

Making A Difference

WDA Corporate Plan 2002-2005

1. OUR MISSION: ACHIEVING PROSPERITY THROUGH BUSINESS SUCCESS

Wales has seldom faced greater challenges or seen greater opportunities than it does today. The world and Wales are changing more rapidly than ever before and Welsh businesses must become continually more competitive to succeed. We must not be complacent about the present and we cannot simply rely on the methods of the past.

The Welsh Development Agency (WDA) shares the long-term vision of the National Assembly for Wales (NAfW) to achieve:

*a prosperous Welsh economy that is dynamic, inclusive and sustainable,
based on competitive business and skilled and motivated people”*
(National Economic Development Strategy Consultation Document, 2001)

The contributions of businesses, people and communities to a successful Wales are interwoven. None can thrive independently. We can only succeed as a nation by working as partners, recognising our individual strengths, to maximise the collective impact of our efforts.

The best measure of the WDA's success lies in the success of its customers, the businesses, people and communities of Wales. Businesses after all, not Development Agencies, create prosperity. Our role is to deliver solutions for our customers which support and sustain their success.

This plan contains a renewed commitment to meeting the needs of our customers and particularly businesses which remain the Agency's primary focus. We recognise our activities are not ends in themselves and must be measured by the outcomes they achieve. We are therefore introducing new performance measures for ourselves to reflect the performance of businesses and communities.

2. OUR ROLE

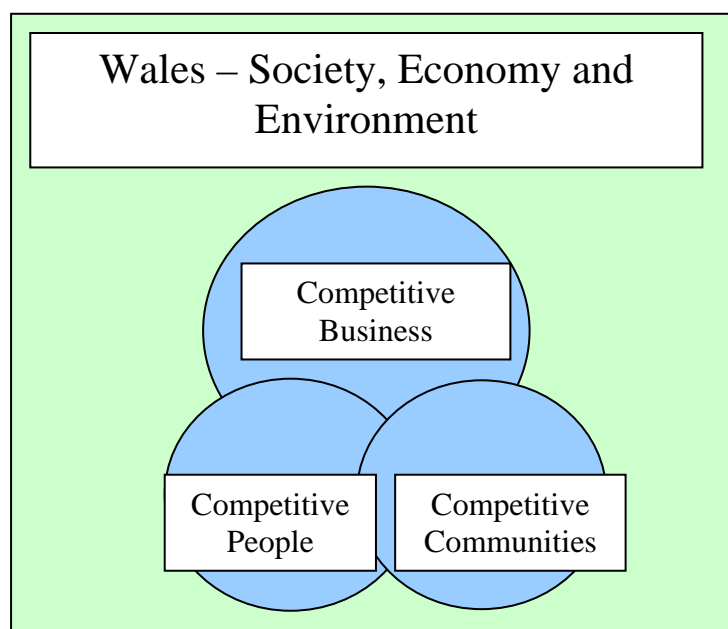
The WDA is the lead body for economic development in Wales. Our main role is to support and sustain business success. Businesses must be and remain competitive to survive and prosper, whether they are start-ups, SMEs, multinationals, new investors from overseas or social and community businesses.

The WDA cannot change interest, taxation or exchange rates. Nor does it have limitless resources. Our role is to provide the right environment and solutions for businesses to prosper in both the local and the global marketplace. We must respond to the needs of businesses across Wales and complement, not duplicate, private sector provision. We will continually assess our own actions and performance using the measures by which businesses judge their own success.

We also recognise there is a supportive relationship between businesses, the people they employ and the communities they operate in and serve. Our work cannot and should not be confined to helping businesses alone. Our activities in regeneration and entrepreneurship, for example, both support business growth and have a positive impact on people and communities. Success for Wales depends on the competitiveness of our people and their communities, and their contribution to our shared vision. The NafW's cross-cutting themes of sustainability, equal opportunities and social inclusion must therefore be more than a vision and the WDA has moved quickly to make these factors an integral part of its decision-making.

We recently introduced our operational framework for sustainability, 'Learning to Work Differently', and have started to measure the impact of our activities on minority groups. We are also working with community groups to identify how we can maximise our impact on social inclusiveness. At the same time, the WDA recognises the lead role of ELWa in developing the people skills of Wales and likewise the lead role of local authorities in partnerships to develop community strategies which improve the economic, social and environmental well-being of their areas.

