2: Profiling the companies participating in Creative Credits

Key findings

Creative Credits applicants

- A total of 672 SMEs made eligible applications for the Creative Credits scheme: 312 in the first wave and 501 in the second; 141 applying in both waves. Applicants varied by sector but the strongest concentration was in business services, including consulting and professional services. The turnover of the applicant group also varied relatively widely, although over half of all applicants had an annual turnover of less than £500k.

- Around one in eight of the eligible population of firms applied for credits, with firms with 10-50 employees significantly over-represented.

- The size distribution of Creative Credits applicants was broadly similar to that for the NWDA innovation voucher scheme, although a larger proportion of firms with ten or more employees applied for the Creative Credits scheme.

- A total of 328 applications were made by creative businesses to appear on the Creative Gallery, of which 28 were either ineligible or duplicate applications. By far the most common services offered (79 per cent) were 'Design or web design' with 63 per cent of businesses listing this as their primary offering. As with the SMEs, the majority of the Creative Service providers were small, with 41 per cent reporting annual turnover of less than £500k.

- Creative Credits applicants were significantly more likely to have a high proportion of graduate employees (more than 40 per cent of the workforce) than the broader population of eligible firms.

- Creative Credits applicants were significantly more likely to have engaged in prior innovation than firms in the broader eligible population.

- Creative Credits applicants were also more active users of a wide range of external business support organisations than the broader population of eligible firms.

A comparison of the Awarded and Creative Servicers groups suggests:

- Creative SMEs servicing Creative Credits have – on average – grown more rapidly than Awarded SMEs over the previous three years.
- Creative Servicers are more likely to have engaged in R&D investments than Awarded SMEs.
- Creative Servicers are much more likely to have invested in other forms of innovation, such as computer software, hardware, design and innovation-related training.
- Despite their more innovative behaviour, however, there is no evidence that Creative Servicers are more successful than the Awarded SMEs in generating new sales from their innovations.

2.1 Introduction

In this section we profile the group of SMEs and creative companies that participated in Creative Credits. In Part 2.2 we briefly summarise the characteristics of applicant SMEs. Part 2.3 then compares applicants to the eligible population of firms in terms of exporting and prior innovation behaviour. This section draws on information on the eligible population of firms from Companies House and a specifically conducted survey of non-applicant companies. In Part 2.4 we then compare the baseline characteristics of the Awarded and Servicer groups as a prelude to the later discussion on additionality. Part 3 later in the working paper provides a more detailed profile of the Creative Credits projects themselves.

2.2 Characteristics of Creative Credits applicants

In this section we provide an overview of the applications received by the Creative Credits scheme based on administrative data. A total of 672 SMEs made eligible applications for the scheme: 312 in the first wave and 501 in the second; 141 applying in both waves. Seventy-five credits were available in Wave One, meaning that around one in four applicants was allocated a credit. In fact, 69 credits were serviced in Wave One, three firms deferred using their credit until Wave Two, and four were offered but declined a credit. One of these was reallocated and serviced during Wave One and three were reallocated at the same time as the Wave Two Credits.

The higher numbers of applications in the second wave meant that the chance of receiving a credit was roughly only one in seven. In the end, two firms were offered but declined a credit; their credits were reallocated to firms randomly selected from a reserve list.

Amongst applicants, the sectors with greatest representation were services businesses, in particular: Consultancy, Professional Services, General Business Services, and Retail. No applications were received from the Aerospace or Medical sectors. Applications were received from all boroughs included in the programme.[15] Figure 3 illustrates the geographical breakdown of the applicant and awarded groups. The turnover of the applicant group varied relatively widely (Figure 4), although more than half of all applicants had an annual turnover of less than £500k. Within this group, a fifth of all applicants reported that their turnover was less than £100k per year.

Comparing the group of Creative Credits applicants to the eligible population of companies in the MCR provides an indication of the penetration of the scheme. Using data from Companies House, we estimate that there were around 5,050 eligible firms in the MCR of which 672, or around one in eight applied for the Creative Credits scheme (Appendix 1).

This size profile was broadly similar to those in the NWDA innovation voucher scheme (Figure 5) with micro firms (defined as businesses with fewer than ten employees) dominating applications to both schemes. Creative Credits had a significantly larger proportion

15. As the checking tool used was not set up for Cheshire East and West, the old borough names of Congleton, Macclesfield and Vale Royal were used and were worded as 'Former borough of…' on communications.

Figure 3: Percentages of applicants and Awarded firms by borough

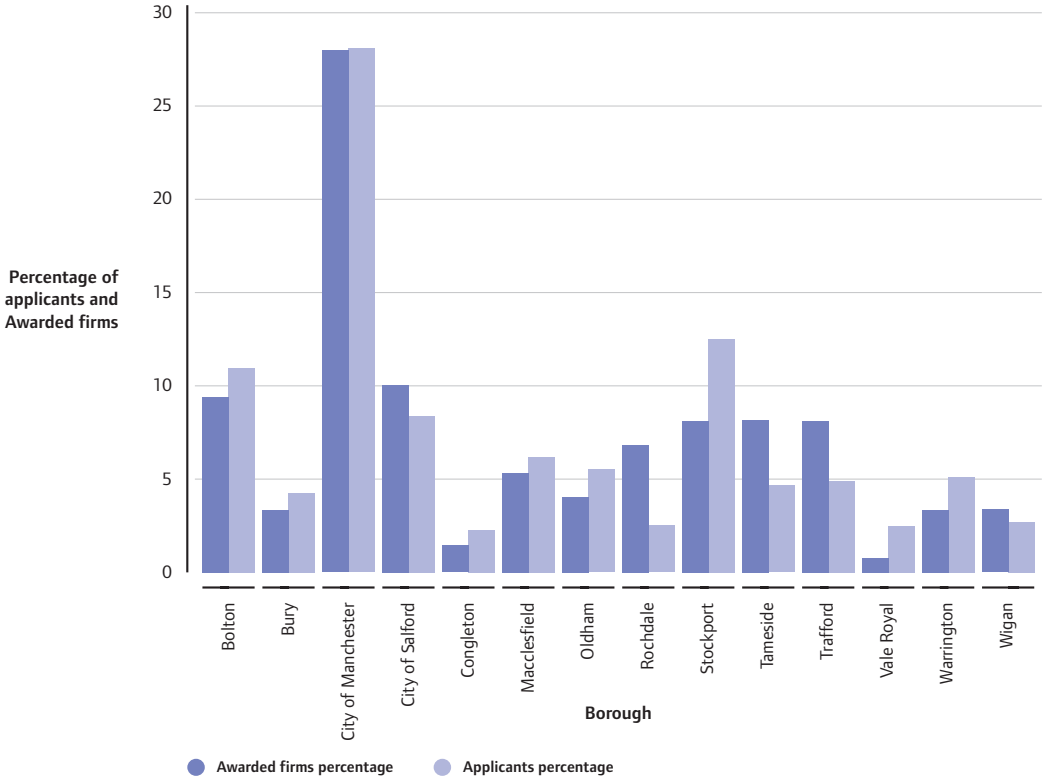


Figure 4: Percentages of applicants and Awarded firms by business size (turnover)

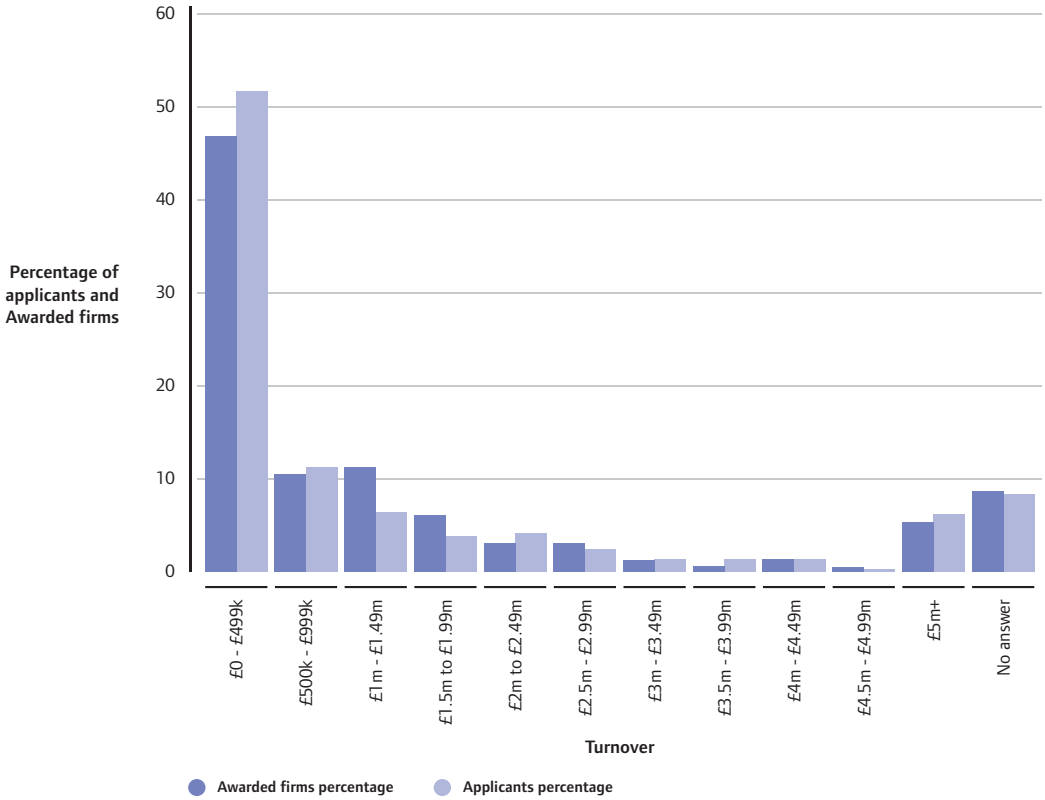
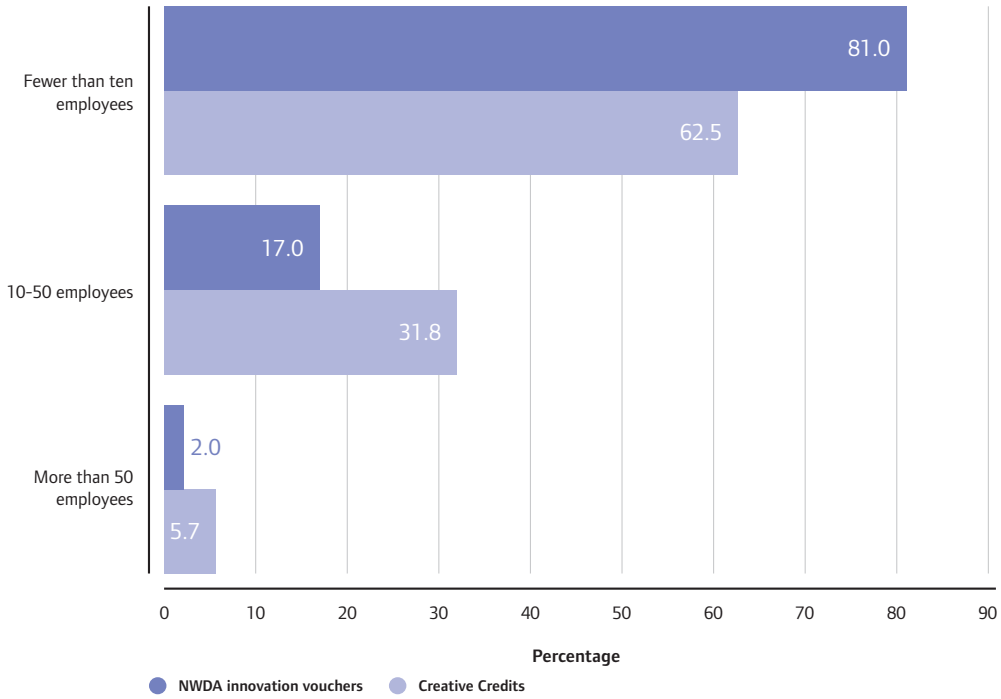


Figure 5: Comparison of Creative Credit applicants' size profile and that in the NWDA innovation voucher scheme



of applications from SMEs with ten or more employees, however.

