



Evidence Review 2

Business Advice

Updated June 2016



what works centre for
local economic growth



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Preface

This report presents findings from a systematic review of evaluations of business information, advice and mentoring programmes ('business advice') aimed at improving business growth and other outcomes.

It is the second of a series of reviews that will be produced by the [What Works Centre for Local Economic Growth](#). The What Works Centre is a collaboration between the [London School of Economics and Political Science](#), [Centre for Cities](#) and [Arup](#) and is funded by the [Economic & Social Research Council](#), [The Department for Communities and Local Government](#) and [The Department for Business Innovation & Skills](#).

These reviews consider a specific type of evidence – **impact evaluation** – that seeks to understand the causal effect of policy interventions and to establish their cost-effectiveness. To put it another way they ask 'did the policy work' and 'did it represent good value for money'? By looking at the details of the policies evaluated we can also start to answer questions about delivery issues – for example, whether business advice policies which use managed brokerage (i.e. a 'hands-on' approach) perform better than programmes that are light touch (i.e. involve little or no engagement with clients).

Evidence on impact and effectiveness is clearly a crucial input to good policy making. Process evaluation – looking in detail at *how* programmes operate day to day – provides a valuable complement to impact evaluation, but we deliberately do not focus on this. We recognise that may sometimes cause frustration for practitioners and decision-makers who are responsible for the delivery of policy. **However, we see these impact-focused reviews as an essential part of more effective policy making.** We often simply do not know the answers to many of the questions that might reasonably be asked when implementing a new policy – not least, does it work? Figuring out what we do know allows us to better design policies and undertake further evaluations to start filling the gaps in our knowledge. **This also helps us to have more informed discussions about process and delivery issues and to improve policy making.**

These reviews therefore represent a first step in improving our understanding of what works for local economic growth. In the months ahead, we will be working with local decision-makers and practitioners, using these findings to help them generate better policy.

Henry Overman

Director, What Works Centre for Local Economic Growth



Executive Summary

This report presents findings from a systematic review of evaluations of business information, advice and mentoring programmes ('business advice') aimed at improving business growth and other outcomes. It is the second of a series of reviews that will be produced by the What Works Centre for Local Economic Growth.

The review considered almost **700** policy evaluations and evidence reviews from the UK and other OECD countries.

It found **23** impact evaluations that met the Centre's minimum standards. This is a smaller evidence base than for our reviews on employment training, sport and culture, and area based initiatives, although it is larger than the evidence base for broadband and similar in size to our reviews of transport, estate renewal and apprenticeships. It is a very small base relative to that available for some other policy areas (e.g. medicine, aspects of international development, education and social policy).

Overall, of the 23 evaluations reviewed, 14 found positive programme impacts on at least one business outcome. Five evaluations found that business advice didn't work (had no statistically significant effects on any outcomes) and the remaining studies report largely mixed findings across various outcomes.

