Future of manufacturing

High Value Opportunities – Internationalisation policy measure (UK)

Born globals and their value chains

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1. Context

1.1. Circumstances in which the measure was introduced, rationale, and relevance

After the recession in 2008, the UK economy experienced a poor growth rate of 2.8% between 2009 and 2012. In 2011, the government initiated the ‘Plan for Growth’, which called for investment and exporting as the route to economic development (National Audit Office, 2013). In order to fulfil this plan, the government aimed to identify and prioritise and support UK businesses to access large scale overseas procurement opportunities. This initiative is part of a government campaign aiming to meet the following targets:

- Double the UK export value to one trillion pounds in 2020 and to reach an annual growth rate of exports of approximately 10%;
- Increase the number of exporting SMEs by 100,000 by 2020;
- Support an increase in the value of foreign direct investment stock to GBP 1.5 trillion (€1.8 trillion) by 2020;
- Support an increase in the volume of UK exporters to 288,000 by 2020;
- Remain the number one country in Europe for foreign direct investment projects.

To achieve these targets, a key question for the UK government was how to mobilise more small businesses to export. A recent report by the House of Commons (2015) stated that UK businesses were found to face ‘a complex and unclear offer of support from the Government’. Hence, the UK government identified three main priorities to support SMEs as follows:

- Focus on high growth and innovative small and medium-sized enterprises (SMEs);
- Provide intensive support for larger firms seeking to win High Value Opportunities (HVO) projects overseas to provide supply chain opportunities for SMEs;
- Introduce key account management of the most significant inward investors and top UK exporters.

As a result, the High Value Opportunities (HVO) scheme was initiated by the UK Department for International Trade (DIT) in 2011. However, the scheme closed in November 2016 because of the restructuring of the HVO system into different smaller schemes across sectors.

1.2. The process of developing the measure

Having identified HVO as one of the keys to boost economic growth, the DIT has utilised its overseas offices and networks to undertake research to identify potential HVO projects. The DIT created different HVO teams across regions and cities in the UK to inform, consult and engage UK businesses to the HVO. Then, the HVO team in London created a database of HVO projects and selected the top 50 projects (then later 100) that match UK firms’ capabilities and interests based on the above-mentioned consultation process. The DIT defined a HVO as a project that has a potential accessible value to the UK firms of more than GBP 250 million (equivalent to €290 million).

1.3. Any changes in policy context over time

The Olympics Games hosted in London in 2012 provided UK businesses with great opportunities for HVO. According to the interviewee, this event led to an increase in the UK government’s budget to the DIT to support exporting firms to take advantage of HVO projects. In 2013, the DIT team based in London increased the number of top projects from 50 to 100. In addition, the DIT increased the

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1 HVO projects are those that provide potential accessible value of more than £250 million (or €290 million) to UK firms.
2 DIT is the UK official department that promotes British trade across the world, developing, coordinating and delivering trade and investment policy, providing support for inward and outward investment, and facilitating firms to export.

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number of their staff overseas to oversee those projects and organised a large-scale marketing campaign to encourage UK firms to sign up for these HVO. In Scotland, global sports events such as the Commonwealth Games, the Ryder Cup and Scottish Homecoming, generated many HVO projects for Scottish firms, worth multi-billions of pounds. With an estimated annual 30,000 sporting events worldwide, there are lots of feasible HVO for Scottish companies. Even though sport is just one of the main focuses of HVO besides gas and oils, manufacturing, construction, and healthcare, it has a significant impact on enhancing the number of HVO projects. Hence, based on their successful experience with the Commonwealth Games and London Olympic Games projects, SMEs are in a strong position to win contracts with games’ organisers worldwide.

1.4. Evidence of complementarity and/or overlap between the measure and other policy measures

The HVO measure complements other export initiatives introduced by the DIT, such as ‘Passport to Export’, ‘Trade Show Access Grant’, ‘Export Opportunities’, ‘Open-to-Export’ and other UK Export Finance (UKEF) services. These measures share the same objectives to serve exporters, provide information, consultancies and all export services to UK firms. However they provide more general support to export, rather than focusing on high value projects. Similarly, recent evidence from the UKEF during 2014-2015 indicated that its financial services contributed to help UK businesses to secure 38% of the contract value (worth €37.5 million) for Carillion’s work on the Dubai World Trade Centre. In this sense, the financial services from UKEF have contributed to complement the HVO scheme by providing access to finance to participating companies of that construction project in Dubai World Trade Centre.