What of the creative service providers involved in the scheme? A total of 328 applications were made to appear on the Gallery, of which 28 were either ineligible or duplicate applications. Over time a further nine firms were removed from the Gallery, either at their own request or due to insolvency. By far the most common services offered (79 per cent) were 'Design or web design' with 63 per cent of businesses listing this as their primary offering (Figure 6). Over half of businesses offered 'Advertising or PR'; 20 per cent of businesses listed this as their primary service. Other services were offered by significantly fewer firms. As with the SMEs, the largest proportion of creative service providers (41 per cent) were from the city of Manchester with a stronger concentration of creative service providers in the city than SMEs (Figure 7). As with the SMEs, the majority of the creative service providers were relatively small, with 41 per cent reporting annual turnover of less than £500k.

2.3 Innovation among applicants and non-applicants

More detailed data allow us to compare the characteristics of Creative Credits applicants and non-applicants. This comes from two sources: for applicants, information is available from the baseline survey of Awarded and non-Awarded firms conducted as firms started their Creative Credits projects; for non-applicants, a special survey was undertaken using a sampling frame broadly similar in size and sector to the applicant group (see Appendix 1). Two points need to be borne in mind, however, in considering the comparisons in Tables 2 to 5. First, the benchmark non-applicant survey achieved a relatively low response rate (c. 13 per cent) so the resulting sample size is small; based on the population and achieved response this suggests a sampling error of around ±6 per cent. This means that estimates from the non-applicant survey have to be treated with considerable caution as they are subject to some inaccuracy. Second, the non-applicant survey was conducted on the same timeline as the Wave Two data to which it is compared.

Figure 6: Primary service offered by creative businesses listed on the Gallery

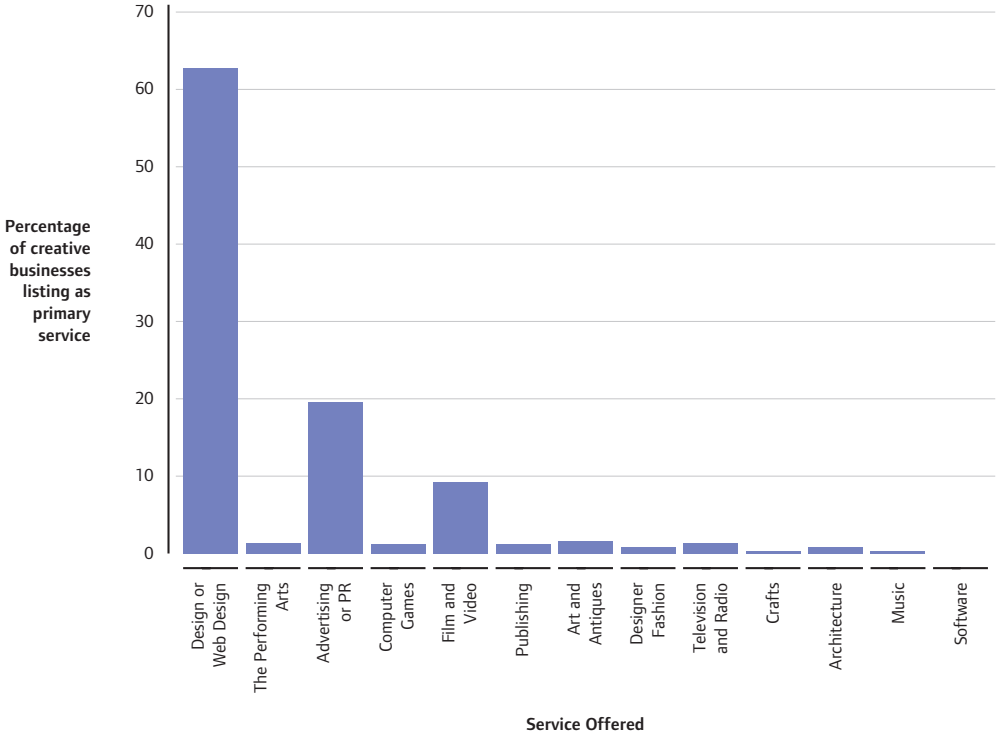
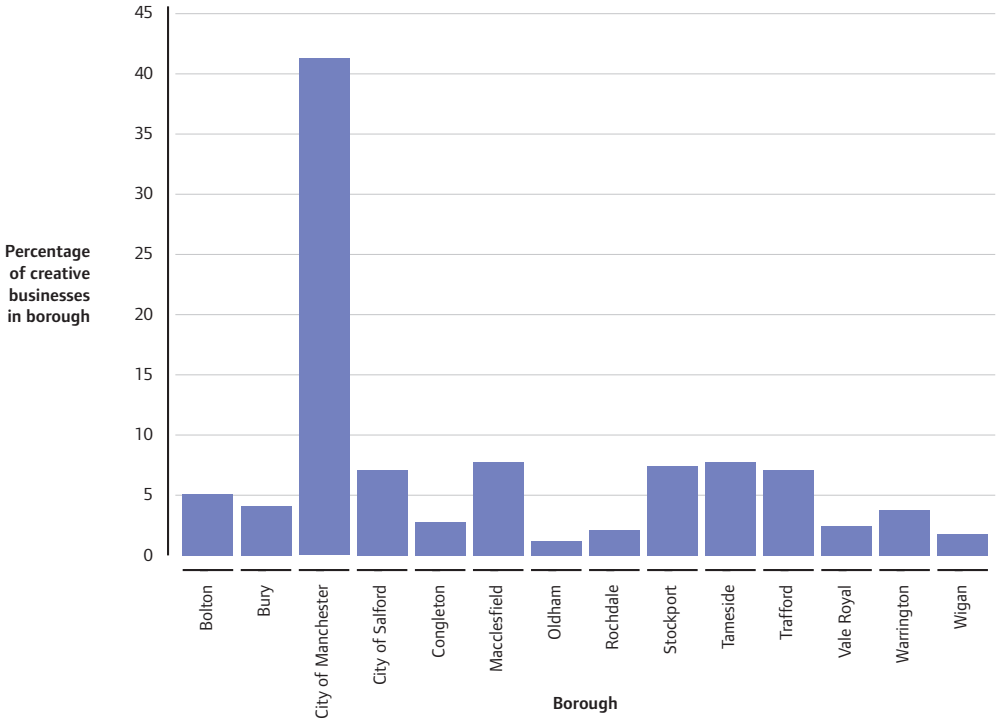


Figure 7: Creative businesses from each borough



A comparison of the Creative Credits applicants and non-applicants suggests:

- Creative Credits applicants were less likely to be exporters than the broader population of eligible firms (Table 2).
- Creative Credits applicants were significantly more likely to have a high proportion of graduate employees (more than 40 per cent of the workforce) than the broader population of eligible firms (Table 3). This partly reflects the disproportionate number of applicant firms in the (graduate-intensive) business services sector.
- Creative Credits applicants were much more active users of a wide range of external business support organisations than the broader population of eligible firms (Table 4). In part, despite the broad-based nature of the scheme's marketing, it might be that these linkages encouraged firms to apply for Creative Credits.
- Creative Credits applicants were significantly more likely to have engaged in prior innovation than firms in the broader eligible population (Table 5). In particular, around three-quarters of Creative Credits applicants reported having introduced product innovations in the previous three years compared with only 42.9 per cent of non-applicants.
- Forty-two per cent of Creative Credits applicants who had undertaken prior innovation had previous experience of working with creative service providers, compared with only 20 per cent of non-applicants (Table 5).

Table 2: Export share of sales of Creative Credits applicants and non-applicants

	Creative Credits applicants		Non-applicants	
	n	%	n	%
Do not export overseas	289	65.2	33	54.1
Up to 5%	90	20.3	9	14.8
Between 6-15%	23	5.2	8	13.1
Between 16-25%	16	3.6	3	4.9
Between 26-50%	11	2.5	1	1.6
Between 51-75%	8	1.8	4	6.6
Between 76-100%	6	1.4	3	4.9
All firms	**443**	**100.0**	**61**	**100.0**

Note: Applicants data from baseline survey, includes both Awarded and non-Awarded groups. Non-applicants data from survey of non-applicants conducted at the time of the award of Wave Two Creative Credits (Appendix 1). Pearson Chi-Square is 17.066 (p=0.009).

Table 3: Proportion of workforce with a degree: Creative Credits applicants and non-applicants

	Creative Credits applicants		Non-applicants	
	n	%	n	%
Less than 15%	185	42.8	27	43.5
15% to 24%	42	9.7	13	21.0
25% to 39%	40	9.3	11	17.7
40% or more	165	38.2	11	17.7
All firms	**432**	**100.0**	**62**	**100.0**

Note: Applicants data from baseline survey, includes both Awarded and non-Awarded groups. Non-applicants data from survey of non-applicants conducted at the time of the award of Wave Two Creative Credits (Appendix 1). Pearson Chi-Square is 16.310 (p=0.001).

Table 4: Use of business support organisations: Creative Credits applicants and non-applicants

	Creative Credits applicants		Non-applicants	
	n	%	n	%
Private consultancy (433/63)*	220	50.8	24	38.1
Business Link (443/63)***	296	66.8	22	34.9
North West Development Agency (417/63)***	176	42.2	15	23.8
Innovation vouchers (410/63)***	57	13.9	3	4.8
Other public business support (409/63)**	95	23.2	7	11.1

Note: Applicants data from baseline survey, includes both Awarded and non-Awarded groups. Non-applicants data from survey of non-applicants conducted at the time of the award of Wave Two Creative Credits (Appendix 1). Respondent numbers in brackets (applicants responses/non-applicants responses). Total respondent numbers vary due primarily to the number of firms responding 'Don't know'. Independent sample t tests for difference in mean values are indicated by asterisk: * denotes significance at the 10 per cent level; ** at 5 per cent and *** at the 1 per cent level.

Table 5: Innovation activity: Creative Credits applicants and non-applicants

	Creative Credits applicants		Non-applicants	
	n	%	n	%
A. Types of innovation				
Any new or significantly improved goods or services (442/63)***	338	76.5	27	42.9
New to the market, i.e. introduced before competitors (318/63)***	174	54.7	16	25.4
B. Innovation cooperation (% innovating firms)				
Other businesses within your enterprise group (347/35)	79	22.8	7	20.0
Suppliers of equipment, materials, services or software (348/35)	176	50.6	17	48.6
Suppliers of design or other creative services (338/35)**	142	42.0	7	20.0
Clients or customers (352/35)	245	69.6	22	62.9
Competitors or other businesses in your industry (347/35)***	78	22.5	2	5.7
Consultants, commercial labs, or private R&D institutes (344/35)***	79	23.0	2	5.7
Universities or other higher education institutions (344/35)	72	20.9	5	14.3

Note: Applicants data from baseline survey, includes both Awarded and non-Awarded groups. Non-applicants data from survey of non-applicants conducted at the time of the award of Wave Two Creative Credits (Appendix 1). Respondent numbers in brackets (applicants responses/non-applicants responses). Respondent numbers vary due primarily to the number of firms responding 'Don't know' and in part B of the table due to the focus on innovating firms only. Independent sample t tests for difference in mean values are indicated by asterisk: * denotes significance at the 10 per cent level; ** at 5 per cent and *** at the 1 per cent level.

In general terms, this suggests that Creative Credits applicants were more focused on innovation than non-applicants, more likely to have worked with external partners (including creative servicers) and with higher internal skill levels than non-applicants.

2.4 Comparing Awarded and Creative Servicer firms

In this section we provide an overview of the baseline characteristics of the groups of Awarded and Creative Servicers engaged in Creative Credits projects. Comparisons relate to the basic characteristics of the enterprises in each group, and their innovation activities.

The Awarded and Servicer firms shared broadly similar characteristics (Table 6). Creative Servicers had median sales of £200,000 in the year prior to the pilot. Median sales for the Awarded SMEs were slightly higher at £290,000. In each case, however, mean turnover was significantly higher due to the inclusion in each group of some larger firms. The Creative Servicers had grown relatively rapidly over the previous three years, marginally faster than the Awarded SMEs. In terms of ownership, the vast majority (over 90 per cent) of Creative Servicers and Awarded firms were independent single-site organisations (Table 6, part B). Firms in both groups predominantly sold only in the UK market, with three-quarters of firms having no export sales (Table 6, part C).