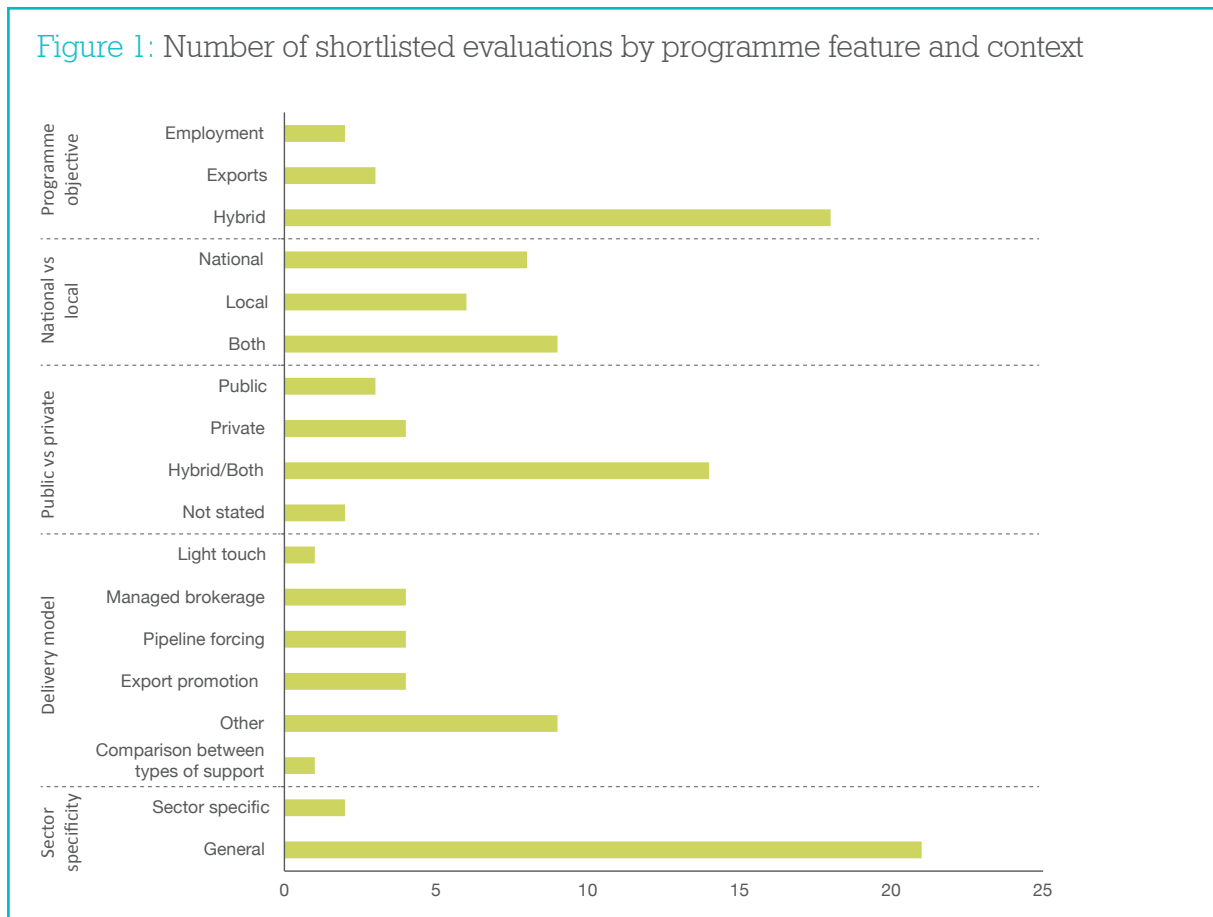
We included 'business advice' programmes which:

- ✓ Support individuals to set up their own businesses
- ✓ Support existing businesses to grow
- ✗ excluding financial support and access to finance schemes (we will address this topic in a future review)
- ✗ excluding incubator programmes (due to a lack of evidence on their impact)

Approach

This review considers the effectiveness of business advice in improving firm performance (in terms of productivity, employment and other performance measures). Figure 1 provides a summary of the number of evaluations that look at different programme features.

Figure 1: Number of shortlisted evaluations by programme feature and context



Findings

What the evidence shows:

- Business advice had a positive impact on at least one business outcome in 14 out of 23 evaluations.
- Business advice programmes show somewhat better results for sales than they do for employment and productivity, but results are generally mixed.
- Programmes which used a hands-on, 'managed brokerage' approach may perform better than those using a light touch approach (although this conclusion is based on only one comparison study). Taken at face value, this suggests that a strong relationship and a high level of trust between advisor and client may be important to the delivery of positive programme outcomes. It is not clear, however, which of these two approaches is more cost-effective.

Where the evidence is inconclusive:

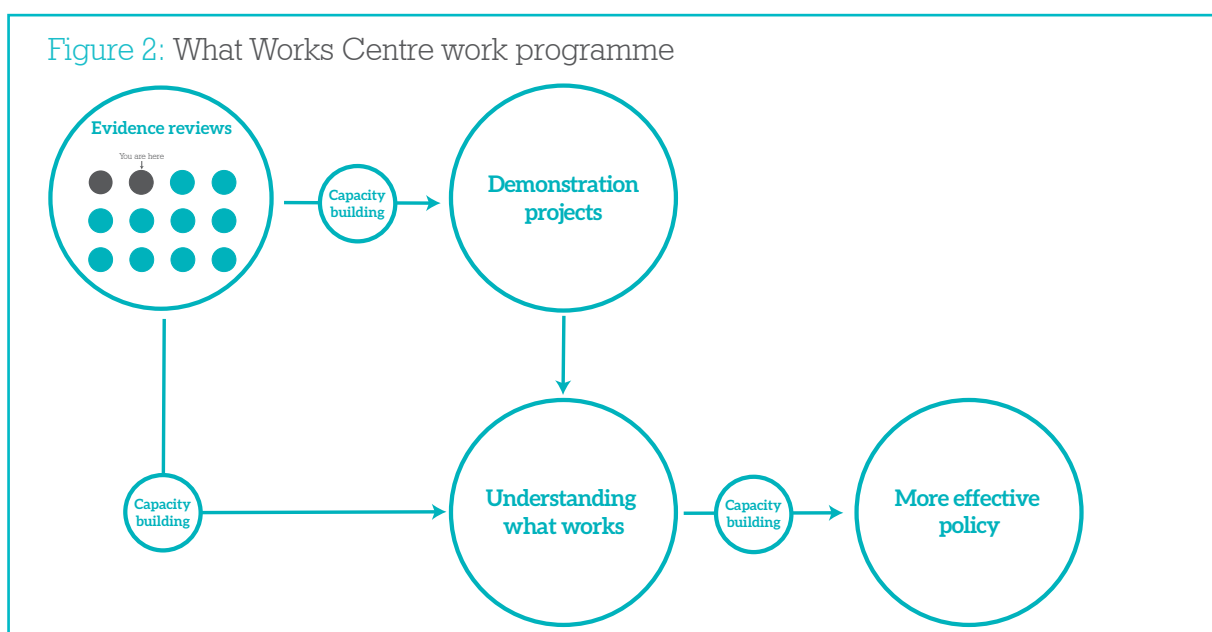
- In most cases, programmes had vague or multiple objectives, which makes measuring success difficult.
- We find no strong differences in results between programmes with multiple objectives and programmes with more focused objectives.
- We found no evidence that would suggest one level of delivery – national or local – is more effective than another.
- It is difficult to reach any conclusions about the effectiveness of public-led vs. private-led delivery.
- Overall, it is difficult to reach any strong conclusions on the link between specific programme features and better firm outcomes.

