

Evaluation of the Industrial Research Assistance Program (IRAP)

EVALUATION REPORT SUMMARY

June 16, 2017



Prepared by:

Office of Audit and Evaluation
National Research Council Canada

Approval:

This report was approved by NRC's President on June 16, 2017.

SUMMARY REPORT

Program description	Total costs (contributions and operational costs)										
<p>Established in 1962, IRAP is an NRC program aimed at providing innovation assistance to Canadian small and medium sized enterprises (SMEs). The mandate of IRAP is to “stimulate wealth creation for Canada through innovation,” and its mission is to “accelerate the growth of SMEs by providing them with a comprehensive suite of innovation services and funding.”</p> <p>To achieve its objectives, IRAP provides advisory services, funding contributions to firms and organizations and support to other government departments. IRAP is delivered nationwide by a network of over 230 Industrial Technology Advisors (ITAs) across five regions: Atlantic & Nunavut, Quebec, Ontario, Prairies and Pacific.</p>	<p>Financial (actuals) in millions \$</p> <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Total Costs (millions \$)</th> </tr> </thead> <tbody> <tr> <td>2012-13</td> <td>245.67</td> </tr> <tr> <td>2013-14</td> <td>278.7</td> </tr> <tr> <td>2014-15</td> <td>264.38</td> </tr> <tr> <td>2015-16</td> <td>289.66</td> </tr> </tbody> </table>	Fiscal Year	Total Costs (millions \$)	2012-13	245.67	2013-14	278.7	2014-15	264.38	2015-16	289.66
Fiscal Year	Total Costs (millions \$)										
2012-13	245.67										
2013-14	278.7										
2014-15	264.38										
2015-16	289.66										

Scope and methodology	Challenges and mitigation strategies
<p>An evaluation of IRAP was completed in June 2017. As mandated by the Financial Administration Act, an evaluation of this program is carried out once every five years. The evaluation covered fiscal years 2012-13 to 2016-17 and focused on three key areas: rationale, impact and delivery of the program. The implementation and early impacts of the Concierge service were also assessed. The evaluation was jointly conducted by NRC’s Office of Audit and Evaluation and KPMG LLP. This hybrid approach ensured the capacity and required expertise to conduct all aspects of the study.</p>	<ul style="list-style-type: none"> • Small sample sizes for interviews of funded firms and interviews with Concierge clients. All findings from these methods were supported by at least three other data sources. • Potential for response bias in the survey of unfunded advisory clients. Findings were supported by the other data sources. • Uncertainties underlying the results of the partial cost-benefit analysis which are mitigated through sensitivity tests (providing upper and lower bounds and three discount rates).

Overall evaluation findings

The evaluation found a sound rationale for IRAP. The program addressed a need for SME innovation support and played a key role in federal government policies related to business innovation. IRAP accomplished this through the complementarity of its advisory services and financial contributions to SMEs. There is evidence of some collaboration between IRAP and NRC research portfolios; and steps are being taken to further increase collaboration. Evaluation findings suggest potential to develop a better understanding of IRAP’s reach as well as potential to support new clients who face barriers in accessing IRAP.

IRAP positively impacted their client SMEs. Advisory services, funding to firms and funding to organizations all played an important role in this success. This, in turn, facilitated the growth of IRAP

clients. IRAP also resulted in positive economic benefits, with the evaluation demonstrating that the benefits far outweighed the cost of the program almost 5 to 1.

IRAP had structures and process in place to manage the program such as guidelines, service standards, a web-based management system and client portal. Further improvements to these could increase efficiencies. The Dialogue exercise undertaken at NRC identified similar priority areas for improvement. What significantly impacted IRAP's capacity to work efficiently was a lack of appropriate ICT tools and IT support.

The evaluation found that Concierge provided an important service to those who accessed it. However, reach and impact of the service was limited due to few resources available for its delivery. Therefore, Concierge's delivery model has evolved to make the best use of its resources while addressing current government priorities. Recently, Innovation Advisors have focused on later stage, high potential clients, in particular, through participation in the Accelerated Growth Service.