2. Content

2.1. Objectives of the measure

The measure’s objectives were to:

- Identify prospects that offer high value opportunities to UK firms (both large and SMEs);
- Support UK businesses in developing and implementing strategies to win contracts of HVO; and
- Foster relationships with key UK businesses, provide information and support UK firms to build relationships with potential supply chain partners in order to fulfil the contracts of HVO, enhance the network of experts to support UK firms to prepare for the HVO.

There are no other objectives in this measure. As the HVO aims for long term projects, there is no specific target number of companies supported or the total amount of the value expected to generate.

2.2. General description of the measure

The HVO was a flagship trade initiative operated by the DIT. The HVO projects were worth trillions of pounds in total and cover a broad range of markets and sectors. The Scottish HVO measure is managed by the Scottish Development International (SDI) in partnership with the DIT team. Sponsored by Scottish Enterprise, SDI identifies, prioritises and delivers support to Scottish firms to win the HVO projects. Each HVO project had contracts with a total value of at least GBP 500 million (€578 million), of which half will be available for UK firms (about €288 million) and the rest will be covered by SMEs from other countries. This scheme provided the following support:
• **Consultation**: Support in the application process for the bid in terms of developing the proposal, planning, designing, and knowledge sharing (for example, about the market knowledge, regulations, updates on policy support, advice on how to access resources)

• **Networking**: Access to a network of internal and external advisers in the UK (for example, from DIT, UKEF, and key experts in the industry/business associations) and the overseas network of potential partners.

• Fostering relationship building and management in the application process for the HVO bids (for example, with private sector business specialists and other government departments in the UK and overseas).

2.3. Available budget

As of 2014, the annual budget of HVO for the whole UK was GBP 10 billion (or €11.6 billion) (National Audit, 2014). In 2012, the DIT announced an increase of the budget of GBP 45 million (or €51.2 million), of which GBP 10 million (€11.6 million) was used to target an additional 500 SMEs across the country each year to enhance their export. The remaining amount of GBP 35 million (€40.6 million) was used to increase the number of exporting SMEs to 50,000 between 2012 and 2015. The Scottish HVO programme was funded entirely by Scottish Enterprise. Unlike the DIT, Scottish Enterprise allocated their budget across sectors and departments. However, the budget for the Scottish HVO was not revealed due to the confidential policy of Scottish Enterprise. Since November 2016, the DIT closed the HVO programme. Instead of managing across sectors, the succeeding instrument will be sector and industry specific, so as to allow a tighter focus and more efficient management.

2.4. Target groups of the measure

The HVO targets all UK businesses, of any size, age and sector with any level of export experience. Regarding the Scottish HVO, the support was provided to any company registered in Scotland. However, as HVO projects were mainly found across 13 sectors such as oil and gas, renewable energy, science, construction, manufacturing and food and drink, firms in these sectors were more relevant to HVO scheme.

3. Relevance of the measure to SMEs/born globals and internationalisation

3.1. Relevance in relation to different types and stages of internationalisation

As mentioned in section 2.4, the HVO supported firms engaging in exporting at different stages (that is, beginner/infrequent/regular and established exporters), as soon as their profiles matched with the criteria of the HVO projects (for example, in terms of sector, products or services offering, experience in those target markets). As shared by the interviewee, Scottish Enterprise selected the HVO projects to offer to Scottish firms who are registered in their systems or associated network (such as Scottish Manufacturing Advisory Service and the Federation of Small Businesses).

3.2. Support for cooperation between SMEs/born globals and wider international collaboration (if any)

The HVO teams also support SMEs from inception including consulting, planning, design, engineering, constructing, and applying for high value projects. By fostering the collaboration between SMEs and between SMEs and large firms in undertaking the HVO, the measure supported SMEs to engage in supply chain processes and potentially have further international collaboration abroad with the overseas clients.

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3 HVO internal report, 2013
3.3. Contribution of the measure to tackle SMEs’/born globals’ internationalisation support needs

The HVO identifies large-scale global procurement projects and subsequent supply chain opportunities for UK firms. Hence, it contributes to meet the needs of SMEs by supporting them to increase their foreign sales and reach their target markets, in collaborating with other SMEs and large firms to pool their resources (for example, access to data, knowledge and advice), and building networks (Wilson Review, 2014). Accessing resources and accelerating sales in foreign markets are seen as some of the most challenging obstacles for international SMEs.