Where there is a lack of evidence:

- There is insufficient evidence to establish the effectiveness of sector specific programmes compared to more general programmes.
- We found no high quality impact evaluations that explicitly look at the outcomes for female-headed or BME businesses.
- We found two high-quality evaluations of programmes aimed at incubating start-ups. Both programmes were targeted at unemployed people and show mixed results overall. However, there is a lack of impact evaluation for Dragons' Den-type accelerator programmes that aim to launch high-growth businesses and involve competitive entry.

How to use these reviews

The Centre's reviews consider a specific type of evidence, impact evaluation, which seeks to understand the causal effect of policy interventions, and to establish their cost-effectiveness. In the longer term, the Centre will produce a range of evidence reviews that will help local decision-makers decide the broad policy areas on which to spend limited resources. Figure 2 illustrates how the reviews relate to the other work streams of the Centre.



Supporting and complementing local knowledge

The evidence review sets out a number of ‘Best Bets’ – approaches to business advice that have performed most strongly based on the best available impact evaluations.

However, the ‘Best Bets’ do not address the specifics of ‘what works where’ or ‘what will work for a particular firm’. Detailed local knowledge and context remain crucial.

‘Best Bets’ also raise a note of caution for policymakers if they decide to introduce a programme which has not worked well elsewhere.

Specific recommendations

The 23 evaluations offer a rich source of material for policymakers to use in designing specific business advice policies. In particular, the evaluations will be of use to policymakers at two key stages in the policy design process: determining the policy options, and then selecting the preferred option.

- If we want to know what works in the area of business advice we need to improve programme design and evaluation. When designing a programme, local policymakers should **identify one or two clear programme objectives**, and then identify outcome measures that are both clearly related to the programme objectives, and feasible to measure.
- Business advice programmes tend to be somewhat more successful in increasing firms’ **sales and turnover** than in increasing their employment or productivity.
- One comparative study suggests that **smaller, better-resourced programmes are more likely to achieve success** than larger ‘hands-off’ policies. But it is unclear which of these approaches is more cost-effective.

Filling the Evidence Gaps

This review has not found answers to some of the questions that will be foremost in policymakers’ minds.

These gaps highlight the need for improved evaluation and greater experimentation, specifically experiments that focus on:

- identifying how different elements of business advice programme design contribute to better or worse outcomes; and,
- the value for money of different approaches. Only 5 of the 23 shortlisted studies included cost-benefit analysis, and not all of these used measures that are comparable across studies. There is a clear need for more, consistent analysis of cost-effectiveness in business advice impact evaluations.

This requires evaluation to be embedded in policy design, and thinking differently about the policy cycle as a whole.



Introduction

The provision of publicly funded advice, mentoring and support to businesses, and particularly to entrepreneurs and small businesses, is ubiquitous in OECD countries.¹ Take-up of public sector support, however, is generally assumed to be low. In the UK, for example, it is estimated that about 40% of businesses have received formal external advice, but only 20% received advice from a public sector provider.²

This review focuses on programmes that are funded by government and that provide information, structured advice or longer term mentoring to firms (hence ‘business advice’).³ Such interventions typically aim to increase rates of firm creation, to improve business survival, and to promote business productivity and employment growth.