Table 6: Characteristics of Creative Credits Awarded and Creative Servicers

	Servicer N=78	Awarded N=149
A. Firm Size and Age		
Median turnover (£000)	200.0	290.0
Turnover growth (% per year)	35.5	25.2
Business age (years)	6.0	8.8
B. Ownership status (% firms)		
A subsidiary or associated company	3.8	3.4
An independent single-site organisation	93.5	81.9
Other	1.2	3.4
The headquarters of a multi-site organisation	1.2	11.4
Total	**100.0**	**100.0**
C. Export Profile		
Do not export	74.3	74.0
Up to 5% of sales exported	20.3	8.9
5-15% of sales exported	2.7	4.9
16-25% of sales exported	1.4	5.7
26-50% of sales exported	0.0	2.4
51-75% of sales exported	1.4	3.3
75-100% of sales exported	0.0	0.8
Total	**100.0**	**100.0**

Table 7 outlines Creative Servicers and Awarded businesses' engagement with research and development (R&D) and their investment in other innovation activities in the three years prior to their participation in the scheme. Overall, 77 per cent of Servicers reported having undertaken some in-house R&D, and 23.9 per cent also had contracted external R&D. Just over 11 per cent said they had benefited from tax relief under the R&D tax credit scheme.

This profile of R&D activity is broadly similar to that of Awarded SMEs but with some noteworthy differences. In particular, Creative Servicers were, overall, more likely to be engaged in R&D than Awarded SMEs. That the Servicers had greater prior experience of R&D than the Awarded group may suggest an element of organisational capability that they could transfer to SMEs through the credits.

Businesses were also asked whether they had invested in different types of intangible asset (a measure of investment in innovation – see NESTA (2009)[16]) – in the previous three years. The most common form of intangible investment by Creative Servicers was that in computer software (67.6 per cent) followed closely by computer hardware, design and training for innovation. Creative Servicers were much more likely to have invested in these categories of innovation than the Awarded SMEs.[17] One area where this pattern is reversed is investment in advanced machinery, where only 10.4 per cent of Creative Servicers had invested in advanced machinery, compared to 19.4 per cent of Awarded SMEs.

In terms of innovative outputs, 82.4 per cent of Creative Servicers reported having introduced a new or improved product or service over the three years prior to the pilot, with a third indicating that this was a 'new to market' innovation (Table 8). SMEs in the Awarded group were equally likely to have introduced a new or improved product or service over the previous three years but, interestingly, were significantly more likely to have introduced 'new to market' innovations. The suggestion is that these creative firms were more focused on incremental product and service change than on radical innovations.

Another standard indicator of innovation outputs is innovative sales, and here we focus on two indicators: the proportion of sales derived from new to market products and

16. NESTA (2009) 'The Innovation Index: Measuring the UK's investment in innovation and its effects.' London: NESTA.
17. This is consistent with Scheffel and Thomas's (2011) finding that industries employing proportionately greater creative workers tend to spend more on intangible assets.

Table 7: Creative Servicers and non-creative industry Awarded SMEs – Investment in innovation

	Awarded N=142	Servicer N=78
Research and development (% businesses)		
Internal	66.2	77.0
External	20.7	23.9
R&D tax credit	6.3	11.1
Other investment in innovation (% businesses)		
Advanced machinery	19.4	10.4
Computer hardware	45.1	58.1
Computer software	50.0	67.6
External knowledge	22.5	31.9
Design expenditure	47.5	57.7
Training for innovation	40.1	56.0

Note: Survey numbers are less than the total number of awarded and servicers due to survey non-responses.

the proportion of sales derived from new to business products (Table 8). Both measures are expressed as a share of sales at the time of the baseline survey (at the outset of the Creative Credits projects), and can be regarded as measures of the market success of business innovation. On average just under 24 per cent of Awarded firms' sales derived from new to the market products compared to 20.5 per cent for Creative Servicers. This suggests that the Awarded SMEs were, if anything, more successful than the Creative Servicers in generating new sales from their innovations.

For those businesses that reported innovating during the three years prior to the project, the baseline survey also asked businesses whether they had co-operated with other organisations on their innovation activities (Table 9). The most common cooperation partners among both groups were clients or customers, but with significantly more Creative Servicers (79.3 per cent) claiming to cooperate with clients or customers than Awarded SMEs (70.5 per cent). A greater proportion of Creative Servicers (29.8 per cent) than Awarded SMEs (24.1 per cent) had also cooperated with competitors or other businesses in their industry. In contrast, a smaller proportion of Creative Servicers claimed to have cooperated on innovation activities with universities and other research bodies.

Table 8: Creative Servicers and Awarded SMEs – innovation performance

	Awarded N=142	Servicer N=78
A. Innovating share of firms (% firms)		
Innovation in goods/services	79.6	82.4
New to market innovation	55.6	32.6
New to business innovation	64.8	76.9
B. Innovative sales (%)		
New to the market innovative sales (%)	23.8	20.5
New to the business innovative sales (%)	39.3	37.5

Note: Survey numbers are less than the total number of awarded and servicers due to survey non-responses.

Table 9: Creative Servicers and Awarded SMEs – cooperation on innovation (percentage of product or service innovators)

	Awarded N=112	Servicer N=58
Other businesses within your enterprise group	20.2	28.5
Suppliers of equipment, materials, services or software	50.9	46.0
Clients or customers	70.5	79.3
Competitors or other businesses in your industry	24.1	29.8
Consultants, commercial labs, or private R&D institutes	23.6	17.2
Universities or other higher education institutions	21.6	14.0
Government or public research institutes	12.7	7.1

Part 3: Profiling the Creative Credits projects

Key points

- Website development dominated the scheme, representing around two-thirds of all projects. Production of marketing materials and video production – the next most common activities – were much less frequent. This pattern is consistent with the distribution of primary activities of creative businesses listed on the Creative Gallery.
- Well over half of Creative Servicers had serviced an SME that was in a different sector from their usual clients, consistent with Creative Credits having succeeded in creating new business-to-business relationships for creative businesses.
- Only one-fifth of Creative Servicers said that their Creative Credits partner was located closer than their usual clients, suggesting the scheme had only a limited impact in embedding Manchester's creative businesses more deeply into local supply chains.
- There is some evidence that the scheme could lead to longer-term partnerships between creative businesses and 'non-creative' SMEs, something we will explore rigorously as we build up a longitudinal data set for the study.

3.1 Introduction

In this section we profile the projects supported by Creative Credits. We first present data on the nature of the projects, and then on the 'partnership' aspects of the projects as perceived by the Creative Servicers.

3.2 The Creative Credits projects

The main characteristics of the Creative Credits projects are summarised in Table 10, based on the main thrust of the project undertaken. By far the most common theme was the upgrading and development of firms' websites, with marketing and video production significantly less common.

The following website development proposals are fairly typical:

> *"Bring site from Web 1.0 to Web 2.0. Accessibility for all users. Greater enhance the capability for SEO on the site. CMS system to manage content and images, giving a better level of control than previously. To create an outstanding website by delivering a cutting edge design to encourage the viewer to remain on the site and purchase services as well as view the site as a valuable source of information, encouraging repeat visits to the site and*

Table 10: Breakdown of all Creative Credits projects (Waves 1 and 2)

	Number of Projects	Percentage of projects including this as primary or secondary goal
Web	81	60%
Marketing	14	11%
Video	13	10%
Brand Development	10	9%
Logo	8	8%
Publication	8	15%
PR Campaign	6	5%
Market Research	2	1%
New Media (iPhone App)	1	1%
Product Design	1	1%
Total	**144**	

Note: In a small number of projects (6) there was a range of objectives making it difficult to identify clear primary or secondary goals.

grow the strong reputation the company already enjoys".

"To rebrand the company, to design new fonts and design for the name …. To design a new logo that can be used on the website and other items. To redesign the website completely incorporating the new redesigned logo".

As Table 10 suggests, other SMEs used the Creative Credits scheme to develop new video content and marketing materials. For example:

"It is proposed to create a suite of flexible video tools to have a brand dialogue with potential opinion leaders, the wider media industry and potential customers. Reinforce the positive outcomes of the service. Highlight [X] as leaders in this industry. The resulting video content would be used at trade shows, in proposals to clients and on the company website".

"Produce informative and educational video targeting professionals and laymen … What, How, Why format using state of the art mixed media techniques. Create fresh, dynamic content demystifying the science and technologies".

"Four or five short funny videos set for viral release to raise awareness of [Y]. The videos will form a series that will be seeded according to the target market and sent out at regular intervals as part of a creative marketing campaign. There is scope for the series to be continued, potentially encouraging viewers/customers to submit their own videos or ideas with the best ones being made".

The dominant emphasis in the projects on website development, video production and marketing is consistent with the types of services that creative businesses listed on the Creative Gallery (Figure 7).

3.3 Creative Credits projects – the Creative Servicers' view

In the baseline survey, Creative Servicers were asked how the projects had come about and how these projects had related to their other business (Table 11). The key points were:

- In the majority of cases (66 per cent), the initial contact that led to the Creative Credits project was made by the Awarded SME. In

Table 11: Profiling the Creative Credits Partnerships*

	Servicers N=59
A. Who made first contact?	
The client made first contact	66.1
We made first contact	33.9
All businesses	100.0
B. Distance from Creative Credits partner (road miles)	
Less than 2	14.0
2-4	15.8
5-7	15.8
8-10	14.0
11-20	36.8
Greater than 20	3.5
Total	**100.0**
C. Comparing Creative Credits partner to usual clients	
Creative Credits partner is larger	7.4
Creative Credits partner is in a different sector	54.5
Creative Credits partner is closer geographically	19.6
Creative Credits partner is outside normal business networks	41.8
D. Creative Credits project is:	
A standalone project with little future potential	26.5
A trial project with possible follow-on if successful	71.2
The first of a series of projects with substantial potential	42.4

*In cases where Creative Servicers were servicing multiple credits, the Servicer was asked to pick one project for the purposes of the survey.

around a third of cases the initial approach was made by the creative business.

- Almost 55 per cent of Creative Servicers claimed to have serviced an SME that was in a different sector from their usual clients, and over 41 per cent described the SME as being outside their usual business networks.

- Almost all (96.5 per cent) of the Awarded SMEs that creative businesses serviced were within 20 miles, as might be expected given the size of the Manchester City Region (which is around 45 miles at its widest point). Only 19.6 per cent of Creative Servicers said that their partner was located any closer than their usual clients, suggesting that the scheme had only limited success in embedding Manchester's creative businesses more deeply into local supply chains.

- The great majority (over 70 per cent) of Creative Servicers described their Creative Credits projects as trials with the possibility of some follow-on if successful. This is an early sign that the scheme has the potential to create longer-term B2B relationships between creative SMEs and SMEs in other sectors.

Part 4: Short-term additionality

Key results

- The lottery-based allocation of Creative Credits meant that there was very little systematic variation in the characteristics of Awarded and non-Awarded groups.
- The econometric analysis suggests short-term additionality of 78 per cent. In other words, for every ten credits awarded, roughly eight were used to create new B2B relationships involving creative services that would not have formed in the absence of the scheme. This is broadly the same as the level of additionality identified in the pilot programme for the well-known Dutch innovation vouchers programme.
- The Creative Credits projects proceeded largely as planned, with only 3 per cent deviating from their original plan. Ninety-three per cent of projects achieved either all or some of their innovation objectives, with around a quarter being associated with other unanticipated benefits.
- Sales impacts varied considerably between projects but to date (at the end of the project period) the scheme had generated additional sales of £514,000, an average of £3,430 per intervention.

4.1 Introduction

In this section we focus on the additionality of the Creative Credits scheme. Two complementary approaches are adopted. First, in Part 4.2, we use firms' revealed preferences and adopt a multivariate approach to modelling the additionality of Creative Credits, controlling both for potential selection bias and the differential characteristics of Awarded and non-Awarded firms. The focus here is on the immediate additional impact of the Creative Credits scheme and the main question is:

RQ4.1: Having applied for a credit, by how much if at all did the award of a credit actually increase the probability that the project went ahead within the scheme's five-month timeline?

In other words, by observing how firms actually behaved, we can test for the effect of the award of a credit on firms over and above the effect on firms of having applied for the scheme. Additionality would require that firms which received a credit had a higher probability of undertaking the project. Our additionality question is short-term and relates to the impact of the scheme rather than its longer-term outcomes for innovation or other aspects of firm behaviour. These will be examined in subsequent papers based on data collection later in the project.

In Part 4.3, we take a second approach to examining the scheme's additionality by looking at Awarded SMEs' own assessment of the impact of their Creative Credits projects. As well as RQ4.1 we consider four specific research questions:

RQ4.2: Did the Creative Credits projects proceed according to plan, and what were the reasons for any delays?

RQ4.3: What impact did the Creative Credits projects have on the bottom line of credit recipients? To what extent would these impacts have been achieved without the credit?

RQ4.4: What strategic impacts did the Creative Credits projects have?

RQ4.5: What was the extent of behavioural additionality from the Creative Credits projects?