The inter-relationship between businesses, people and communities is shown in the following diagram. Our focus is on competitive businesses, represented by the larger circle but many of our activities simultaneously support people and communities.



3. OUR PRIORITIES

The reasons underlying Wales' relatively poor economic performance have been documented in betterwales.com and the draft National Economic Development Strategy. These include an over-dependence on low added value products, a low level of business start-ups, too high a percentage of Wales' potential workforce being economically inactive and many communities suffering from isolation and depopulation. These issues have also been recognised by the European Commission, particularly with the designation of Objective One status in West Wales and the Valleys. We shall continue to focus on these issues during the period of the plan, maximising, where appropriate, the enhanced funding opportunities from European Structural Funds.

Innovation and Adding Value

Welsh business is under increasing cost competition from overseas, combined with global over-capacity in some sectors. These factors underlie the recent Corus announcements on their steel plants in Wales and a number of other cutbacks and closures; for example, in the textiles and consumer electronics sectors.

Companies in Wales must move up the value chain, developing more innovative and profitable products. A notable success is the Ford engine manufacturing facility at Bridgend, now the European centre for engine production for Ford's Premier Automotive Group.

Generating More New Businesses

A vibrant economy has a healthy mix of home-grown businesses and those attracted from outside. Wales has too few of both. We suffer from a low business birth rate. Through the Entrepreneurship Action Plan we will strive to generate an entrepreneurial culture across Wales and provide support to new and existing businesses to help them survive and flourish.

Investing in the Digital Age

To remain competitive, businesses in Wales must grasp the opportunities presented by the e-business revolution. The current utilisation of information and communications technology by Welsh businesses is too low. We also urgently need a comprehensive information infrastructure across Wales to provide access to high-speed bandwidth at competitive cost, irrespective of the size or location of the business.

Supporting the Rural Economy

The recent Foot & Mouth disease (FMD) outbreak has brought into sharp focus the fragile state of the rural economy in Wales. Agriculture is a mainstay not only of the rural economy but also the landscape and fabric of rural communities, particularly in Welsh-speaking areas. Whilst there is an immediate need for support in the areas affected by FMD, this must not overshadow the deep-rooted structural problems facing rural areas. These call for long-term solutions and commitment. Farm businesses need to diversify and develop added-value products and the significance of environmental management, tourism and micro-businesses to the rural economy must be fully recognised and supported.

4. OUR CUSTOMERS

Our activities are not ends in themselves but means of supporting our customers. They must deliver tangible outcomes which impact on business success. Businesses measure their success, which has a direct bearing on economic prosperity, through their Profit & Loss Accounts and Balance Sheets. Likewise, the solutions we deliver have to be capable of clear measurement in order to monitor our performance and demonstrate value for money.

Our actions must also be locally responsive and reflect the differing needs and opportunities arising across Wales.

A straightforward measure of business success is increased sales, which can be closely correlated with profitability. Success can be achieved by:

- Increasing Market Share
- Entering New and More Profitable Markets
- Developing New and More Added Value Products and Services
- Improving Productivity
- Improving Efficiency

Supporting Competitive Businesses

To better serve our customers, we have to better understand their needs. Strong relationships have to be created first before such an understanding can be achieved. We look forward, following the recommendations of the Business Support review, to working with our partners in the Business Connect consortia to deliver high quality, impartial business advice and information.

Through dedicated account management, we focus more specific resources on those companies with high growth potential and those which are of significant local importance within communities. We operate specialist programmes aimed at achieving benefits for our customers at the bottom line: increasing market share, developing new markets and products, and achieving productivity and efficiency gains.

- Helping to increase market share:

Businesses can increase their market share by participating in supply chain networks; for example, the automotive industry's **Accelerate Wales**, programme which enables them to meet the criteria of major customers through sharing best practice. Application of ICT through the **Wales Information Society smE-Business** programmes enables rapid communication links between buyers and suppliers, reducing product development time and providing world wide access to potential customers through the Internet.

Support for investment in research and development; for example, **Finance Wales' Technology Growth Fund** allows companies to bring new products to market more rapidly, maintaining their competitive edge. Sourcing programmes such as **Winning Business** will identify new buyers for existing products and advise companies on potential new markets.