Why are policymakers so interested in this kind of business support? Some governments may want to promote ‘enterprise culture’ on its own merits. Others start from the fact that small and medium-size enterprises (SMEs) form the vast majority of businesses in the UK and other developed economies;⁴ and that small, new firms account for the majority of job creation.⁵

In theory, publicly supported advisory services can be justified on two grounds – information failures and wider economic impacts. In the first case, when information is hard to access or of variable quality, firms may under-invest in services that could support their businesses. Economists refer to these challenges as ‘information asymmetries’.⁶ Such market failures may result when business owners are:

- Unaware of information and advice that would be valuable to them;
- Unclear about how to access such resources;

1 OECD (2002) OECD Small and Medium Enterprise Outlook, OECD, Paris

2 www.gov.uk/government/uploads/system/uploads/attachment_data/file/32250/11-1288-research-barriers-to-use-of-business-support.pdf

3 As distinct from programmes to a) improve access to finance; b) improve the general business environment and c) reduce burdens, regulations and costs.

4 Curran (2000), Bennett (2008).

5 See Haltiwanger et al (2010) for the US, and Bravo-Biosca et al (2011) for the UK.

6 Two of the classic studies on information asymmetries are Akerlof (1970), Stiglitz (1979) and Grossman and Stiglitz (1980). For a general overview of information economics, see Stiglitz (2002).

- Concerned about the quality of advice offered;
- Facing financial or time constraints on accessing advice which exceed the perceived benefits; and/or
- Worried that confidential information could end up in the hands of competitors.

In principle, public policy can solve these problems and help businesses to grow by providing impartial, free or subsidised advice and mentoring.

Business support interventions may also be justified because SMEs are important for economic development. If information, mentoring and advice can help individual firms to grow, this could have spillover effects – or ‘externalities’ – for the economy as a whole. These include the creation of more jobs, more innovation, or lower prices to consumers.

While there is a theoretical case for government intervention, in practice, it is not straightforward for government to provide effective business advice, and there are dangers of policy failure in doing so. But the literature also highlights real market failures for many start-ups and early stage firms; that some programmes have a far higher impact than others; and that there are significant differences in user take-up (for example, between male and female-headed businesses). This implies that well-designed interventions could have positive impacts.

Consistent with all of this, in our review, we find a number of effective programmes but we also find examples of policy failure. This suggests that a better understanding of what works would add significant value to the policymaking process in this area.



Impact evaluation

Governments around the world increasingly have strong systems to monitor policy inputs (such as spending on a business support programme) and outputs (such as the number of firms who have gone through the programme). However, they are less successful at identifying policy *outcomes* (such as the effect of a business advice programme on firm employment). In particular, many government-sponsored evaluations that look at outcomes do not use credible strategies to assess the **causal impact** of policy interventions.

Evaluation of causal impacts focus on measuring the difference that can be expected between the outcome for firms 'treated' in a programme, and the average outcome they would have experienced without it. Pinning down causality is a crucially important part of impact evaluation. **Estimates of the benefits of a programme are of limited use to policymakers unless those benefits can be attributed, with a reasonable degree of certainty, to that programme.**

The credibility with which evaluations establish causality is the criterion on which this review assesses the literature.

Using Counterfactuals

Establishing causality requires the construction of a valid counterfactual – i.e. what would have happened to programme participants had they not been treated under the programme. That outcome is fundamentally unobservable, so researchers spend a great deal of time trying to rebuild it. The way in which this counterfactual is (re)constructed is the key element of impact evaluation design.

A standard approach is to create a counterfactual group of similar individuals not participating in the programme being evaluated. Changes in outcomes can then be compared between the 'treatment group' (those affected by the policy) and the 'control group' (similar individuals not exposed to the policy).

A key issue in creating the counterfactual group is dealing with the 'selection into treatment' problem. Selection into treatment occurs when participants in the programme differ from those who do not participate in the programme.

An example of this problem in business advice programmes would be when more ambitious firms apply for advice. If this happens, estimates of policy impact may be biased upwards because we incorrectly attribute better firm outcomes to the policy, rather than to the fact that the more ambitious participants would have done better even without the programme.

Selection problems may also lead to downward bias. For example, firms that apply for advice might be experiencing problems and such firms may be less likely to grow or succeed independent of any advice they receive. These factors are often unobservable to researchers.

So the challenge for good programme evaluation is to deal with these issues, and to demonstrate that the control group is plausible. If the construction of plausible counterfactuals is central to good policy evaluation, then the crucial question becomes: **how do we design counterfactuals?** Box 1 provides some examples.

Box 1: Impact evaluation techniques

One way to identify causal impacts of a programme is to randomly assign participants to treatment and control groups. For researchers, such Randomised Control Trials (RCTs) are often considered the 'gold standard' of evaluation. Properly implemented, randomisation ensures that treatment and control groups are comparable both in terms of observed and unobserved attributes, thus identifying the causal impact of policy. However, implementation of these 'real world' experiments is challenging and can be problematic. RCTs may not always be feasible for local economic growth policies – for example, policymakers may be unwilling to randomise.⁷ And small-scale trials may have limited wider applicability.