This part of the analysis is based on the self-assessment data provided by 132 (88 per cent) of the 150 firms that received a credit and covers both the first and second waves of the pilot. It is important to acknowledge that this information was collected from SMEs at, or around, the end of their Creative Credits project and therefore reflects the immediate impacts of the scheme.[18] The focus is thus more on organisational and short-term behavioural impacts than on longer-term impacts on the bottom line. That said, some Awarded firms reported relatively large sales benefits even over this short period; others said that it was too early to consider the potential benefits. The implication is that the profile of benefits outlined below may significantly underestimate the cumulative impacts of the creative projects on Awarded SMEs.

18. At time of these surveys, 107 (81 per cent) of the 132 completing the survey had completed their Creative Credits project, 15 (11 per cent) reported having 'largely finished' and the remaining ten (8 per cent) had started work on the project but not yet finished.
19. See Cornet, M., Vrooman, B. and van der Steeg, M. (2006) Do innovation vouchers help SMEs to cross the bridge towards science? In: 'CBP Discussion Paper.' No 58.

4.2 Project additionality of Creative Credits

In this section we exploit the randomised control trial nature of Creative Credits to consider its project additionality, i.e. Research Question 4.1:

RQ4.1: Having applied for a credit, by how much if at all did the award of a credit actually increase the probability that the project went ahead within the scheme's five-month timeline?

Our analysis closely follows the approach used in the evaluation of the Dutch pilot innovation voucher project with a view to generating comparable results.[19]

The key point here is that firms in the non-Awarded and Awarded groups were both able to access creative suppliers from the Gallery and complete their innovation projects whether or not they had a credit to contribute towards it. Of the 314 Applied firms that responded to the survey, 35 firms (11.1 per cent) went ahead anyway with their projects within the Creative Credits four to five-month project timeline (Table 12). Among the Awarded group of 150 firms; 134 (89.3 per cent) commissioned projects (Table 12).

This group of 464 firms – 150 Awarded and 314 non-Awarded firms – form the basis for our estimates of short-term additionality. The dependent variable in our economic analysis then takes value 1 if a firm commissioned a project within the four to five-month Creative Credits timescale and 0 otherwise (Table 12). This reflects firms' revealed preference and is probably a better guide to additionality than any more subjective assessment of the likely use or non-use of the credit.

Table 12: Firms commissioning projects during the Creative Credits period

	Number of projects commissioned
Total number of firms (464)	169
Voucher winners awarded by lottery (Awarded group, 150 firms)	134
Non-awarded group in lottery (non-Awarded group, 314 firms)	35

Estimating this type of additionality involves using a model with a treatment term reflecting the impact of the credit on the probability that a firm commissions a project. In its simplest form this can be written as follows:

$$GA = \alpha + \beta_1 CC + \varepsilon \qquad (1)$$

Where: GA is a 0/1 variable taking value 1 if the firm goes ahead with its innovation project within the scheme's four to five-month timescale, and CC is a treatment term (dummy variable) which takes value 1 if the firm did receive a credit. A positive and significant coefficient on the credit treatment term would suggest additionality. Table 13 presents the results of estimating (1) using OLS. Without a credit, a firm has a probability of 11.1 per cent of commissioning an innovation project. This is 78.1 per cent more likely when a firm receives a credit, suggesting strong project additionality, and closely in line with the Dutch innovation voucher scheme.[20]

One drawback of equation (1) is that it implicitly assumes that the credits were randomly distributed across the group of firms that applied for the scheme and that there is no systematic bias in the allocation mechanism. Of course, the lottery allocation of credits should have accomplished this random distribution. If the characteristics of the Awarded and non-Awarded groups varied, however, this might still cause some bias in the estimation of the coefficient on the treatment term. To test this, the usual approach is therefore to examine whether there is any potential bias and to estimate a second equation to control for the probability of selection bias.[21] In Appendix 2, we therefore estimate a form of Probit model allowing for potential sample selection and then present results for this if any evidence of sample selection is found.

One other element of potential bias that we also explore in our analysis is our payment of cash incentives to maintain response rates during the longitudinal analysis. In theory, such incentives may encourage disproportionate responses from firms with atypical characteristics, causing bias in the results. We therefore allow for this in the treatment models presented in Appendix 2.

We first explore whether there is any systematic relationship between the characteristics of firms and the receipt of a credit; this is done using simple Probit models (Table 18). Two factors do prove significant across the three different models reported: micro or new firms (i.e. those with fewer than ten employees (or none) in the previous year) were less likely to have received a credit than larger firms, and younger firms were also less likely to have received a credit. There was also some evidence that Awarded firms were more likely to have no business plan. These effects could in principle bias the estimates of additionality in the second stage of the modelling procedure and are therefore potentially important controls. Note however that these results are the reflection of the limited size of the Creative Credits project rather than having any economic interpretation.

The second stage of modelling the additionality of the credits is the estimation of the treatment model, i.e. equation 1 relating to the probability that firms commissioned a project. Detailed results for this stage of the analysis are included in Appendix 2, which includes models which allow for potential bias due to selection biases and the potential effect of incentives. We find that the payment of

20. Cornet, M., Vrooman, B. and van der Steeg, M. (2006) Do innovation vouchers help SMEs to cross the bridge towards science? In: 'CBP Discussion Paper.' No 58.
21. Ibid.

Table 13: Simple OLS treatment model regression

Variable	Coefficient	s.e.	t-stat
Creative Credit	0.781	0.031	25.13
Constant	0.111	0.017	6.30
Number of observances			464
Adjusted R-squared			0.5766

incentives to firms is statistically insignificant in these models, suggesting that this is creating no discernable bias in the additionality estimates (Table 18). These results support the validity of the additionality estimates derived from the OLS results presented in Table 13.

4.3 Awarded firms' views of the projects

In this section we consider Awarded firms' views of the conduct and success of their projects. These are clearly subjective assessments – stated preferences – but in general terms provide a positive view of the impact of Creative Credits on attitudes, behaviour and sales. Later sections examine the short-term behavioural effects of the projects. First, we consider whether projects went to plan.

4.3.1 Projects and planning

Research Question 4.2 asked:

> *RQ4.2: Did the Creative Credits projects proceed according to plan, and what were the reasons for any delays?*

Awarded firms reported that just over half of all Creative Credits projects (56 per cent) achieved all of their innovation objectives with a further 37 per cent achieving 'some' of their innovation objectives (the remaining respondents were uncertain whether or not their innovation objectives had been met). Projects largely proceeded as planned with only four projects (3 per cent) deviating significantly from the original project plan. Of the 29 companies that did report delays to the Creative Credits projects: six attributed these to competing pressures on their own firm; 14 attributed these to delays on the side of the Creative Servicer; and nine attributed them to external factors.

The Creative Credits projects had unanticipated innovation benefits for 35 Awarded SMEs (26 per cent). These unanticipated gains varied widely, but included the upgrading of skills and systems:

> *"I think in general, the way we all approach customers has altered and improved, the media training that we received was really beneficial".*

> *"This product had much wider appeal with our clients than we had anticipated … We secured a new client in the process of meeting the potential creatives".*

In some cases the project also clarified objectives and attitudes:

> *"It helped to clarify the USP of the business, and how we can use this to much greater effect in gaining a competitive advantage over our rivals. Our USP is innovation and thought leadership, as opposed to delivery of leadership and management training. … The website that was designed as part of the Creative Credits project we recently undertook is key to the implementation of our business growth and sustainability strategy".*

> *"Changing the mindset of the chief executive that there is a serious difference between in-house amateur design and giving a brief to a professional graphic design agency. The difference in quality was clear to see".*

> *"Working with the approved consultant opened up a number of areas for thought, discussion and ultimately action in line with the objectives of this work".*

And in one case it helped the firm to gain further funding:

> *"The NESTA support with the new venture was acknowledged as a significant reason why our bank decided to help fund the project with a small business loan".*

Overall then, 93 per cent of the projects achieved either all or some of their original objectives with the vast majority adhering relatively closely to the original plan and timeline. In around a quarter of cases, there were significant unanticipated benefits, adding to the potential longer-term impacts of the projects.

4.3.2 Sales impacts

In this section we consider the additional impact of the Creative Credits projects on the sales of the Awarded group of firms as outlined in Research Question 4.3.

> *RQ4.3: What impact did the Creative Credits projects have on the bottom line of credit recipients? To what extent would these impacts have been achieved without the credit?*

Table 14: Timing of Creative Credits project benefits

	Number of responses	Percentage of responses
All benefits already received	4	3.0
All benefits anticipated within two years	50	37.9
All benefits anticipated within three years	67	50.8
More than three years to get all benefits	8	6.1
No benefits from credit	2	1.5
Don't know	1	0.8
Total	**132**	**100.0**

A substantial proportion of firms expected significant future benefits though it will have been too early for them to have experienced them (Table 14). Interestingly, most firms (50.8 per cent) anticipated that the full benefits of the project would only be evident over three years. This accords broadly with other studies where the persistence of the benefits of R&D and innovation support have been put at around three years.[22] It is also consistent with the theoretical argument discussed earlier that engagement with creative businesses helps SMEs make longer-term (less myopic) decisions.[23] So, the short-term benefits discussed in this section are likely to understate the longer-term benefits of the scheme.

This implies that when comparing the longer term net benefits of the Creative Credits scheme with the short-term benefits, two opposing considerations must be netted out: first, long-run additionality will be less than short-term additionality, insofar as some firms awarded Creative Credits will in the longer term undertake their creative projects even in the absence of a credit; and second, the long-term economic benefits of the projects on Awarded firms will likely be greater than in the short term.

One key measure of interest is the impact of the credit on the sales of the SMEs concerned. Table 15 summarises the information provided by the Wave One and Wave Two Awarded firms detailing the impact of the credit on their sales. These figures represent the additional sales generated by each firm that would not have been generated without the credit. In this

22. BIS (2009) 'RDA Evaluation: Practical Guidance on Implementing the Impact Evaluation Framework.' London: Department for Business, Innovation and Skills.
23. Potts, J. and Morrison, K. (2009) 'Nudging Innovation.' London: NESTA.

Table 15: Distribution of sales impacts of Creative Credits at the end of the funded period

	Number of responses	Percentage of responses
Reduced sales by between £10,000 and £20,000	1	0.8
Had no impact on sales	49	37.1
Increased sales but by less than £5,000	14	10.6
Increased sales by £5,000 to £10,000	14	10.6
Increased sales by between £10,000 and £20,000	3	2.3
Increased sales by more than £20,000	5	3.8
Don't know	46	34.8
Total	**132**	**100.0**

Table 16: Strategic benefits of Creative Credits projects

	Number of responses	Percentage of responses
Increased the innovative strengths of the business	106	80.3
Benefited from knowledge transfer from the creative partner	104	78.8
Stimulated other ideas for new innovation projects	103	78.0
Enabled to access specialist skills or talents	95	72.0
Increased willingness to innovate	95	72.0
Gained the inside track on new developments or market opportunities	67	50.8
Enabled to access specialist equipment or facilities	46	34.8
Total possible number of responses	**132**	**100.0**

Note: Firms were able to highlight as many strategic benefits as necessary.

sense these turnover impacts are 'additional'. It is possible using these figures to derive a rough estimate of the aggregate impact of the scheme on firms' sales to date. We do this by:

1. Assuming the distribution of responses in terms of sales impact is typical of all firms that received credits, so scale up the number of responses in each category proportionately.

2. Taking the mid-point of each sales category range as representative of the sales benefit of firms in each group.

3. Multiplying the grossed up number of firms in each group by the average sales impact and then aggregating across all sales groups.

Adopting this approach suggests a total sales impact of £514,000 at the end of the Creative Credits funded period, an average of £3,430 per intervention.

Two observations are important here. First, as indicated earlier, the majority of Awarded firms suggested that it was as yet too early to evaluate the impact of the scheme, with the full benefit only accruing over a period of two to three years. Secondly, the distribution of gains is in fact highly asymmetric with a small number of firms gaining very substantially from their credit and many more deriving smaller benefits.

4.3.3 Strategic and behavioural benefits

Alongside the short-term sales benefits of the Creative Credits projects there is also the potential that the projects might generate short-term strategic and behavioural benefits that might be expected to lead to future increases in profit. This is reflected in Research Questions 4.4 and 4.5:

> *RQ4.4: What strategic impacts did the Creative Credits projects have?*
>
> *RQ4.5: What was the extent of behavioural additionality from the Creative Credits projects?*

Again, it is important to remember that these benefits are those reported by Awarded firms at the immediate end of the Creative Credits project. The recipients were asked about a number of strategic benefits, which are outlined in Table 16. The most common perceived benefits were a strengthening in the innovative capacity of the SME, knowledge transfer and that working with a creative partner had stimulated ideas for other innovation projects. A less commonly reported benefit was access to specialist equipment or facilities.