4. The operation of the measure

4.1. Promotion of the measure to internationalising businesses

The HVO was promoted directly by the DIT and Scottish Enterprise (SE) via their database of UK registered companies. The HVO advisers (from the DIT and SE) in different regions informed SMEs and large firms about the HVO and how they can get involved. The measure was also advertised via the DIT’s Business Opportunities website, and the platforms of other DIT’s internationalisation schemes such as ‘Open-to-Export’ and ‘Exporting is Great’. The HVO is also promoted via Chambers of Commerce and business associations (such as the Federation of Small Business), UK India Business Council and China Britain Business Council.

4.2. The process of application and assessment of applications

The process to apply for this measure was reported as being simple and informal. According to the interviewee, normally the companies were informed by the DIT/SE advisers through seminars, workshops and events organised by the DIT. The list of invited participants was based on their list of registered UK based companies, or the data obtained from the associated organisations with DIT/SE (such as Scottish Manufacturing Advisory Service (SMAS), the Federation of Small Businesses). For example, when the Scottish HVO team identified a large project in manufacturing, they contacted SMAS to identify potential companies who might be interested in and capable of contributing to the project (or joining a supply chain of large firms). In other cases, some SMEs approached the HVO teams to learn more about the process. If the companies were capable of managing the project, they would be instructed by the HVO’s advisers regarding the application process (that is, from both local and overseas where the project is based). The duration of this application process varied, depending on the type of sectors and the scale of the project, ranging from several weeks to several months. Overall, the DIT selected HVO projects based on the value and the balance between short and long-term benefits. Each project is assessed by the HVO team based on their identification of relevant UK firms’ capabilities and connecting SMEs with large firms to meet specific demand of different stages of the project.

4.3. Delivery mechanism of the measure

The HVO was delivered by the teams assigned by the DIT (for England and Wales) and Scottish Enterprise (for Scottish firms). SMEs could benefit by being informed about the opportunities early, coordinate with the HVO teams for long-term support before, during and after the bids. During its life course, there have been no changes in the methods of delivery.

4.4. Administration of the measure

The HVO was delivered by the DIT in partnership with Scottish Development International (SDI). The headquarters of the HVO teams for England, Northern Ireland and Wales was based in London, whereas the Scottish HVO team is based in Glasgow. All the activities and outputs of the project are managed by different HVO teams across regions and then the outputs are reported to the DIT and SE.

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5. Monitoring and evaluation

5.1. Monitoring of the implementation: method and contents

The operation of HVO was monitored monthly by the HVO teams from the DIT and SE. The headquarters in London and Glasgow collaborate closely to share the data and to manage the process to assess what works well and what needs to be changed. However, the method and contents were confidential to the internal teams of the DIT and SE.

5.2. Evaluation of the measure: methods and contents

The first and only external evaluation of the impact of the HVO on the supported firms was commissioned by the DIT to an independent organisation in 2013. The evaluation cost the DIT about GBP 40,000–60,000 (about €46,000–69,000). However, the name of the organisation, as well as the methods of evaluation, is confidential. The impact of the HVO was also evaluated by the internal HVO teams but the method and content could not be shared to the public either.

5.3. Any changes to the content or delivery of the measure following monitoring and evaluation

The only change of the measure was related to the increase in the number of supported HVO projects that were selected by the DIT and SE, as explained in section 1.3.

6. Evidence of outcomes and impact

6.1. Evolution of the measure’s spending

During the period 2012 to 2016, there was no information on the HVO’s history of spending.

6.2. The quantitative and qualitative outcomes of the measure

As the HVO measure normally deals with long-term projects (more than five years) it may take many years to evaluate the effectiveness of the HVO. Hence, there are no official statistics on the outcomes of the HVO projects so far, or the growth of participating firms. However, anecdotal evidence (see examples below) hints towards that these projects, to some extent, contribute to employment generation and firm growth, as well as to economic development.

Below are some examples of HVO projects (UKTI, 2011):

- **Etihad Rail Project** (Transport sector, UAE): This is an eight year project to develop a UAE wide rail network including a freight and passenger rail line. The project started in 2012, with the total value of GBP 7 billion (€8 billion) and the accessible value (that is the amount of the value that UK firms can bid for) of GBP 560 million (or €636 million).

- **Rio2016 Olympic Games Infrastructure** (Sport Infrastructure, Brazil): The project started in November 2011, providing opportunities for UK businesses to contribute to the development of infrastructure to support the delivery of the 2016 Rio Olympic Games. The total value of the project was GBP 10.4 billion (€11.8 billion), with the accessible value (that is the amount of the value that UK firms can bid for) of GBP 1.5 billion (€1.63 billion).