Where randomised control trials are not an option, 'quasi-experimental' approaches of randomisation can help. These strategies can deal with selection on unobservables, by (say) exploiting institutional rules and processes that result in some firms quasi-randomly receiving treatment.

Even using these strategies, though, the treatment and control groups may not be fully comparable in terms of observables. Statistical techniques such as Ordinary Least Squares (OLS) and matching can be used to address this problem.

Note that higher quality impact evaluation first uses identification strategies to construct a control group and deal with selection on unobservables. Then it tries to control for remaining differences in observable characteristics. It is the combination that is particularly powerful: OLS or matching alone raise concerns about the extent to which unobservable characteristics determine both treatment and outcomes and thus bias the evaluation.

7 Gibbons, Nathan and Overman (2014).

Evidence included in the review

We include any evaluation that compares outcomes for firms receiving treatment (the treated group) after an intervention with outcomes in the treated group before the intervention, relative to a comparison group used to provide a counterfactual of what would have happened to these outcomes in the absence of treatment.

This means we look at evaluations that do a reasonable job of estimating the impact of treatment using either randomised control trials, quasi-random variation or statistical techniques (such as OLS and matching) that help make treatment and control groups comparable. We view these evaluations as providing credible impact evaluation in the sense that they identify effects which can be attributed, with a reasonable degree of certainty, to the implementation of the programme in question. A full list of shortlisted studies is given in Appendix A.

Evidence excluded from the review

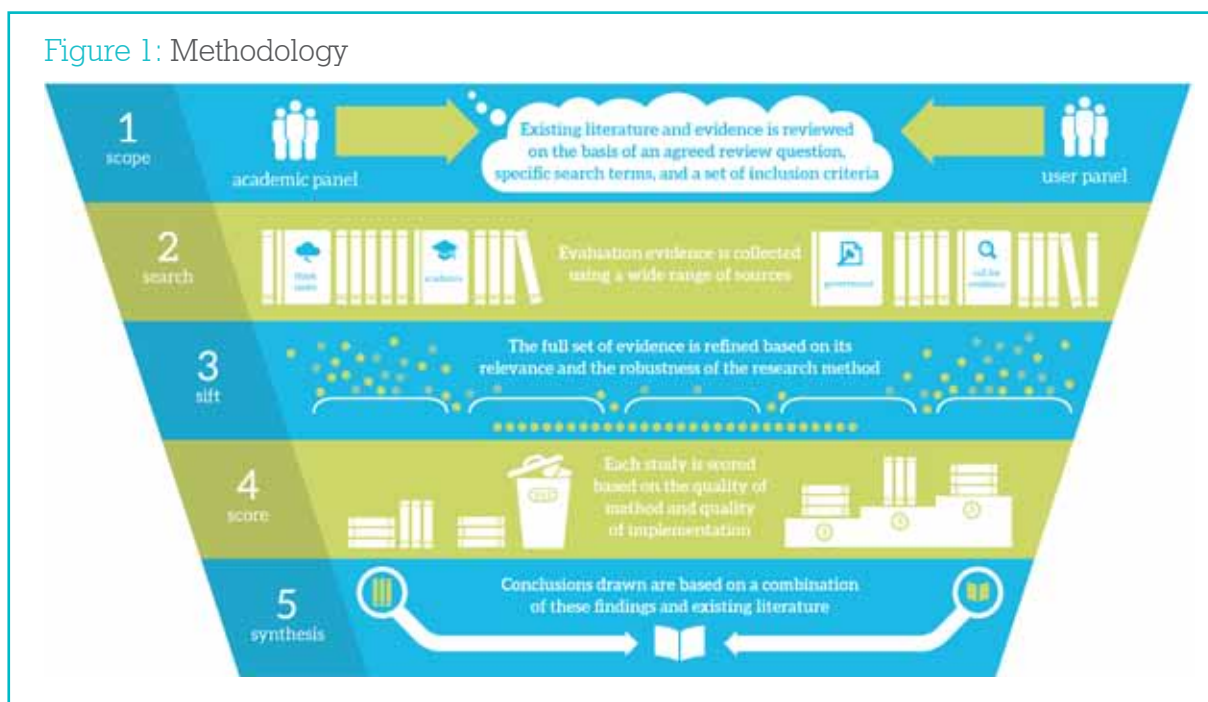
We exclude evaluations that provide a simple before and after comparison only for those receiving the treatment because we cannot reasonably assume that changes for the treated group can be attributed to the effect of the programme.