The high proportion of Awarded firms highlighting strategic benefits from the scheme, such as increased knowledge transfer and ideas for new innovation projects, is promising. It is also strongly consistent with the broad objectives of the scheme. These strategic

Table 17: Attitudinal changes resulting from the Creative Credits scheme

Do you agree with the following statements:	Number of firms agreeing with statement N=132	Percentage of responses
'We are more likely to engage in innovation in the future because of our participation in the Creative Credits scheme'	100	75.8
'The business's attitude to innovation has become more positive'	100	75.8
'Senior management are more receptive and committed to innovation'	93	70.5
'The Creative Credits scheme made us aware of our innovative potential'	90	68.2
'We were already committed to innovation so the Creative Credits scheme has not changed our views'	74	56.1

benefits should provide the basis for significant positive outcomes in the longer term.

Consistent with the strategic benefits of the Creative Credits projects noted earlier, a relatively high proportion of Awarded firms reported that the project had been important in changing their attitudes (Table 17). Almost 76 per cent of Awarded SMEs said they were more likely to engage in innovation because of their participation in the scheme.

Part 5: Key qualitative findings

Key findings

- *Impact and the innovation landscape:* SMEs interpret innovation in different ways. This variation in what innovation means to them influences the nature of their working relationships with other businesses.
- *Creativity transfer:* The creative transfer of skills and knowledge that relate to the process and content of creativity is a contested domain between the Awarded SMEs and Creative SMEs but not addressed in the literature on knowledge transfer.
- *Value of creativity and tacit knowledge:* Awarded SMEs and Creative SMEs differ in how they perceive the value of creativity.
- *Intellectual Property (IP):* There is a lack of knowledge about IP in the SME community generally, and respondents' opinions on IP are couched in both negative and positive views of it.

5.1 Introduction

This section discusses the emerging findings from the qualitative research that relate innovation and knowledge transfer to SMEs' working relationships with other businesses. Further findings that relate business processes to firms' working relationships can be found in Appendix 3.

5.2 The research process: Moving from interviews to results

In total, 42 semi-structured interviews were conducted across the two waves which covered 25 of the Creative Credits pairs. In Wave One, nine of the Creative Suppliers serviced 13 of the SMEs and, in Wave Two, nine Creative Servicers serviced 12 of the SMEs (one Creative Servicer did not want to be interviewed). Grounded Theory[24] provides us with the techniques to develop new theory through inductive enquiry. In-depth interviews allowed us to explore perceptions and meanings, and to probe firms in more detail than is possible in quantitative surveys.[25] Questions focused on: company background, strategy, the nature of the Creative Credits project, the experience of working with a creative company, communication, innovation/creativity, learning and Intellectual Property. All respondents agreed to be taped and their interviews were transcribed. This allowed us to analyse the data in its totality several times after the interview.[26]

In our data analysis we combine a manual approach and a software-supported approach using NVivo 7.0. Specifically, we initially

24. Strauss, A. and Corbin, J. (1998) 'Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory.' California: Sage Publications Inc.
25. Miller, R. and Brewer, J. (Eds) (2003) 'The A-Z of Social Research.' London: Sage Publications Ltd.
26. Gillham, B. (2000) 'Case Study Research Methods.' London: Continuum.

conducted some content analysis by coding for predefined topics.[27] This approach enables codes to 'emerge' from the data, which helps to prevent researchers from missing issues of importance through having a predefined structure.

However, a concern with NVivo is that the way it structures analysis could lead to imposing fixed hierarchical conceptualisations on the data, which may not be appropriate for structuring the analysis.[28] Whilst the NVivo 7.0 software was used because of its data management efficiency, the researchers immersed themselves in the transcripts and compared coding to check if anything had been missed through this hierarchical structuring process. This helps to address Bryman's[29] critique of Grounded Theory that coding involves taking small fragments of text from the data which may lead to the loss of contextual information.

The first stage, open coding, involved the researcher going through each transcript to identify concepts and properties. Here, anything that appeared relevant (e.g. concepts such as innovation, creativity, strategy, processes, communication, creative project experiences/issues, intellectual property, etc.) was coded into common categories. For example, anything relating to scheduling problems was coded under the heading 'time issues' and manually as 'time lag in delivery'.

In the second stage, axial coding, the higher-level categories were built from groups of several categories from the open coding. This enabled relationships between the categories to emerge. For example, the 'time issues' code (from above) was grouped under a high-level category called 'project problems'. And the code identified as 'time lag in delivery' was related to 'breakdown in trust'.

In the final stage, selective coding, categories were refined until clear relationships between them were identified, leading to the development of a theory about the data. This stage merged similar/overlapping categories together and removed duplication. This led to the production of a refined tree structure of categories, which enabled important themes to be uncovered. For example, the relationship category of valuing creativity was selected as creativity transfer.

Two types of triangulation, by data and investigator,[30] support the emerging findings.[31] Data triangulation was applied to the different sources of data collected from the SMEs and the Creative Servicers. This was achieved by looking for corroboration between what each SME said in their interviews compared to what the Creative Servicers had said. When conflict in the data arose, attention was given to establish why there was a disconnect between what the parties were saying. The second type is investigator triangulation, where data is interpreted by more than one researcher and then triangulated.[32] Thus, the microanalysis results were compared between two researchers to ensure themes being identified were representative of the data. In all, four key themes were identified and the remainder of this section discusses these:

1. Impact of the credit and the meaning of innovation.
2. Creativity transfer.
3. Value of creativity and 'tacit' knowledge.
4. Intellectual property.

5.3 Findings

In the following section each business has been allocated a letter and number to signify individual Awarded SMEs (S), Creative SMEs (C), and their participation in Wave 1 (W1) or Wave 2 (W2).

Theme 1: Impact of the credit and the meaning of innovation

Echoing the quantitative results, the qualitative findings show that the scheme played an important role in bringing forward projects in the firms we interviewed. In a number of cases the credit appears to have instigated projects that would not otherwise have taken place at all. For example, (W1S3) *"couldn't have afforded [the project, so] wouldn't have done it but it has made a real difference"*. (W1S9) agreed that *"the grant enabled it to happen for a lot less cost"*. The respondents' accounts illuminate their interpretation of the term 'innovation'. These are grouped below as: innovation as a state of mind; innovation as process; innovation as outcome; and innovation as competitiveness in the market. Creative Servicers focus more on process and the Awarded SMEs focus more on outcome. However both Awarded SMEs and Creative

27. Bryman A. and Bell, E. (2007) 'Business Research Methods.' New York: Oxford University Press.
28. Crowley, C., Harré, R. and Tagg, C. (2002) Qualitative research and computing: Methodological issues and practices in using QSR NVivo and NUD*IST. 'International Journal of Social Research Methodology.' 5(3), pp.193-197.
29. Bryman, A. (2001) 'Social Research Methods.' Oxford: Oxford University Press.
30. Denzin, N. (1970) Introduction. In: Denzin, N. (Ed.) (1970) 'Sociological Methods.' pp.471-475. London: Butterworth & Co. Ltd.
31. Yin, R. (2003) 'Case Study Research Design and Methods.' California: Sage Publications Inc.
32. Bryman, A. (2004) Triangulation. In: Lewis-Beck, M., Bryman, A. and Liao, T. (Eds) (2004) 'The Sage Encyclopedia of Social Science Research Methods.' California: Sage Publications Inc.; also Mays, N. and Pope, C. (1995) Rigour and qualitative research. 'British Medical Journal.' 311, pp.109-112.

Servicers thought of *"innovation as a state of mind"* and *"innovation as competitiveness in the market"*.

Innovation as a state of mind
(W2C18) spoke of the subjective nature of innovation, highlighting that *"what some person would see as innovative, another person wouldn't"*. (W2S6) also recognised the subjective nature of innovation and suggested that *"innovating to one person is completely different from innovating to another company"*. (W2C14) defined the term as *"innovation is a state of mind in terms of curiosity and your desire and ability to do something different"*. (W2S6) believed that *"designers constantly innovate, that's just what they do"* and *"what designers do is they take the information from the client and then they innovate … to create design … some architecture that hopefully solves the problem"*. (W2S7) focused on *"thinking about where we have got to take the business, that is where innovation comes in"*. As with other case studies, (W2S2) was conscious of the subjective nature of the term: *"I don't think it means the same to me as it does to you"*. (W2S2) expanded in terms of how people wanted to be perceived, saying *"it depends who you are asking and how they want to make themselves sound"*.

Innovation as process and outcome
(W1S10) focused on outcome, describing innovation as the outcome of *"creating something that appeals to somebody in a new way"*. (W2S11) clarified their stance on the term 'new' stating that *"it does need to be something pretty new or packaged in a slightly different way, so maybe not completely new"*. (W2S11) suggested that visual work was not innovative in itself, saying *"I'd probably get shot down by a lot of creatives but I'd say no … when I think of a brand refresh or rebrand I don't think of it necessarily as innovation … I don't think changing something is necessarily innovative"*. (W2S11) supported this: *"we've already identified the market opportunity; we just need some help getting there … I'm saying well we are the ones that are being innovative, they're [the creative agency] not"*.

In contrast (W1C9), described innovation as a process of *"finding a solution to something that hasn't been thought of before"*. For (W2C18), *"when [a creation] feels almost unorthodox because it's never been done before, and then successful innovation then becomes the norm… truly unique or truly new"*.

Innovation 'newness' and the market
The innovation outcome was linked to being competitive, however, the creative companies were not always seen as innovative. (W2S12) highlighted the newness aspect as *"borrowed"*, saying that, *"innovation is coming up with interesting and relevant ideas, maybe – and this is not the correct word, but maybe 'stolen' from elsewhere. They're [creatives] linking up things which is not commonly put into this marketplace"*. (W2S9) also provided their definition of innovation as a *"totally new product or an existing product changed to work in a better way"*. (W2S4) supported this definition and felt that their Creative Credits project was *"an innovation for me, and for the market"*. (W2S11) gave an example of some work they were doing with an existing technology as *"something that web masters have used for years"*. However, they were being innovative in bringing it to the market, *"we thought … let's package that properly and take it out to market, so that's what we're doing … to me that's quite innovative because nobody else is really talking about it or doing it"*. (W2S2) viewed their Creative Servicer as not particularly innovative as *"they have not done anything that I haven't already seen"* and, on their design, *"I wouldn't call that innovative, because it's using a template that they have probably churned out before"*.

Theme 2: Creativity transfer

Many Awarded SMEs reported that they had *"muddled along"* (W2S11) on previous creative endeavours. This involved doing creative developments in-house despite not having the required skills, outsourcing design to a cheap alternative even if they would not do as professional a job, or outsourcing work to a proper design company but not allocating a proper budget, so not getting the desired result (e.g. W2S2).

The Creative Credits scheme avoided this 'muddle' by providing a reasonable budget to work with a creative supplier and helping the Awarded SMEs to understand what can be achieved by *"design experts working on it"*. For example, (W2S11) used the credit to educate senior managers that *"sometimes you outsource"* to bring *"fantastic agencies on board who do a lot of leg work for us"*. By seeing the process of professional design, (W2S11) realised the added value of outsourcing, which *"opened … people's eyes to*

what we can do using agencies", resulting in tendering a new project to creative agencies.

Gaining knowledge about creativity

Beyond raising awareness, some companies reported gaining knowledge about the creative process: *"to see how it's all put together … how they do it"* (W1S3), although this learning is sometimes painful (W1S11) and can be *"a complete can of worms"* (W1S10). While some of the knowledge transfer was designed into the Creative Credits contract (e.g. media training (W1S1) and CMS/website management (W2S2)), other companies reported receiving new knowledge and skills as a by-product of their project. Much of this knowledge/skill is reusable on future projects, for example: how to write marketing material (W1S3) and news releases; marketing training (W1S8); marketing strategy development (W2S6); creating a better website (W1S4); non-traditional advertising (W1S5); and website metrics (W1S6). For (W2C14) and (W2C17), they try to educate clients so that *"it's not about what they like, it's about what's appropriate"* (W2C17) – which can be a potentially challenging lesson. While the range of 'creativity transfer' is beneficial for the recipient, it is not necessarily good for the Creative Servicer: *"small client syndrome, education time is high… a lot of hand-holding, it's the worst part of the job"* (W2C18) – also mentioned by (W2C12).

