A LEC'S PROGRESS THREE YEARS ON - THE CUSTOMERS' VERDICT[1]

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1. Introduction

A wide variety of measures of output or impact have been used to evaluate publicly funded programmes of economic development. The measures range through cost based approaches, to cost per outcome to cost benefit analyses to assessment of impact of projects after completion.

Many of these measures suffer inherent flaws, such as the often non standard nature of outcomes, which place limits on their usefulness. The measures suffer another drawback in being calculated from the point of view of the public servant authorising the spend, not from the person or body receiving the perceived benefit. At a time when service companies concentrate more and more on customer service, and often select quality of service as their route to competitive advantage, the case for supplementing these cost based measures with assessments of the benefits, or levels of service received by the customer becomes ever stronger.

This paper describes how one publicly funded body assessed its service levels among its client base, and discloses full results and trends over its first three years.

2. Renfrewshire Enterprise

Renfrewshire Enterprise is a Local Enterprise Company (LEC). Established in 1991 as part of the Scottish Enterprise network, it receives public funding of around £25m per annum to undertake its task of economic development in the current local government districts of Eastwood, Renfrew and Inverclyde. As a LEC, it is a Scottish equivalent of the Training and Enterprise Councils (TECs) in England and Wales, but enjoys enterprise and environment powers as well as those for training. Around 60% of its spend is on enterprise and environment, and the remaining 40% is on training.

While TECs are regarded by most observers as being principally about training the unemployed (Bennett, Wicks & McCoshan, 1994), LECs have emphasised their broad economic development remit, and this is reflected in Renfrewshire Enterprise's mission statement:

"To lead the successful development of the Renfrewshire economy through its people and its businesses."

The LEC has always stressed the importance of working closely with businesses, and this point has recently been reinforced in the new Scottish Enterprise strategy (Scottish Enterprise, 1994), which identifies businesses as its "key customer group."

3. Survey Methodology and Sample Coverage

Accordingly, Renfrewshire Enterprise decided early after its start in April 1991 to survey businesses in its area to find out more about usage of its services and satisfaction levels among business customers.

The initial survey of over 400 key businesses has been repeated annually since, keeping as far as possible to the same group of businesses. When businesses closed or moved away, they were replaced to keep the survey at over 400 businesses annually. The sample attempted to include all of the major businesses, and also favoured manufacturing rather than service businesses. Nevertheless, some service businesses and some small businesses are included (see breakdown of 1991 sample in Tables 1 & 2) in order to give a

[1]The opinions stated in this paper are those of the authors, and are not necessarily representative of the views of their organisations.

wider representation across the customer base.

Each survey was conducted by a market research company, Scotinform. The selection and wording of questions was agreed with Renfrewshire Enterprise, and was maintained in the same form each subsequent year. The questionnaire was mailed out to companies, and a return of over 30% was obtained. Companies not completing questionnaires were followed up by Scotinform on the telephone. By this combination of postal questionnaire with telephone follow up, a return of over 85% was achieved in the first year, rising to 97% by the fourth year. The total numbers employed by the surveyed group (1994) is 32,100 full time jobs and 5,800 part time or seasonal jobs.

Official statistics for employment in Renfrewshire are only available to 1991; in that year there were a total of 89,400 full time and 30,400 part time jobs. Assuming for this purpose that the number of jobs stayed constant, then the survey covered approximately 30% of all jobs. Since the survey was of private sector companies, it is more relevant to express the number of jobs covered as a percent of all private sector jobs. Pearson (1994) showed that in the UK in general 22% of jobs are in the public sector. Scotland normally has a higher proportion of public sector jobs, so assuming that 1 in 4 of jobs are public sector, the survey has reached companies accounting for 39% of all private sector jobs, or 48% of full time private sector jobs. Other work showing the importance of large plants in the Renfrewshire economy (Reeves et al, 1995) underlines the comprehensiveness of the present survey. For similar reasons, the present survey is also believed to have reached companies with a very high proportion of the total gross output of Renfrewshire companies. Aggregate turnover of the companies was just over £8 billion in 1994.

4. Results

a) Customer numbers

Companies were asked whether they had been in contact with the LEC, or in 1991, the LEC's predecessor organisations, during the previous year. From 1993, they were also asked which services they had used.