- Helping companies to enter new and more profitable markets:

As markets mature, successful companies need to either diversify or find new markets for existing products. Investment in ICT with the support of the **Wales Information Society** programme and understanding the opportunities presented by the Internet can widen access to markets. The Source Wales programme, **Winning Business**, identifies and acts as an intermediary between new buyers and potential suppliers, enabling companies to recognise opportunities for expansion. Businesses are assisted to identify new markets and supported with practical advice to develop new, improved or diversified products and processes to meet those opportunities. The emerging **Business Birthrate Strategy** encourages increased entrepreneurship and enterprise.

- Helping to develop new & more added value products and services:

The establishment of Industry Fora in key sectors; for example, the **Automotive Forum**, the **Aerospace Forum** and the **Optoelectronics Forum**, and participation in supply chains and networks encourages businesses to identify the particular threats and opportunities facing their sector. They may then collaborate to introduce new products, to move up the value chain or to consider other options. **Innovation and Technology Counsellors** forge links between business and academia to encourage the application of new materials and new processes for increased added value. The **Centres of Expertise within the Universities** provide the potential for commercialisation of academic research. Targeting **inward investment** in high growth sectors brings with it new and innovative products which generate increased demand in UK and European markets. These companies have demanding standards and encourage innovation in local suppliers. The **Entrepreneurship Action Plan** specifically supports the creation of new and innovative companies providing new products and services. **Finance Wales** provides start up and venture capital with support and advice.

- Helping to improve productivity:

Working together in networks using programmes such as **Accelerate Wales** and **Environmental Goods and Services** provides companies with expert support to develop improved productivity through shop floor improvements, linking buyers and suppliers to achieve quality standards and securing manufacturing efficiencies such as reduced defect rates. Collaboration between industry and academia through the **Techniums** and the **Centres of Expertise** provides access to such services as rapid prototyping, helping SMEs in particular to have access to the latest technology. **Know-how Wales** creates the link by bringing business and academic partners together to solve problems. The major asset of any business lies in its workforce. Valuing and rewarding people is a major objective of the **SME Equality** project aimed at encouraging best practice in equal opportunities.

- Helping to improve efficiency:

Diagnostic services will be the first step to identify key issues which impact on a companies bottom line. Best practice programmes within **clusters and networks** will help companies to achieve cost savings through shared procurement of materials, improved efficiencies through team working, reducing defect rates and reducing the time to market.

Collaboration through **Industry fora** and interest groups can result in shared marketing capability, partnering with the WDA and WTI to promote Welsh based companies in international markets. Application of ICT to manufacturing, delivered through the supply chain process accelerates lead times from design to production, reducing costs.

THE TECHNIUM CONCEPT - AN EXAMPLE OF INTEGRATED SUPPORT FOR BUSINESS.

Technium provides state of the art premises for new and growing companies, ranging from “spin-outs” to multi-materials, with on-site specialist business and technical support.

However, the Technium concept is more than bricks and mortar. One key to the success of the pilot Swansea Technium is the link with the Centres of Excellence in R&D and training at the University, reinforced by a broadband connection, and close working relations with Sector Fora. With the business plans of Technium occupants projecting substantial growth, it is essential that suitable “pavilion” premises are available nearby for expansion.

Swansea Technium will act as the hub for a network of Techniums across South West Wales, each covering a specialist sector, with links to a Sector Forum and the research capabilities of local Higher Education. Plans include a Bio-Technium at the National Botanic Garden of Wales and an Auto-Technium at Pembrey Race Circuit.

Regional Techniums are proposed for Bangor, (with its satellite Opto-Electronics Technium at St. Asaph), Aberystwyth and South East Wales, as are further Techniums and Pavilion Developments covering aerospace, e-media, and other key Sectors.

The shortage of suitable sites and premises for businesses and good quality housing for people remains a hurdle to growth in many parts of Wales. Our Regional and Land Divisions will continue this important role where private sector provision is inadequate or absent. We have recently introduced new grant schemes for the development and improvement of premises. These are available to private sector developers, large companies and SMEs across the whole of Wales. Increased emphasis will be given to providing high technology facilities such as incubator units, ‘pavilion’ developments, customer contact centres, etc. to reflect the importance of attracting higher added value operations. We look forward to the introduction of the NAFW’s ‘Spatial Planning Framework’ which will streamline the development process.