A hindrance to creativity transfer is the language that suppliers and customers use: *"the web designer speaking geek"* (W1S2). This can delay the benefits of transfer, and more importantly, disrupt or even jeopardise the entire innovation. In this case, someone acted as a middle man to translate the web-speak into English, but in other cases the parties muddled through, which caused its own delays, frustrations and over-servicing (e.g. between (W2S2) and (W2C12)).

Wider learning

Although not creativity transfer, suppliers also report learning from the project (W1C4, W1C5, W1C10, W2C12) – in particular about the differences between SMEs and the large companies they traditionally work with: *"we do deal with quite a lot of big companies and it's quite new for us to deal with smaller companies. It's learning the differences between dealing with them"* (W1C5). Two big lessons learnt from dealing with SMEs for (W2C12) are: the need to clearly define requirements and be more cautious about what the client might have available by way of resources needed for the website, e.g. product databases.

Theme 3: The value of creativity and tacit knowledge

"Someone that just thinks differently from a logical thinker" (W2S2).

A bone of contention between some Awarded SMEs and their Creative Servicers is in how they valued creativity. Some Awarded SMEs spoke of the difficulty in objectively measuring and quantifying the value and cost of creativity. Others focused on the subjectivity of the creative person explaining that (in their view) creative people created, through their thought processes, a type of knowledge that was of less value than other types of business knowledge (this is linked to the concept of tacit, as opposed to codifiable knowledge).

Measuring creativity

Many SMEs and Creative Servicers (e.g. W1S3, W1C8, W2S11, W2C17), struggled with putting a value on creativity. (W1C6) spoke about the difficulty of costing an hour's work of thinking, when the customer wanted quantifiable actions. *"We were talking about the design process and us understanding the aspirations … It's virtually telepathy … I don't think it's quantifiable scientifically; … creative people are creative people because of their observations around the environment that they're in and how they can express it"*.

Costing creativity

(W1C9) explained the difficulty of managing clients' understanding of how long creative processes can take: *"It's difficult to manage, because if a client says, could you just do this – could actually mean half a day's worth of work, and they think it could be a quick tweak that takes five minutes"*. For (W1C5) *"balanc[ing the needs] of a client that's paying not very much but still wants just as much attention"* was a problem. (W1C9) agreed with the need for expectation management and *"having a lot of small companies being given five grand … wanting a pound of flesh … not really understanding how much five grand is worth"*. (W2S11) also explained how creative work being outsourced was *"done on a budget"*. Whilst the organisation did employ *"proper creative agenc[ies]"*, the decision makers would often *"know someone who can do it cheaply"*. For (W2S11), the Creative Credits project was being used partially to educate employees of the value of high quality creative work. (W2C17) explained how people have a *"lack of understanding"* of the value of creativity, saying that *"it's a rude awakening for some*

people" when they realise the costs of working with a creative agency.

(W2C17) highlighted the need to educate people in initial client meetings, suggesting *"your initial concept's going to take a week, that's somebody in the studio, it might be two days for a creative director's time and three days of a junior's time"*. However, over-servicing involved *"a lot of outside hours"*. This included one employee who *"sat up until half eleven at home doing it [the project]"* and another was described as: *"I came in at eight o'clock the next morning and he was still wearing the same clothes because he hadn't actually gone home… [due to him] covering a backlog"*. (W2C12) believed that the problem partly stemmed from a lack of SME understanding on how much time the creative process took – a finding highlighted in other cases (W1C5, W1C8). (W2C12) said *"I don't think they realise or comprehend how much work goes into it."*

Creativity and tacit knowledge

For (W1S10), creativity was intrinsic to the individual but not an aspect of his/her own role as a business product developer. This separation is evident in the belief that: *"there's a difference between a developer and somebody who is creative. Put those two people together then they can actually produce something"*. (W2C18) highlighted the subjective nature of creativity, saying *"it's very subjective as well because what we feel is a good creative solution could be misinterpreted"*. (W2S7) identified their limitations on knowledge of creativity, noting that *"what I specify is within the bounds of my knowledge"* and that *"I don't really know what I want"*. For (W2S12) the importance of creativity involved the market, stating that *"creativity is to make that thing fit with this market"*. (W2S7) believed *"what they [our Creative Servicer] are doing is feeling the boundaries of what I am comfortable with ... Quite rightly they are coming forward initially with a bit of a cautious approach which is: let's stick inside [W2S7]'s comfort zone rather than becoming completely bonkers"*. However, (W1C9) had a view that whilst there was variation in the role of creativity in the business it was embedded in all roles.

Theme 4: Intellectual Property (IP)

The term Intellectual Property elicited a range of meanings from businesses, focusing around how it could have a negative or positive business impact. These can be grouped as: concern about the infringement of IP; costs of and revenues from IP; and the need for expert advice. Creative Servicers were keen to share their knowledge about infringement of IP.

Concern about the infringement of IP

For SMEs, IP concern often centered on the product. (W2S9) was conscious of not infringing patents *"in the manufacturing process"* if using parts similar to other manufacturers' designs. (W2S2) protected some of their product designs. Creative Servicers understood the copyright of images and, conscious they could not use images without permission, they would use official online sources. (W1C6) acquired images *"from a licensed online supplier"* and (W2C13) *"always use a stock imagery site where you buy it and you're allowed to use it on your website or in your marketing or whatever the licence is."* When images were provided by the client, Creative Servicers wanted to know where images had come from. (W2C13) informed clients *"they can't just steal images off the Internet and use them on the website because it's not your copyright"*. (W2C15) explained that they had to trust where clients sourced images from: *"ultimately if we're told and it's written that these are royalty paid or owned by them then that's all we can do"*. This was not fail-safe as (W2C15) explained: *"at least one occasion in the past where we've said are these your images? Are you allowed to use them? And the client said yes … then somebody else came along and said 'that's my image'"*.

Costs of and revenues from IP

For SMEs in particular, cost was seen as a huge barrier to IP protection (W2S6, W2S7, W2S9, W2S10, W2S11). (W2S7) said *"the benefits are difficult to quantify. However the costs are easy to quantify … costs exceed the potential benefits"*. (W2S6) highlighted the costs but also the limitation of protection as it *"would cost way too much and you wouldn't be able to cover yourself for much … because people would just change it a little bit and still have the same thing"*. (W2C13) stated *"clients have already sorted it out if they're bigger clients, and the smaller clients don't really want to spend £10,000 on a patent lawyer to do all the searches"*. An important driver for SMEs to protect IP was that they could sell it (W1S9, W2S10, W2S11, W2S14). (W2S11) highlighted *"we can sell [it] on at some stage"*. Hence, (W2C14) explained the danger of sales with no IP protection: *"it's a bit like saying, I'm going to build a house and sell it and you don't own*

the land". (W2S7) felt that *"[our IP knowledge] is useful because it creates a perception of capability which then enables us to have richer discussions with that potential client"*.

Expert advice about IP

Awarded SMEs and Creative Servicers were usually aware of their limited knowledge about IP. This was highlighted by (W2C18) who suggested that there were a lot of *"design agencies that don't know"* about IP issues. (W1C9) said *"I don't know about it. It's never been an issue, so I've never delved into it"*. Creative Servicers were aware of the limit of their knowledge beyond basic principles. (W2C13) stated *"in terms of patent or registered trademarks or copyright or anything to do with that … we don't advise on that because it's legal, we wouldn't know about it"*. Consequently, Creative Servicers would often advise clients to see an expert: (W1C6) said *"at that point we say, 'well, officially we're a design medium, we're not kind of trademark experts. You would probably be better seeking secondary advice'"*. (W2C17) believed that in the creative industries IP is *"not taken that seriously"*. Some SMEs were uncertain of whether they owned the design being created for them through the credit, e.g. (W2S12) based it on trust: *"they've designed a logo, and I trust that I own that not them … maybe it's in the contract"*. Some Creative Servicers clarified in agreements: (W2C15) said *"we have a 40-odd point agreement which says that these are the third parties that we'll use, this is for your contractual obligation, this is where that's going"* and (W2C18) made reference to IP *"in our terms and conditions"*.

The complexity of IP protection was identified as a barrier, with (W2C17) highlighting that for their clients it's *"a difficult process"*. (W2S12) felt IP issues were less important as they were just keen to get the project completed. (W2C13) agreed that clients would *"rather we spent the money actually creating"*. Complacency was another factor for SMEs not worrying too much about IP, (W1S3) said *"I feel no one's going to nick our logo, I don't think, there's no point"*.

5.4 Conclusion

This section has reviewed four key themes from the qualitative analysis that illuminate the working relationships between Creative Servicers and their clients in relation to their views on innovation, creativity and intellectual property.

The first theme gives insight to differing interpretations of innovation and how they impact on working relationships between suppliers and consumers of creative services.

The second discusses how the transfer of creativity skills and knowledge to clients is an important aspect of the value-added of working with Creative Servicers. This transfer of creative process and content is not typically discussed in the academic literature, although it might be conceptualised as creativity transfer. In our sample, it is a key theme in the working relationships of creative businesses and their clients and has the potential to inform academic understandings of tacit vs. codifiable knowledge, and the value attributed to creativity.

The third theme of valuing creativity provides insight into the complexities of creativity transfer. Some Awarded SMEs seek to measure creativity in quantifiable terms whereas others view creativity subjectively as a trait of the creative person. There is a great deal of confusion about the value of creativity transfer to the business and, for some, it is perceived as less valuable to the business than other business development processes.

Finally, there appears to be a generic lack of knowledge in SMEs about intellectual property.

Part 6: Key findings and next steps

6.1 Introduction

This working paper reports the findings of the research and evaluation of the Creative Credits pilot, up to the end of the four to five-month period over which Creative Credits projects had to be completed under the rules of the scheme. Many Awarded firms have indicated that they expect the benefits of the Creative Credits projects to materialise in the future. Capturing those benefits will be the focus of the remainder of the research. More specifically, future activity will:

1. Build on the quantitative analysis of Parts 3-4 of the paper by evaluating the innovation, networking and commercial impacts of the Creative Credits projects in two further surveys, to be conducted six and 12 months after project completion.

2. Continue to monitor the series of case study companies in Part 5 to develop the emerging themes in the year after project completion.

Crucial to the next stages of the project will be the integration of the quantitative and qualitative elements of the project. In particular, the quantitative analysis reported in this paper is helping set future agendas in the qualitative work, while some of the themes identified in the qualitative analysis are informing questionnaire design for the remaining surveys of Awarded, non-Awarded and Creative Servicer firms.

In Part 6.2 we provide a brief review of the key findings of the Creative Credits pilot evaluation to date and in Parts 6.3 and 6.4 give an overview of the future stages of the evaluation. Part 6.5 discusses the costs of delivering the scheme and in particular the low brokerage and management costs in comparison with other innovation voucher schemes in the UK.

6.2 Key findings

At this point our understanding of the effectiveness of the pilot is limited to its immediate impacts on participating firms. Some strong – and positive – themes are emerging, however, with the scheme seemingly creating genuinely new business-to-business relationships between SMEs and creative businesses.

It is first worth noting again that the Creative Credits pilot was strongly over-subscribed with 672 firms applying for the scheme with 150 credits on offer. This suggests a significant degree of interest in the scheme on the part of SMEs and the potential for expansion and development. Creative Credits applicants were more likely to have undertaken prior innovation than other firms in the eligible population and to be more regular users of external business support services.

Comparing the Awarded group of SMEs and their Creative Servicer partners reveals broad similarities in terms of size and local market orientation. Greater differences are apparent in their growth histories and prior innovation patterns, with Creative Servicers outperforming their SME partners on both counts. This reaffirms the potential for the type of knowledge transfers envisaged in the logic model for Creative Credits with their hypothesised strategic and behavioural effects (Figure 1).

More than half of the projects that Creative Credits supported related to website development. Production of marketing materials and video production – the next most common activities – were much less frequent. This pattern is consistent with the distribution of primary activities of creative businesses listed on the Creative Gallery and no doubt partly reflects the strength of Manchester's digital media sector.

The demand-led nature of Creative Credits means that the web focus of projects also offers a timely indicator to policymakers of the current needs of SMEs – an unanticipated benefit of the scheme. It may also reflect the fact that the Creative Credits pilot operated alongside the North West Development Agency innovation voucher scheme, the latter designed to provide more technical input to firms to assist with product or process development. This complementary profile led in 19 cases to firms using the NWDA vouchers alongside Creative Credits.