We also exclude case studies or evaluations that focus on process (how the policy is implemented) rather than impact (what was the effect of the policy). Such studies have a role to play in helping formulate better policy but they are not the focus of our evidence reviews.

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Methodology

To identify robust evaluation evidence on the causal impact of business advice programmes, we conducted a systematic review of the evidence from the UK and across the world. Our reviews followed a five-stage process: scope, search, sift, score and synthesise.



Stage 1: Scope of Review

Working with our User Panel and a member of our Academic Panel, we agreed the review question, key terms and inclusion criteria. We also used existing literature reviews and meta-analyses to inform our thinking.

Stage 2: Searching for Evaluations

We searched for evaluation evidence across a wide range of sources, from peer-reviewed academic research, to government evaluations and think tank reports. Specifically, we looked at academic databases (such as EconLit, Web of Science and Google Scholar), specialist research institutes (such as CEPR and IZA), UK central and local government departments, and work done by think tanks (such as the OECD, ILO, IPPR and Policy Exchange). We also issued a call for evidence via our mailing list and social media. This search found close to 700 books, articles and reports. Appendix B provides a full list of sources and search terms.

Stage 3: Sifting Evaluations

We screened our long-list on relevance, geography, language and methods, keeping impact evaluations from the UK and other OECD countries, with no time restrictions on when the evaluation was done. We focussed on English-language studies, but would consider key evidence if it was in other languages. We then screened the remaining evaluations on the robustness of their research methods, keeping only the more robust impact evaluations. We used the Maryland Scientific Methods Scale (SMS) to do this.⁸ The SMS is a five-point scale ranging from 1, for evaluations based on simple cross sectional correlations, to 5 for randomised control trials (see Box 2). We shortlisted all those impact evaluations that could potentially score 3 or above on the SMS.⁹ In this case we found no evaluations scoring 4. For examples of business advice evaluations that score 3 and 5 on the SMS scale, see Appendix D.

Stage 4: Scoring Evaluations

We conducted a full appraisal of each evaluation on the shortlist, collecting key results and using the SMS to give a final score for evaluations that reflected both the quality of methods chosen and quality of implementation (which can be lower than claimed by some authors). Scoring and shortlisting decisions were cross-checked with the academic panel member and the core team at LSE. The final list of included studies and their reference numbers (used in the rest of this report) can be found in Appendix A.

Stage 5: Synthesising Evaluations

We drew together our findings, combining material from our evaluations and the existing literature.

⁸ Sherman, Gottfredson, MacKenzie, Eck, Reuter, and Bushway (1998).

⁹ Sherman et al. (1998) also suggest that level 3 is the minimum level required for a reasonable accuracy of results.

Box 2: Our robustness scores (based on adjusted Maryland Scientific Methods Scale)

Level 1: Either (a) a cross-sectional comparison of treated groups with untreated groups, or (b) a before-and-after comparison of treated group, without an untreated comparison group. No use of control variables in statistical analysis to adjust for differences between treated and untreated groups or periods.

Level 2: Use of adequate control variables and either (a) a cross-sectional comparison of treated groups with untreated groups, or (b) a before-and-after comparison of treated group, without an untreated comparison group. In (a), control variables or matching techniques used to account for cross-sectional differences between treated and controls groups. In (b), control variables are used to account for before-and-after changes in macro level factors.

Level 3: Comparison of outcomes in treated group after an intervention, with outcomes in the treated group before the intervention, and a comparison group used to provide a counterfactual (e.g. difference in difference). Justification given to choice of comparator group that is argued to be similar to the treatment group. Evidence presented on comparability of treatment and control groups. Techniques such as regression and (propensity score) matching may be used to adjust for difference between treated and untreated groups, but there are likely to be important unobserved differences remaining.

Level 4: Quasi-randomness in treatment is exploited, so that it can be credibly held that treatment and control groups differ only in their exposure to the random allocation of treatment. This often entails the use of an instrument or discontinuity in treatment, the suitability of which should be adequately demonstrated and defended.

Level 5: Reserved for research designs that involve explicit randomisation into treatment and control groups, with Randomised Control Trials (RCTs) providing the definitive example. Extensive evidence provided on comparability of treatment and control groups, showing no significant differences in terms of levels or trends. Control variables may be used to adjust for treatment and control group differences, but this adjustment should not have a large impact on the main results. Attention paid to problems of selective attrition from randomly assigned groups, which is shown to be of negligible importance. There should be limited or, ideally, no occurrence of 'contamination' of the control group with the treatment.

Note: These levels are based on but not identical to the original Maryland SMS. The levels here are generally a little stricter than the original scale to help to clearly separate levels 3, 4 and 5 which form the basis for our evidence reviews.



