
Measuring the
impact of
incubation at
Cockpit Arts

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Cockpit Arts &
Pro Bono Economics

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PRO BONO ECONOMICS

COCKPIT ARTS

Introduction

Cockpit Arts is a social enterprise and the UK's only creative business incubator for designer-makers. It supports the creative talent of 165 resident designer-makers to grow their businesses and hundreds more through a dedicated professional development programme.

Pro Bono Economics matches volunteer economists with charities wishing to address questions around measurement, results and impact.

Cockpit Arts approached Pro Bono Economics in 2010 as they were interested in exploring the value of the data they were collecting, what it could contribute to their future business planning and whether any additional data collection from their clients would be worthwhile.

Key issues that Cockpit Arts were interested in addressing were:

1. How can Cockpit Arts continue in developing their own business model to increase surpluses and sustainability and operate as a social enterprise?
2. How can Cockpit Arts improve impact measurement and use this information to generate income and make decisions about investment.
3. How can Cockpit Arts continue to build their sector knowledge base, through practice and research?

A collaborative project between Pro Bono Economics and Cockpit was established and ran from Summer 2010 to Spring 2012. The project explored a number of topical issues likely to be of wider relevance to both creative business incubators and social enterprises. This report outlines the different stages of the project and summarises the outcomes.

Project Outline

The overall aim of the project was to identify the factors associated with the growth of designer-maker businesses that Cockpit Arts supports. It attempted to explore which aspects of the Cockpit Arts incubation process are generating both tangible financial and less tangible non-financial outcomes.

Four stages of research were carried out during the project, which incorporated:

1. An initial data analysis to scope the impact of designer-maker growth over time.

2. An econometric study to investigate the impact of support provided to designer-makers.
3. Contribution to a specific Social Return on Investment (SROI) study undertaken on a specific part of the Cockpit Arts support package, the Business Growth Loan Scheme (BGLS).
4. Informed by the previous stages, the design and analysis of a research survey undertaken with the designer-makers to explore their views on the support options provided by Cockpit Arts.

Data Analysis

The data analysis identified a number of factors that were significant in explaining turnover and profit among businesses at Cockpit Arts. Initial scoping through econometric analysis was attempted to see if the data could provide evidence of a direct relationship between the support provided by Cockpit to designer-makers and the growth in turnover, profit and drawings. It proved to be difficult for robust econometric results to be produced, due to the large number of potential explanatory variables, and the need for a longer time series of data. It became apparent that the collection of additional data alone would not improve the analysis, but that this would best supported through qualitative and social impact approaches.

Econometric analysis

Following a review of the initial data, a formal piece of econometric analysis of the data was conducted by Vinal Karania. The main effect assessed was the impact of the business development support provided by Cockpit Arts on the turnover of designer-makers, and whether this impact differed by the type of support they accessed. The analysis concluded that there was tentative evidence to suggest that providing support to designer-makers increased turnover by around 16%, although there was a high level of uncertainty surrounding this estimated figure. This is because the size of the data sample held by Cockpit limits the ability to test for the influence of unobservable factors, such as the ingenuity and skill of the designer-maker, which could mean that the estimated figure is biased.

Social Return on Investment (SROI) evaluation

Cockpit Arts piloted a Business Growth Loan Scheme (BGLS) between 2006 and 2010 supported by the Esmée Fairbairn Foundation. The BGLS provided loan funding to support the further development of the designer-makers participants. Dedicated support was provided to those receiving the loan, with some additional participants also just receiving support. Conclusions from the data analysis helped to inform a wider Social Return on Investment evaluation undertaken for Cockpit by Social Value Lab & EKOS in December 2010. This study estimated that for every £1 invested in the BGLS a social value in the range of £2.01 to £3.36 was created.

Survey of designer-makers

Having undertaken data analysis, the final stage of the project was to utilise the information to undertake market research with the designer-makers. This was to inform the future business planning of Cockpit Arts, particularly for questions on what services should be provided given limited capacity. Exploration of designer-makers preferences for services, their Willingness to Pay (WTP) and how this changes as the businesses develop were all relevant factors. The survey results confirmed which incubation products and services were of most value to designer-makers at Cockpit Arts from a detailed list. Analysis of the results highlighted which products and services should remain as core elements of the incubation offer, as well as which new products and services might be introduced.



Project outcomes

Findings from the data and econometrics analysis have been incorporated into a report entitled *The Cockpit Effect - Incubating Craft Businesses and Defying the Downturn*, published in May 2012. Both this report and the *Evaluation of the Business Growth Loan Scheme* can found on the Impact & research pages of the Cockpit Arts website:

<http://www.cockpitarts.com/support-cockpit-arts/our-research>

About the author and acknowledgements

Iain McGuffog works for South West Water as Economic Regulation Manager, having previously worked in the chemical, consumer electronic and rail industries. He is a fellow of the Chartered Institute of Management Accountants and represents Water UK on the economy and finance working group of EUREAU (the European Federation of National Associations of Water and Waste Water Services). He is responsible for economic regulation and its alignment with the overall business and financial strategy, revenue and tariffs, competition policy and economic and financial tools including cost benefit analysis.

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