Once the Creative Credits projects had started, they proceeded largely as planned with only 3 per cent deviating from their original plan. Ninety-three per cent of projects achieved either all or some of their innovation objectives, with around a quarter creating other unanticipated benefits.

The short-term additionality of the Creative Credits scheme can be estimated in two ways: through revealed preference, exploiting the randomised control structure of the scheme; and through stated (surveyed) preferences. Both provide strong evidence of the additionality of the scheme, at least in the short term.

The econometric estimates based on revealed preference suggest that having applied for Creative Credits, firms awarded a credit were 78 per cent more likely to have bought in a creative service within the project's four to five-month timescale compared with those firms that did not receive a credit. That is, roughly eight in ten credits were used to create B2B relationships involving creative servicers that would not otherwise have formed. This is broadly the same as the level of additionality in the Dutch innovation voucher pilot. Allowing for any potential bias induced by providing cash incentives to sustain survey response rates has very little effect on these results.

Separately, the survey responses suggest that to date the scheme may have generated additional sales of £514,000, an average of £3,430 per credit. In addition to these sales benefits, significant proportions of Awarded firms reported that they had enjoyed strategic and behavioural gains from the project: 80.3 per cent said that the project had increased the innovative strengths of the firm, while 78.8 per cent reported benefiting from knowledge transfer from their creative partner.

The survey findings also suggest that the scheme's expected long-term additionality, though still significant, may be considerably different from its short-term additionality. On the one hand, as many as 62.5 per cent of non-Awarded firms suggested that the lack of a credit delayed the start of the project or led it to proceed more slowly; only 23.3 per cent said that they had cancelled the project altogether. But on the other hand, a number of Awarded firms said that they expected to see more significant benefits from their Creative Credits project in the future. Future stages of the longitudinal research will explore the net implications of this.

The qualitative findings provide insight into the working relationships between Awarded SMEs and Creative Servicers and raise issues for further research around topics like creativity and creativity transfer, the interpretation of innovation and barriers to the use of intellectual property.

6.3 Next steps

The remaining stages of the research and evaluation of the Creative Credits pilot will involve the collection of two further surveys of Awarded and Applied firms and the ongoing qualitative analysis.

Survey 3 data have already been collected for Awarded firms from Wave One of the pilot and are currently being collected for firms in Wave Two. This survey covers:

- The profile of innovation activity over the previous six months (i.e. since the end of the funded period of the Creative Credits project) with a particular focus on cooperation for innovation and the role of creative services.
- Changes in sales over the previous six months.
- Plans for future innovation and innovation cooperation over the next three years.

- Self-assessment of the impact of the Creative Credits scheme, including the impact on sales and the likely persistence of these benefits.

- Strategic and behavioural gains from the Creative Credits projects.

Survey 4 will be conducted in May 2011 for Wave 1 and October 2011 for Wave 2, around 12 months after the end of the funded period of the Creative Credits projects.

6.4 Evaluation lessons

Two lessons about the evaluation process may be drawn thus far. First, the randomised control trial element of the distribution of Creative Credits has proven to be a powerful means of evaluating the short-term additionality of the scheme. Second, to date it has been possible – but only with considerable effort and follow-up – to maintain relatively high survey response rates from all sub-groups of businesses.

The need to maintain high response rates, given the relatively small scale of the pilot, has led to two changes to the survey approach compared with what had initially been anticipated. First, in some cases it has been necessary to extend the period over which responses have been collected. Secondly, for some groups – most notably the non-Awarded firms – it has been necessary to offer small cash incentives to encourage firms to complete survey responses, although our analysis suggests these have had little impact on estimates of additionality. Maintaining future response rates to enable a robust analysis presents a significant challenge for future surveys, particularly as the time since firms received credits lapses. Similar issues of maintaining commitment to the evaluation arise in the qualitative element of the project.

6.5 Delivery and brokerage lessons

As indicated in Part 1 of this paper, Creative Credits has been implemented as a minimal brokerage scheme with individual SMEs responsible for using the Creative Gallery to identify their own creative partner. Some set-up costs were of course involved in the development of the Creative Gallery itself, amounting to an estimated 1-3 per cent of the scheme's overall costs.

This differs considerably from other UK innovation voucher schemes, where brokerage teams have provided support to voucher recipients to help them identify appropriate knowledge providers or partners. In the Northwest Regional Development Agency innovation voucher scheme, for example, two dedicated advisor posts were created at Business Link Northwest to help voucher recipients to identify appropriate knowledge providers. The interim evaluation of the NWDA scheme suggested an overhead cost of around 10.8 per cent of the overall voucher cost which was primarily the costs of two full-time advisors, significantly higher than Creative Credits.

In the West Midlands, the INDEX (Innovation Delivers Expansion) Innovation Voucher scheme, now Innovation Vouchers, began in March 2007 and ran until March 2011. The scheme delivered seven rounds of innovation vouchers distributing 661 vouchers worth £3,000 each to SME companies in the West Midlands. Academics in 13 universities in the West Midlands serviced the vouchers, which were allocated on a lottery basis.

The scheme was designed as a high-brokerage scheme providing a telephone advice centre, customised brokerage, website application procedures, best practice case studies and external events. The staffing on the advice centre was equivalent to three full-time staff. Five funding bodies supported the scheme: Advantage West Midlands, ERDF, ESRC, EPSRC and HEFCE. The average overhead was 27.3 per cent of total expenditure across the seven rounds.[33]

Both the NWDA and West Midlands schemes were judged by their evaluators to have generated substantial value added and to have the potential for significant long-term regional benefits. The evidence of short-term additionality, and the timely completion of the innovation projects supported by the Creative Credits scheme, however, suggests that it may be feasible to operate innovation voucher schemes with much lower levels of overhead and brokerage costs than those currently incurred in some UK schemes. A key element of this – as in the Creative Credits scheme – is likely to be the active engagement of the community of knowledge providers or creative partners with the scheme in providing information for some form of online Creative (or Knowledge) Gallery.

33. Source: ECOTEC Research and Consulting (2009) 'Final Evaluation of the Index Innovation Voucher Pilot Scheme.' Birmingham: ECOTEC Research and Consulting; see also http://www.innovationvouchers-wm.com

Appendix 1: Description of the non-applicants survey

1. Introduction

The FAME survey of non-applicants to the Creative Credits scheme is intended to provide an external benchmark comparing the level of innovation among Creative Credits applicants to that of the eligible SME population. The intention was to construct a sampling frame that matches the Creative Credits scheme eligibility criteria and applicant profile, and then select a sample of around 500 firms for a postal survey.

2. Drawing the sample

The sampling frame for the group of non-users of the Creative Credits scheme was taken from the FAME database (14th April 2010). The list of potential companies to survey was developed to match as closely as possible the eligibility criteria for the Creative Credits scheme. These had a number of dimensions:

- **Geography** – companies should have been actively trading in April 2010 with their primary trading address in one of the areas covered by the Creative Credits scheme. These were: Warrington, Congleton, Macclesfield, Vale Royal, Manchester, Salford, Stockport, Tameside, Trafford and Greater Manchester North. On FAME these areas were selected using the related NUTS regions.

- **Size range** – eligible companies must have had fewer than 250 employees and a turnover of less than £46 million.

- **Sector** – the Creative Credits eligibility criteria excluded creative companies and those in primary industry from applying for credits. These were matched in drawing the FAME listing by excluding the relevant SIC codes.

- **Legal status** – eligible companies must have been a limited liability company, a limited liability partnership, a general partnership or an industrial or provident society.

One element of the eligibility criteria that was less straightforward to match within FAME related to the VAT registration status of businesses. In general terms, for businesses to need to be registered for VAT they are likely to need turnover in excess of around £60,000, and therefore probably employ more than one person. We limited the sample to firms that employed three or more people to minimise sampling non-VAT registered firms.

This gave an in-scope sampling frame of 5,052 companies of which a number were excluded due to incomplete contact details, resulting in a usable sampling frame of 4,171 firms. To match the FAME sample to the group of applicants to Wave One (Wave Two had not been undertaken at that time) a simple analysis of Creative Credits applicants was undertaken by size and sector and this provided the structure for the random sample of 500 firms. Firms in the FAME sample were sent a postal questionnaire at broadly the same time as the baseline survey of Wave Two firms.

Appendix 2: Estimating short-term additionality – full models

Table 18: Probit models of the probability of receiving a credit: Stage 1 of analysis

	Model 1	Model 2
Micro or new firm	-0.066	-0.091*
	(0.073)	(0.047)
Small firm (11-50 employees)	0.027	
	(0.082)	
Firm vintage (years)	-0.007***	-0.006***
	(0.002)	(0.002)
Firm member of wider group	0.027	
	(0.076)	
Family-owned company	0.103	
	(0.063)	
Business services company	-0.044	
	(0.087)	
Manufacturing company	0.052	
	(0.098)	
Other services company	-0.005	
	(0.117)	
Transport services company	0.089	
	(0.142)	
Retail or wholesale business	0.087	
	(0.111)	
Non-executive directors	0.053	
	(0.073)	
Firm has formal business plan	-0.071	-0.092*
	(0.056)	(0.050)
Firm is an exporter	0.012	
	(0.053)	
Firm has more than 20% graduates	0.028	
	(0.052)	
Firm was innovator in last three years	0.039	
	(0.057)	
N	383	432
chi2	19.17	13.448
Pseudo R2	0.041	0.025
Bic	547.425	549.011

Note: Coefficients reported are marginal effects. * denotes significance at the 10 per cent level; ** at 5 per cent and *** at the 1 per cent level. Standard errors in brackets. Model 1: 383 observations, of which 117 Awarded firms and 266 Applied firms for which we have full data. It excludes data for the 13 firms that received their credits from the reserve list rather than the original lottery. Model 2: 432 observations, of which 136 Awarded firms and 296 Applied firms. It excludes those firms which received their credits from the reserve list.

Table 19: Project additionality of Creative Credits: Stage 2 of analysis

	Model 1	Model 2
Employment one year ago	-0.002	-0.002
	(0.002)	(0.001)
Firm member of wider group	-0.172	-0.173
	(0.113)	(0.113)
Business services company	-0.091	-0.087
	(0.132)	(0.131)
Manufacturing company	-0.112	-0.112
	(0.135)	(0.135)
Other services company	0.089	0.086
	(0.184)	(0.183)
Transport services company	-0.058	-0.036
	(0.190)	(0.192)
Retail or wholesale business	0.142	0.142
	(0.161)	(0.160)
Non-executive directors	0.148	0.137
	(0.109)	(0.108)
Family-owned company	-0.052	-0.067
	(0.086)	(0.083)
Firm has formal business plan	-0.103	-0.122
	(0.083)	(0.080)
Firm is an exporter	0.090	0.085
	(0.079)	(0.079)
Firm has more than 20% graduates	0.079	0.086
	(0.078)	(0.077)
Firm was innovator in last three years	-0.089	-0.079
	(0.088)	(0.087)
Awarded credit	0.862***	0.864***
	(0.027)	(0.027)
Inverse Mills Ratio	-0.181	
	(0.224)	
N	382	382
chi2	287.72	287.008
Pseudo R2	0.57	0.568
Bic	312.585	307.351

Note: Coefficients reported are marginal effects. * denotes significance at the 10 per cent level; ** at 5 per cent and *** at the 1 per cent level. Standard errors in brackets. Models 1 and 2: 382 observations, of which 116 Awarded firms and 266 Applied firms.

Table 20: Project additionality of Creative Credits allowing for incentive payments

	Model 1	Model 2
Employment one year ago	-0.002	-0.002
	(0.002)	(0.001)
Firm member of wider group	-0.173	-0.173
	(0.112)	(0.112)
Business services company	-0.091	-0.087
	(0.132)	(0.131)
Manufacturing company	-0.109	-0.109
	(0.136)	(0.135)
Other services company	0.09	0.086
	(0.184)	(0.182)
Transport services company	-0.052	-0.031
	(0.192)	(0.194)
Retail or wholesale business	0.142	0.141
	(0.161)	(0.160)
Non-executive directors	0.146	0.134
	(0.110)	(0.108)
Family-owned company	-0.054	-0.070
	(0.086)	(0.083)
Firm has formal business plan	-0.101	-0.120
	(0.084)	(0.080)
Firm is an exporter	0.091	0.086
	(0.079)	(0.079)
Firm has more than 20% graduates	0.080	0.087
	(0.078)	(0.078)
Firm was innovator in last three years	-0.089	-0.079
	(0.088)	(0.087)
Awarded credit	0.865***	0.867***
	(0.029)	(0.029)
Inverse Mills Ratio	-0.18	
	(0.225)	
Incentive payment to firm	0.020	0.022
	(0.082)	(0.082)
N	382	382
chi2	287.782	287.082
Pseudo R2	0.570	0.568
Bic	318.468	313.223

Note: Coefficients reported are marginal effects. * denotes significance at the 10 per cent level; ** at 5 per cent and *** at the 1 per cent level. Standard errors in brackets. Models 1 and 2: 382 observations, of which 116 Awarded firms and 266 Applied firms.