6.3. Impact of the measure on its beneficiaries and other actors

The impact of the measure on its beneficiaries is not publicly available. However, there is some evidence suggesting HVO’s impact on UK businesses’ growth and potential long-term partnerships or collaborations with foreign partners. For example, the Chinese healthcare project, valued at about GBP 2 billion (€2.3 billion), which included the construction and/or renovation of 30 general hospitals at provincial level, relocation of blood-banks and the establishment of research centres for specific...
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diseases, provided UK firms with lots of HVOs. This involved UK businesses in the pharmaceutical and medical devices industries, as well as the partnership opportunities between UK and Chinese partners in carrying out research and new product development. This project has provided wider opportunities for further UK/China collaboration in healthcare, arising out of China’s Healthcare Reform Plan from 2009 till 2020.

6.4 Evidence of economic and employment impact
Most HVO are long-term projects. Hence, the economic and employment impacts will take years to observe and no clear evidence is available yet.

7. Strengths and weaknesses of the measure

7.1. Strengths of the measure
The HVO programme provides small and large firms support to access to and apply for high value projects which would otherwise be difficult for each individual company to bid for. The DIT and HVO team hence not only contribute to identify the opportunities but also help to integrate UK companies to the global supply chains and support in terms of information, consultation and networking. Another advantage of this scheme is to raise awareness of UK firms about HVO projects by informing them directly and support them throughout the process of application for the bid. In addition, the programme also fosters the cooperation between SMEs and between SMEs and large firms in fulfilling projects.

By joining the HVO scheme, the beneficiaries had the chance to access HVO projects, applying and having opportunities to win high value contracts, which could help firms to accelerate their growth, international activities and profitability. In addition, they could take advantage of a wide network of experts and potential partners in the industry to enhance their access to resources.

The scheme can be transferred to other context, providing that there are sufficient resources to strengthen the dialogue between the government and the industry in seeking for HVO projects abroad, the coordination between SMEs and large firms in the supply chain, and regular monitoring and follow-up of not only the application process but also the implementation process in order to evaluate the actual performance.

7.2. Weaknesses of the measure
The HVO programme reveals some weaknesses, for example, there is no clear reasoning for their definition of HVO project and why it is only applicable to projects over GBP 250 million (€290 million). In addition, there is no clear instruction of how SMEs can engage into such high value projects. This is a shortfall of the programme because even if some SMEs might not be capable of handling the project, they may undertake a part of the work as subcontractors or collaborate with other SMEs and large firms to apply for the bid. In addition, the lack of transparent monitoring and evaluation of the HVO regarding the effectiveness of the scheme in supporting firms and its outcomes may confuse SMEs in considering the costs and expected value gained from participating into the HVO.

7.3. Evidence of policy learning over time
The process of developing and implementing the HVO programme has been based on DIT’s and SE’s experience of past internationalisation support policies for UK businesses. For example, the European Enterprise Network Scotland is funded by SE, which seeks partnering opportunities between Scottish and foreign companies in fulfilling large projects. However, the HVO programme is the first one which aims to focus on such high value projects of over GBP 250 million (or €290 million). However, the absence of a formal evaluation will impede subsequent policy learning.

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8. Recommendations

8.1. Overall recommendations regarding the measure

Overall, the HVO was perceived to operate well by the interviewee. According to the interviewee, the programme could be improved by tightening the collaboration and coordination between the DIT and SE to identify what works best and what did not work.

8.2. Recommendations regarding the national support to SME/born globals’ internationalisation

In order to enhance the national support to SME/born globals’ internationalisation, it is important to have transparent sharing of knowledge and information between the DIT and SE, as well as to have a stronger communication with the industry to identify their needs and make them aware of the measure. Additionally, there should be a clear and shared definition of an internationalising SME between the DIT and SE. For example, the SE defines an international SME as a company trading overseas without setting any minimum foreign turnover. On the other hand the DIT defines an international SME as a firm that must meet a certain percentage of foreign sales annually. A further recommendation is related to the costs of some of the exporting services charged by the DIT, which should be exempted in order to promote exporting.

8.3 Any gaps in the provision of policy support and suggestions

From the interviewee’s perspective, the coordination and communication between the DIT and SE should be enhanced. The changing structure of the DIT may make it difficult for businesses to understand what support is available for export activities. This is further compounded by the uncertainty of Brexit.
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References

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