Definition

We included in our definition of business advice and mentoring government funded programmes that focused on:

- Supporting individuals to set up their own businesses
- Supporting existing businesses to grow, where growth may be broadly defined to include:
 - Improved productivity (in terms of sales/turnover per employee¹⁰ or value added per employee¹¹)
 - Growth in employment
 - Growth in turnover
 - Growth in profits
 - Expansion into new markets (particularly overseas).

We excluded:

- Financial support and access to finance schemes – we will address this topic independently in a future review
- Incubator programmes – due to a lack of evidence on their impact.

¹⁰ Studies 165, 166, 167 and 284.

¹¹ Studies 169 and 170.



Findings

This section sets out the review's findings. We begin with a discussion of the evidence base, and then explore the overall pattern of positive and negative results. After this we consider specific programme features in more detail.

Quantity and quality of the evidence base

From an initial long list of 690 studies, 23 evaluations met our minimum standards.¹² This is a smaller evidence base than for our first review (on employment training), although this may still be larger than the evidence base for many other local economic growth policies. Table 1 shows the distribution of the studies ranked according to the SMS.

Table 1: Ranking studies by quality of implementation

SMS Score	Number by implementation
5	4
4	0
3	19
Total	23

There are four randomised control trials, all of which scored 5 on the SMS.¹³ We found no studies that used credible quasi-random sources of variation (i.e. scored 4 on the SMS) to identify policy impacts.

19 studies scored 3 on the SMS, and use variations on OLS or matching techniques. The techniques applied in these studies mean that we can be reasonably confident that the evaluation has done a good job of controlling for all observable characteristics of firms or individuals (for example: firm age; size; sector), which might explain differences in firm outcomes. However, for these studies, it is likely that unobservable characteristics such as entrepreneurial talent or firms' desire to grow may still be affecting the results. This raises concerns that the evaluation incorrectly attributes beneficial outcomes to the programme rather than to these firm characteristics. We can only be fully confident that

¹² Many of the studies not included provided case studies or process evaluations which are often valuable, but are not the focus of our review. See methodology section for further discussion.

¹³ Studies 162, 163, 282, 287.

selection on unobservables has been eradicated with an RCT methodology, where participants are randomly assigned to treatment or control groups.

For eight of these 19 studies we have concerns over the baseline year used (either post-treatment or unknown) so we need to be careful in interpreting the results. If positive programme effects are felt immediately, then these studies may underestimate the impact. Conversely, if participation in the programme initially worsens performance (e.g. because an entrepreneur is spending time implementing advice or re-organising the firm rather than focusing on production) then these studies may overestimate impact.

Type and focus of business advice

Broadly speaking there are two separate types of intervention that fall under the banner of 'business advice and mentoring', those in which the focus is on supporting individuals to set up their own business and those in which the focus is on supporting existing businesses to grow (where 'growth' may be defined in various ways including growth in turnover, employment, profits, expansion into new markets, etc).

Five of the 23 evaluations looked at support to individuals to establish new businesses, typically micro-enterprises with 1-10 employees.¹⁴ Of those, four were from the USA (of which two looked at the same programme – Project GATE - but found contrasting results).¹⁵ One was from Germany.¹⁶ In all cases, the focus is on supporting unemployed individuals to set up either as own-account workers or as microenterprises, and on improving the success rate of those start-ups. These programmes generally involve training in basic business skills and concepts and support in such endeavours as writing a business plan.

Of the remaining 18 evaluations:

- Seven cover four programmes, or groups of programmes, which provide general business advice and aim to support firm growth. For Business Link we have included both the original evaluation commissioned by BIS (study 284) and three academic followup studies that explore aspects of the programme in more detail;¹⁷
- Four cover various programmes run by UK Trade & Industry focused on promoting exports or helping firms to access foreign markets;¹⁸
- Three looked at programmes providing subsidies to allow firms to access market-provided business support services;¹⁹
- Two looked at the PLATO programme (Belgium), which focuses on peer learning and networks as a route to business growth and improvement;²⁰
- One looked at New Zealand's Trade & Enterprise programme to support firms with high growth potential;²¹

14 Studies 163, 217, 276, 282, 287.

15 Studies 163, 276, 282, 287.

16 Study 217.

17 Studies 166, 167, 177, 284 and 285 cover Business Link (UK); 168 covers the Puebla Institute for Competitive Productivity; and 172 covers various services (Germany).

18 Studies 165, 169, 183, 184 which cover Overseas Market Introduction Service (OMIS), UK; Passport to Export, UK; UKTI Business Support services (various, including Passport), UK.