Clearly the advent of the LEC in April 1991 brought about a major rise in usage of business services (Table 3). By 1992, 6 out of 10 businesses were using the LEC's services, and this high market penetration was maintained thereafter.

b) Usage of services

For the total 274 users of services, the five most popular services in 1994 are shown in Table 4.

The most popular service was training/ education, used by 43% of customers, followed by business advice, then marketing. The same order of popularity applied in 1993. Companies were asked about eleven types of services in total, and most companies used more than one type of service, suggesting some success for the LEC's efforts to provide an integrated range of services to its customers.

c) Satisfaction levels

Companies were asked to rate their satisfaction levels on a five point scale of very satisfied to very dissatisfied. Table 5 compares average satisfaction levels in 1991 among users of Scottish Development Agency (SDA) and Training Agency for Scotland (TA) with those obtained by the LEC in 1994.

In 1991, a considerable number of customers (28%) expressed dissatisfaction with the services provided by the SDA and TA in Renfrewshire. Satisfied customers (44%) outnumbered dissatisfied customers, but not by a great deal. By 1994, the LEC had achieved a very large reduction in the proportion of dissatisfied customers (down to 12%), and raised the numbers satisfied to 65%. The situation has been turned round, with satisfied customers outnumbering dissatisfied by over five to one.

Table 6 shows that the major rise in satisfaction levels clearly took place in the first year of the LEC's services (measured in 1992), as the LEC's ability to get close to its customers brought about a big increase in satisfaction levels. By 1992, 60% of customers were satisfied. There was then a small dip in 1993, before satisfaction levels rose further in 1994, to 65%.

While LECs supply some services to companies of all sizes, the priority market for LECs is generally considered to be small to medium sized businesses, particularly for the LECs' business development services. Enterprise Trusts, working partly under LEC contracts, supply much of the needs of very small businesses, particularly start ups, while large companies often have less need of external services. When Renfrewshire Enterprise works with large companies, it is usually on training rather than business development issues.

It is therefore of interest to examine the satisfaction levels by company size. Given the marketing emphasis above, Table 7 shows surprisingly small differences in satisfaction levels among companies in these different size segments. Certainly satisfaction levels are lowest among the very small companies, but, at 60%, are still high. Among both medium (67% satisfied) and large (77%) companies, satisfaction levels are higher than in the total group (Table 6). The highest level of "very satisfied" customers was among the medium companies (32% were very satisfied), the LEC's principal target market.

5. Discussion

This paper discloses full results of a major and long term survey of customers of a Local Enterprise Company, Renfrewshire Enterprise. It aims to help evaluate the success or otherwise of the body through the eyes of its customers. As a survey with by far the greatest coverage so far, and able to assess changes over time, it aims to inform a debate which is sometimes noted more for the force of observers' subjective views than for the quality or depth of objective evidence.

An exception has been the thorough work by Bennett's group (eg Bennett et al, 1994), but this is generally more from a public policy angle, using interviews with staff of LECs and partner organisations, rather than from the customer viewpoint.

One early attempt to gain the customer view was that of Black (1993), who conducted a small survey in 1992 within the Highlands and Islands area of Scotland, receiving 67 responses from a sample of 93 predominately small firms. The next year, his follow up survey (Black, 1994) suggested some improvements seen by customers in the level of service offered by Highland LECs, and certainly those companies which had dealings with the LECs responded favourably to them. The increased budget given to the Highland LECs in their second year (up from 27% to 70% of Highlands & Islands Enterprise network budget) may have helped this improvement, or as Black suggests, the greater openness and better information given publicly may have been another factor.

The present study suggests very strongly that companies in Renfrewshire view the change to a delegated, private sector led, structure as very positive. Indeed it is remarkable that the improvements were so quick, with both customer numbers and satisfaction rising strongly over the first year, rather than just gradually over the years.

While some commentators and academics (eg Hayton 1991) find it difficult to welcome the decentralised, business led, system, there are few who have the empirical basis of the type shown here to back their views. On the other hand, customers welcome the new system.