Appendix 3: Qualitative findings

This section outlines qualitative findings on:

- Project inception.
- Project management (and communication).
- Networking.

These findings shed light on the business processes that characterise the working relationships:

- *Project inception:* Most Creative Servicers were selected by the quality of their websites.
- *Project management (and communication):* Business processes promote success and failure in the working relationship. Respondents identified good project management as the most important for success and time delay as the most common failure.
- *Networking:* Three main approaches to networking were formal, informal and e-networking. The effectiveness and impact of e-networking were questioned.

Theme 5: Project inception

SMEs used several criteria to select a Creative Servicer including their: location (W2S7); previous quality of creative work (W2S9); credentials (W1S9, W2S4, W2S8); technical capability (W1S12, W2S7, W2S9); and track record in delivering in the SME's industry (W2S6, W2S7, W2S8, W2S12). Some SMEs also used their professional networks to determine the reputation of Creative Servicers (W2S9), while others adopted a much less business criteria-led approach and based initial decisions on 'softer' aspects, e.g. the logo and name of the servicer: (W2S2) said *"we picked about three or four companies literally based on logo"*. However, the biggest factor in Creative Servicer selection was their website. The themes identified here focus on: the Creative Gallery; the firm's website; professionalism and communication.

Creative Gallery
On being awarded their credit, many SMEs used the Gallery to identify which Creative Servicer to work with (W1S10, W1S11, W1S13, W2S2, W2S4, W2S7, W2S11, W2S12). Most found this a useful starting point, although (W2S4) noted that it was difficult to compare different Creative Servicers, as they found that every Servicer *"said they did x, y and z… so you had to use your judgment because they clearly didn't all do everything"*.

Website
Once SMEs had identified potential Creative Servicers on the Gallery, several clicked through to their websites (W1S10, W1S11, W1S13, W2S2, W2S12). (W2S12) stressed the importance of Creative Servicers presenting a good web image, saying *"they were what they were on the web … if you didn't like the web[site], I didn't bother with them"*. SMEs found it difficult to articulate their criteria for what they were looking for on potential Creative Servicers' websites, with (W2S2) commenting that *"with websites, it's just if you open it, you know if it looks right. That's the thing. You don't know what's wrong, but you know it's not right"*.

Some Creative Servicers appeared to have a poor presence on the web. (W2C17) felt

that their website was *"not the best to be honest"* and (W1C5) said *"we don't really keep up to date with our website"*. From the SME perspective, (W1S10) said *"you wouldn't believe the number of people that didn't even have any work to show or a website to look at … which is a bit unnerving if you're employing them to do a website"*. A frequently mentioned reason for poor website presence was that creative agencies are so busy working for clients that they do not have time to update their own website (W1C5, W1C9, W2S6, W2C17); (W1C9) said *it was "often the case with design agencies that they spend so much time designing other people's things that they forget about their own"*.

Professionalism and communication
A number of Awarded SMEs had shortlisted more than one Servicer to discuss their project in more detail (W1S2, W1S12, W1S13, W2S2, W2S4, W2S7, W2S11, W2S12). Two key criteria appear to have influenced an SME's selection of a Creative Servicer at this stage – professionalism and communication. On professionalism, (W1S2) visited a prospective Creative Servicer to talk to them and found that of their employees, *"two were playing [computer] games, and you think 'you haven't got a lot of business have you'"*, leaving a bad impression. On communication and language, (W2S4) said whilst they were great in the meeting, one creative agency was rejected when they sent a proposal which was *"too techie and we couldn't understand a word of it"*. Other criteria for determining which Creative Servicer from their shortlist to select included their level of trust in the Creative Servicer (W2S3, W2S11) and, of course, their perceived capabilities (W1S12, W2S3, W2S8).

In contrast, some potential Creative Servicers rejected SMEs due to the SME not being clear enough about what they had wanted. (W1C2) described how they had gone on to the SME's website *"and thought, you can't work out what you do … it didn't even seem a credible proposition as a company, so why would we really want to do communication for something we don't even really believe in anyway. So I think we just got back saying no"*.

Theme 6: Project management and communication

Successful working relationships were characterised by agreed written project deadlines, face-to-face interaction at project inception and clear lines of communication throughout. On occasion, failure to deliver on time and language barriers had presented a real problem for firms. These themes are discussed below as: the project plan; client communication; time delays; and use of jargon.

The project plan
At the beginning of each project, Creative Servicers and SMEs had stressed the importance of meeting to clarify matters. Some Servicers were very structured about this, using questionnaires to ascertain the information they required (W2C12, W2C13, W2C18). (W2C12) explained *"we have quite an extensive questionnaire … great way of just finding out absolutely everything"*. The outcome of initial meetings was a detailed project specification: a 'brief'. (W2C17) described their approach as being to *"sit down and do your conversation, do your talking and then present the brief back to them for sign off"*. (W2C13) highlighted the benefits of this approach as providing *"both sides the clarity of what's going on with this project and when we're delivering what and by what point, and what they need to deliver us as well"*. This brief became the foundation for discussions throughout the project: *"we go in and we talk through the brief"* (W2S11).

However, problems arose if the brief was under-specified, e.g. (W2C12) described a mismatch between their expectations and their SME: *"we thought [the brief] was alright actually, but it's only now when we're nearly finishing it we realise that they weren't"*. Consequently, (W2C12) made significant project amendments, leading them to over-service their SME. (W2C18) continued: *"every project should have a schedule, in an ideal world I suppose, the reality is that some smaller projects you just don't have the time [which]… can sometimes bite us later on"*. Partly, given the lack of a schedule breaking down each deliverable with a clear deadline, (W2C18) felt that their SME had been *"really dragging his feet with changes and getting the content to us"*.

Client communication
SMEs and Creative Servicers had used a combination of email, telephone and face-to-face meetings to communicate, although some had had a clear preference for face-to-face meetings (W1S10, W2S6, W2S12). One reason given for this was that it enhanced the creative process by providing a visual and deeper communication. As explained by (W2S12), *"I don't want to do it over the phone, I want to see, I want this interplay… I want to overlay my*

experiences with theirs to create something". (W2C12) had quite a sophisticated technical approach to supporting project management and communication – *"we do have some really good project management software that we use"* which provided integrated data uploading, instant chat, email facilities, etc. However, (W2C12) struggled to get clients to use this system and found that they would often ignore it, sending emails instead. (W2C12) posited: *"I think people feel it's a lot more personal if they actually email someone"*.

Delays in delivery
Delays were the most significant problem in projects (W1S2, W1S11, W1S13, W2S10, W2C12, W2C14, W2C17, W2C18), in some cases causing tension between Creative Servicer and SME (W1S11, W2C12, W2C18). Sometimes the delay had occurred because Creative Servicers outsourcing work to suppliers had failed to deliver on time (W2C14). A common problem was that SMEs had higher priorities than the creative project: as (W1S13) explained *"there were times I'd have liked this [project] to have progressed faster but because of pressure of client work that stopped it"*. In attempts to prevent this, some Creative Servicers would make the consequences of missing a deadline explicit (W1C9, W2C18): *"if we don't get this from you by this date, then it will mean this for the [overall] deadline"* (W1C9). However, this prioritisation problem was not exclusive to SMEs: (W1S12) complained that *"sometimes we did have difficulty getting the responses that we needed [from our Creative Servicer] but, again, we knew they were busy on lots of other projects"*.

Use of jargon
Some SMEs highlighted that the terminology used by Creative Servicers was jargon that they did not comprehend (W2S2, W2S3). This was identified as potentially confusing, with (W2S2) saying about their Creative Servicer: *"they've done all the progress charts on something called Gantt charts. I'm sure that means something but I've never heard of Gantt charts"*.

Theme 7: Networking

> *"Networking is important but needs to be targeted" (W1C4) and "you've just got to be friendly" (W2S2).*

For the majority, networking was perceived as critical to their business. The forms of networking methods it took fell under five broad themes: Range; Networkers; Formal; Informal and E-networking.

The range of networking methods
A minority cited PR activities, family networks and the locations of their business as being important for networking. On PR, (W2C18) aimed to increase visibility and networking opportunities through *"the press … bi-monthly [article] for a local magazine"*. Family networks provided access to labour (W1S7, W1S8, W1S13). Manchester was viewed as a location where there were lots of opportunities for formal networking, such as those provided by incubation centres. At one extreme were a small number of companies like (W2C15) which *"network to death"* with potentially three events a week. While most companies treated networking seriously (W1C9, W1S13, W2S7, W2S12, W2C14), others dabbled with it (W1C2), while others *"just don't have the time"* (W2S6, W2S9, W1S10, W2C12 and W2C18). At the other extreme, some companies thought networking was an *"awful, awful"* process because *"it's a load of sales executives and self-employed people waiting for their opportunity to try and push and sell something"* (W1C6).

The networkers
The responsibility for networking often concentrated on a small number of people in the company (W1C4, W1C9, W2S11, W2C17). The aim of this networking was often to: increase business (W2C12, W2C15); build relationships (W2C18); maintain existing relationships with former business contacts and existing clients (W2C14); source information (W1S12, W2C12); learn (W2S7); test propositions and investigate competitors (W2C12, W2C14); and *"position ourselves as the thought leaders"* (W2S11).

Formal networking
Approaches to formal networking include: networking events (e.g. by Manchester Chamber of Commerce (W1C6, W2C12), Business Link (W2S3), breakfast networking organisations (W2C13)); tradeshows (W2S11); and conferences (W1S3, W2S7). There was a mixed reaction to such opportunities: from positive experiences of *"we grew, grew and grew by referral"* (W2C13) to the more negative of *"not really [provided] a return on our investment"* (W2S11). (W2S7) highlighted that they can be *"pretty intensive, suppliers trying to sell stuff to other suppliers. For me those types of events attract too many on the supply side"*. (W1C2) felt they attracted the wrong

size of client for them, with (W1S13) saying: *"I went to one where there were three people who were running flower shops and two were travel consultants. And there's always a couple of insurance brokers. Not being rude, but they're not really [the type of client we're targeting]"*. Others felt that such networking events were unlikely to yield useful contacts due to the specific nature of their own business; (W1S9) said *"because my business is so off the wall really that networking does not have many benefits for me"*. Other approaches to formal networking included: sponsoring a sport event (W1C6); training (W1C1); award ceremonies (W1C8); and being networked with their local university (W2S7). One unusual example was (W2S6) using their supportive bank to source connections: *"they could put you in front and connect you with so many other people"*.

Informal networking

Informal networking tended to concentrate on people socialising with existing contacts, *"friends and friends of friends"* (W1S8, W2C14, W2C17, W2C18). Often these people were in the same industry as the networker, sometimes having previously worked together, e.g. *"keep in touch with each other when they move"* (W1C4). Social venues, such as the golf club, were mentioned either in providing formal networking opportunities in informal settings (W2S6) or more socialising opportunities that enabled networking (W1S4, W2C15).

E-networking

E-networking had benefited a number of companies but there was a hesitation in most companies about the business payback. While Facebook (W2C17, W2C18, W1C9), LinkedIn (W1S10, W2S9, W2C14, W2C18), Twitter (W1S9, W1S10, W2C18, W1C9), blogs (W1S10) and mailing lists (W1C9) had helped people to maintain contact with colleagues, generate enquiries and recommendations, and identify competitors' ideas, few companies could cite large benefits. Even (W2C18), which had strongly engaged in e-networking, was unclear on whether Facebook had had business impact, and (W2S2) thought their LinkedIn efforts *"[hadn't] come to any fruition"*. One hesitation concerned the *"generational differen[ce]"* in the use of such platforms (W2C13) which had resulted in *"not really many business contacts for me on Facebook"*. Many companies said that face-to-face contact was more important for them – *"I want to talk to clients"* (W2C18), *"it is about face-to-face"* (W2C14), *"I prefer to speak with people"* (W1C7) – but this ran up against the lack of time that was generally available for networking.

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