Recommendations	Management response
<p>1. Develop a better understanding of the population of potential IRAP clients (SMEs that have the potential and willingness to grow through innovation.</p>	<p>Recommendation accepted.</p> <p>IRAP has an extended network of Industrial Technology Advisors (ITAs) located across the country. These ITAs build strong engagement with SMEs, and interact with the broader business community in general, with a view to understand and address pressing innovation challenges. Through its service offerings of advisory services and funding, IRAP reaches over 10,000 SMEs annually. IRAP understands that its reach doesn't encompass all potentially eligible clients. The program will prepare an analysis on the characteristics and profiles of SMEs that can qualify for IRAP assistance, in order for it to fine-tune its outreach approach.</p>
<p>2. Develop a targeted outreach strategy to identify new, high potential clients within this population.</p>	<p>Recommendation partially accepted.</p> <p>IRAP's client base is directly related to the size of its funding envelope. IRAP's Portfolio Management Approach focusses on SMEs with a high potential for growth. Should the existing intake of new clients not have sufficient high potential growth firms, IRAP will build upon the findings of the report on SME characteristics and profiles, and devise a targeted outreach strategy. On a need basis.</p>
<p>3. Develop more comprehensive guidelines and consistent practices regarding the advisory services that need to be tracked (including unfunded firms) and a process for consistently tracking firms served by funded organizations.</p>	<p>Recommendation accepted.</p> <p>IRAP has in place a client management system (Sonar) with functionality to capture advisory services. In order to strengthen the value added of its information, IRAP will develop and implement expanded guidelines with regard to the provisioning and tracking of advisory services to funded and unfunded firms. IRAP currently administers an annual Post-Service Assessment (PSA). The PSA is</p>

Recommendations	Management response
	<p>administered to SMEs who received services from CTOs in order to gather performance information. IRAP will revisit its approach to PSA to ensure consistent and timely access to performance information.</p>
<p>4. Increase support to SMEs for the preparation of proposals (i.e., templates for financials and business plans).</p>	<p>Recommendation accepted.</p> <p>The IRAP Innovation Portal (IIP) is a web-based tool that allows, among other functions, clients to prepare and submit their project proposal on-line.</p> <p>IRAP will seek feedback from staff on specific areas wherein clients are experiencing challenges and, where appropriate, prepare additional training or guidance material to assist them in leveraging IRAP support.</p>
<p>5. Review the approvals process for projects to facilitate greater efficiencies.</p>	<p>Recommendation accepted.</p> <p>IRAP program design is predicated on identifying and applying continuous improvements. It typically has a team or teams addressing challenges or opportunities specific to improvement initiatives.</p> <p>Related to project approval, IRAP will explore streamlining the processes with an emphasis on simplifying the procedure while keeping appropriate controls in place.</p> <p>IRAP will leverage findings from an initiative to ‘re-imagine’ its client portal, the IRAP Innovation Portal (IIP). These improvements are expected to lead to reduced administrative burden on SMEs.</p>
<p>6. Consult with the regions to identify and implement changes to the client management system that best meet the needs of delivery staff.</p>	<p>Recommendation accepted.</p> <p>IRAP will leverage the Program Delivery Advisory Committee (PDAC), whose role is to review and support the implementation of proposed program improvements while balancing stakeholders’ perspectives and organizational change management capacity, under the auspices of IRAP’s Senior Leadership Team.</p>
<p>7. Implement the best service delivery model for Concierge based on evolving Government requirements.</p>	<p>Recommendation accepted.</p> <p>Concierge is a complement to IRAP’s suite of services for innovative SMEs. Since its inception, Concierge has progressively updated its service offerings to address gaps experienced by innovative SMEs. This Concierge service delivery model will continue to evolve, further confirming and updating its objectives in order to support</p>

Recommendations	Management response
8. Develop and implement an operational plan appropriate for the evolving needs for Concierge.	the Government's Innovation Agenda as it moves into full implementation. Recommendation accepted. Building on the Government's Innovation Agenda and in support of Concierge strategic objectives, a supporting Concierge operational plan will be developed and implemented.