Perhaps one reason for this is that the decentralised delegated structure is much more common among private sector companies than among public organisations, and business customers can therefore identify with it more easily. Goold et al (1993) showed that many large companies over the 1970s and 1980s moved to more decentralised structures, while Hungenberg (1993) reviewed the changes that lay behind this. The changes which have "reduced the practicability of centralised problem solving" he described as:

- customer orientation becomes increasingly important
- less time to respond to changes
- speed of knowledge generation and obsolescence increases
- demands grow for more entrepreneurial freedom within companies.

These changes apply equally to public sector bodies seeking to work within the market place. Indeed many have been identified independently in Scottish Enterprise's recent strategy document (Scottish Enterprise, 1994).

In this environment, Hungenberg continued (1993, p62), "Centres have to prove their right to exist by contributing value. They have to justify their existence not merely from an internal, but also from an external perspective: as a value generator." These reasons continue to drive change and restructuring within the private sector, with delegation to operating companies increasing, while headquarters shrink and define more sharply their value contribution.

Moving back to the present results, decentralisation has undoubtedly played its part *per se* in the improved performance reported here, while the associated benefit of the decentralised structure has been the creation of a wide network of LEC offices throughout Scotland, offering companies easy access to the enterprise network's services. Even within Strathclyde LECs, client executives see major benefits compared with the previous system of accessing services either in Glasgow, or in a small number of regional offices.

Improved marketing to businesses and business groups is considered by LEC executives to have been another contributor to the rise in usage and customer perceptions. Perhaps even the intense interest sometimes taken by the Scottish media has played its part in making sure that everyone is well aware of the enterprise network!

The results of this survey, given that it presents results from business customers, are clearly very encouraging for this enterprise company. However like any business there is always scope to examine ways of improving further. Market penetration seems to have reached a plateau at around 62%. To reach almost two out of three potential customers is most welcome, and the enterprise company need not aim to reach the other one third in any year. With many companies, assistance comes to a natural end with the completion of a defined business project, and there will be turnover of customers, with some entering and some completing a project relationship with the LEC each year. Thus at some point over the three year period, a proportion of the sample greater than 62% can be expected to have received services from the LEC. Some companies, though, will always prefer to develop their businesses without any assistance from outside advisers.

On customer satisfaction, the marked improvement in the first year and the high levels thereafter are very welcome, but nevertheless Renfrewshire Enterprise will examine the survey results at a greater level of detail to gain a better insight into both its service strengths, and its opportunities for further improvement.

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Tables 1 and 2 1991 sample breakdown by sector and size

Sector	No
Agric/horticulture	1
Building	48
Business services	55
Chemicals/energy	5
Electronics	27
Engineering	78
Food & Drink	29
Industrial Services	12
Textiles	16
Transport services	45
Other manufacturer	62
Wholesale/retail	40
Total	418

Size (empl band)	No
1-10	59
11-25	118
26-50	109
51-100	59
101-200	36
201-300	15
301-400	1
401-500	4
501-750	8
751-1000	3
1001+	5
Not stated	1
Total	418

Table 3 Percentage of companies in contact

1991	42
1992	61
1993	63
1994	62

Table 4 Percentage of companies using LEC services in:

Training/ education	43%
Business Advice	29%
Marketing	21%
Property	18%
Exporting	12%

Table 5 Customer satisfaction levels, 1991 and 1994, in percentages

	Very Satisfied	Quite Satisfied	Neutral	Quite Dissatisfied	Very Dissatisfied
1991	19	25	28	13	15
1994	31	34	23	5	7

Table 6 Customer satisfaction levels, 1991-1994 complete series, in percentages

	Very Satisfied	Quite Satisfied	Neutral	Quite Dissatisfied	Very Dissatisfied
1991	19	25	28	13	15
1992	32	28	24	6	10
1993	23	35	26	9	7
1994	31	34	23	5	7

Table 7 Customer satisfaction levels, 1994, split by company size, in percentages

Size by empl band	Number of companies	Very Satisfied	Quite Satisfied	Neutral	Quite Dissatisfied	Very Dissatisfied
1 - 25	105	30	30	25	5	11
26 - 200	152	32	35	23	5	5
200 +	17	24	53	12	6	6