- **Support for Competitive Communities**

We will continue our long-term partnership work with local authorities in developing and delivering holistic community regeneration plans, noting the increased focus on this area signalled by the launch of the NAFW’s ‘Communities First’ initiative.

Our support for these plans is delivered through our **Community Regeneration ‘tool kit’**. This combines activities such as **Land Reclamation, Environmental Improvement** and **Urban Regeneration**, community capacity building and business support activities pioneered in the successful **Market Town** and **Small Towns and Villages** initiatives. This calls for commitment and co-ordination by the partners, who are themselves major players in the local economy, to invest in long term strategies for which returns may not be generated within a decade.

- **Supporting Competitive People**

Our key contribution to supporting competitive people is to provide them with the means and opportunity to enter the workforce, by encouraging the start-up and expansion of businesses both in and into Wales.

Our support for businesses has implications for the managers that run them and the people they employ. The WDA will help identify and feedback to ELWa through close working relations at national, regional and local level the future skills and training needs of business.

We are also aware of the requirement for women and other under-represented groups including young people, Welsh speakers, ethnic minorities and the over-50's to enter employment and set up their own businesses with the support of the **Entrepreneurship Action Plan**.

5. OUR CULTURE AND VALUES

As our focus is on competitive businesses, it follows that we should adopt business best practices in the way we go about our own business.

Successful companies share a number of characteristics:

Investment in their people and managers, valuing and rewarding their contribution to business success in an open and transparent manner;

Investment in research and innovation to develop new products, processes and services to meet new market opportunities;

Use of ICT to improve productivity and access to new markets, customers and suppliers;

A focus on the needs of their customers, and on networking with other companies in their sector, benchmarking their performance;

A commitment to continuous improvement with links to the education sector on research, training and recruitment requirements.

In order to mirror these characteristics within the Agency, we shall:

- implement a HR Strategy which seeks to balance the needs and career aspirations of individual employees with the need for the Agency to achieve its business objectives. In support of this objective, the WDA will seek recognition as an *Investor in People* in 2002.
- adopt new technologies and ensure the effective management of change in order to support new ways of working through the adoption of e-business practices and in implementing new employment strategies; e.g. an e-learning strategy which will give staff the opportunity to develop skills through computer based learning at a time, pace and place of their choosing.
- continuously improve our employment practices and service delivery standards to customer groups. This will include the development of a flexible recruitment process, greater use of job-sharing and other flexible working arrangements geared at achieving an optimum work-life balance. We will also review our Jobs & Pay scheme in order to ensure that staff are effectively and fairly rewarded for their contribution to the Agency's success. We will continue to work towards mainstreaming equality of opportunity into our organisational culture and training will be given to all staff to ensure we do not discriminate in both our service delivery and employment practices.
- promote a unified organisational culture which is client-focused, inclusive, yet which values diversity, both in terms of individual employees and the need to respond to wider client needs. We will continue to forge links with educational institutions (e.g. through the continued development of accredited training programmes) as well as further developing our relationship with the NAFW and other ASPBs through networking, staff exchanges and secondments.

6. OUR PERFORMANCE

We shall introduce, within the Plan period, innovative additional measures of Agency performance. Many of our existing measures record in detail the level of our activities but do not explicitly demonstrate the added value we bring to our customers and to Wales. Our new performance measures will focus on those factors identified as critical for successful business and will help us to direct resources to best effect.

Given that it is business success that drives prosperity, the new measures will allow the contribution of the Agency to be fully assessed in business terms. Hence, the new measures will seek to identify the difference that the Agency makes to key business indicators directly and indirectly effect GDP. These include business turnover, wage spending and consequent jobs. Information on business performance will be collected through the Agency's account and programme management systems, complemented by a full programme of evaluations and the benchmarking of business performance in Wales. We will share with the NafW a strategy for research and evaluation and ensure that '*What works in Wales*' is widely disseminated.

It will inevitably take time for new information systems to be applied, since these involve quantifying changes in business performance. Given the time-lag between developing the information systems and their application in monitoring performance over time, the Agency will continue to use existing performance indicators in parallel with the development of new measures. For the coming year, the Agency proposes, using existing indicators, a total target of 24,300 jobs in Wales, created and supported as a result of Agency activity.

Agency Performance Targets, 2001/02

Outputs	2001/02
Jobs Created and Supported	24,300
Private Sector Investment £m	539
Start-ups	4,236
Land Reclaimed/Sold Ha	185
Floorspace Completed m ²	95,900

As the new information systems begin to take effect, new business indicators will be introduced alongside our traditional measures. The table below provides a tentative translation of our current *output measures* into the *impacts* that might be anticipated from our new measurement system. This should, however, be treated with extreme caution.

Indicative Impacts 2001/2

Outcomes	2001/02
Impact on GDP £m	462
Wages £m	282
Turnover £m	1,058
Jobs	13,350

These figures have been calculated using a discount factor in line with the recent RSA evaluation report for DTI, NafW and the Scottish Executive. However, other indicators could suggest a higher figure, particularly for higher added-value jobs.

Appendix 1

	2001/02	2002/03	2003/04	2004/05
<u>EXPENDITURE AND FUNDING SUMMARY</u>	Forecast Outturn £'000	GIA £'000	GIA £'000	GIA £'000
<u>EXPENDITURE SUMMARY</u>				
Programme Expenditure	200,718	151,631	144,231	146,031
Additional European Funded Projects		39,100	31,000	31,000
Total Programmes	200,718	190,731	175,231	177,031
Ring fenced NAW special projects				
Special Projects Fund	15,000	5,000	5,500	5,700
	5,156	15,000	15,000	15,000
Total Special Projects	20,156	20,000	20,500	20,700
Management Running Costs	33,053	33,050	33,050	33,050
VAT/Taxation	2,500	2,500	2,500	2,500
ECSC/NLF Deficit	1,500	1,500	1,500	1,500
TOTAL (EXCL. LAND DIVISION)	257,927	247,781	232,781	234,781
Land Division Expenditure	16,303	21,282	21,282	21,282
Land Division MRC	2,018	2,018	2,018	2,018
TOTAL EXPENDITURE	276,248	271,081	256,081	258,081

<u>FUNDING SUMMARY</u>				
Assembly Core Funding				
Grant-in-Aid				
Current Expenditure (inc. running costs)	48,917	59,567	60,567	62,067
Capital expenditure	106,613	110,015	115,015	119,715
CBDC Inheritance (Bute Avenue)	5,000	5,500	5,700	6,000
NLF/PDC	599	599	599	599
Original Receipts Forecast	(30,000)	(30,000)	(30,000)	(30,000)
Total Core Assembly Funding	131,129	145,681	151,881	158,381
Assembly Project Funding *¹	30,303	27,000	16,900	15,400
Self Generated Receipts				
Revised Forecast Receipts	29,624	21,000	18,000	15,000
Special Projects Receipts	5,156	15,000	15,000	15,000
European Receipts *²	34,523	25,100	16,000	16,000
Additional Match Funding	27,192	14,000	15,000	15,000
TOTAL (EXCL. LAND DIVISION)	257,927	247,781	232,781	234,781
Land Division Funding * ³	19,058	23,300	23,300	23,300
TOTAL FUNDING	276,985	271,081	256,081	258,081

*¹ This is funding provided for specific projects e.g. Broughton Expansion, Addressing impact of Foot & Mouth Etc.

*² Years 2001/02 & 2002/03 include receipts from both new and old (pre 2000) structural fund programmes

*³ Includes unspent cash carried forward from 2000/01

The Assembly will be operating on a full Resource Accounting and Budgeting system from the 2002/03 financial year and consequently the current budget planning round will need to take into account the adjustments necessary to cover the additional charges associated with the Resource Budgeting regime. Therefore, in addition to the above expenditure and funding summary, the Assembly has agreed that additional budget for the volatile items of the new regime, which is classified as Annually Managed Expenditure, will be as follows:

	2002/03	2003/04	2004/05
Cost of Capital Charge	11,368	10,518	10,518
Depreciation	1,400	1,400	1,400
Property Revaluation Deficit	27,019	25,324	25,324
Provisions	1,100	1,100	1,100
Total	40,887	38,342	38,342

Due to the very nature of these additional charges, forecasting with any degree of certainty is extremely difficult and consequently the Agency will be seeking to amend its Annually Managed Expenditure budget as outlined above in light of up to date circumstances during its Business Planning process.