19 Studies 162, 170, 182.

20 Studies 174, 286.

21 Study 269.

- One did not look at a specific programme, but analysed the impact of various different forms of external advice (including publicly provided business support) on firm performance.²²

Programme objectives

Most programmes target multiple or vague objectives. Only three evaluations found a clear link from specific programme objectives to improved firm outcomes for that objective.

The focus of the programmes we looked at varies significantly, as reflected in a number of measurable objectives. While a small number of programmes have explicit, singular objectives that are established from the outset, such as increasing the exports of small firms, others form part of wider packages of market interventions with more complex sets of goals.

These contrasting objectives reflect differential preferences that policymakers have in terms of programme design, and also the ultimate beneficiaries of the support. As highlighted previously, a number of the programmes covered in our review are focused on getting unemployed individuals into work by supporting them to establish their own businesses and become self-employed. These are often part of wider active labour market policies that ultimately aim to increase employment and duration of time in work. Programmes that are aimed towards existing small businesses take this a step further, sharing a common underlying goal, encouraging small businesses that are already established to grow further. This might be achieved by, for example, increasing exports or improving productivity in order to boost sales and profits. The picture is further complicated in the evaluation stage, with some programmes being directly evaluated against stated objectives, while in other cases researchers look at a basket of wider outcomes.

We are interested in whether programmes meet their stated objectives and whether more complex programmes are more or less likely to be successful. For the purposes of the review, we classify programmes into two groups: a first group where objectives are clearly stated and a second group where objectives are multiple or not clearly stated. Programmes in the first group all have single objectives and aim to either increase employment or exports. Programmes in the second group tend to have multiple objectives – for example, Business Link.

Business Link proved especially hard to classify.²³ Each evaluation emphasises the main objectives slightly differently, resulting in a lack of clarity about the overarching core aims. Several reference Hart and Roper (2003) who, in summary, state that Business Link was designed to improve the performance of the small business sector, specifically existing businesses of between 20 and 100 employees.²⁴ However, given that the programme was established as a network of locally-run offices, the exact scope varied as a result of local preferences. Indeed, Hart and Roper (ibid) suggest that, in some cases, start-ups were assisted as well as existing small firms, something that is picked up by two other evaluations that cite raising self-employment rates and raising entrepreneurship in deprived areas as additional objectives.²⁵ In order to reflect these variations, as a standalone category.

In addition, six studies gave objectives that were too broad or vague for specific classification, such as “stimulate growth” for example.

22 Study 195.

23 Studies 166, 167, 177, 284 and 285.

24 Study 167.

25 Studies 177 and 284.

Table 2: Programme Objectives

Objective	No of studies	Study reference numbers
Business Link Objectives	5	166, 167, 177, 284, 285
Increased employment	4	162, 163, 217, 287
Increased exports	4	165, 169, 183, 184
Increased success rate of new start-ups	2	163, 282
Increased business competitiveness	2	170, 182
Increased productivity	1	177
Increased firm size	1	162
Increased no. of firms / start-ups	1	177
Firm revenue growth	1	269
Increased earnings	1	163
Reduce unemployment	1	163
Generalised objectives / objectives not clearly stated	6	170, 172, 174, 195, 276, 286

Four studies mention employment related objectives; however, of these, only two evaluations consider programmes that are focused solely on increasing employment²⁶ (but note that one of these scored 5 on the SMS). Both focused specifically on self-employment, and demonstrated mixed results. Self-employment training and coaching provided to recipients of Bridging Support (Germany) was generally less successful.²⁷ In contrast, the Washington and Massachusetts Self-Employment Demonstrators (US) were shown to increase the likelihood of being in employment by 14%, with transition occurring 5.9 months more quickly. For self-employment, the likelihood increased by 5% with transition 2.4 months quicker.²⁸ From the remaining two studies which consider employment as part of more general objectives, it was found that the IPPC programme (Mexico) had no significant effects on job creation;²⁹ whilst Project GATE (US) increased the likelihood of self-employment during the first few quarters after enrollment; however the impact was not statistically significant after nine quarters. Project GATE also had no impact on total employment.

The four evaluations that assessed the effectiveness of export-only focused programmes all found at least one significant positive effect for firm outcomes. Two of these did not look directly at firm exports but found positive effects for indirect measures of success.³⁰ Of the two that did look at exports, whilst Aftercare (UK) was found to noticeably increase the level and growth of export intensity,³¹ the Overseas Market Introduction Service (UK) led to a marginally *negative* impact on exports compared to firms in the control group (using an SMS 3 methodology).³² This is despite positive effects on other indicators such as turnover growth (£611,000 higher), employment (seven additional jobs per firm on average) and firm survival probability.

26 Studies 217 and 287.

27 Study 217.

28 Study 287.

29 Study 162.

30 Study 183 and 184.

31 Study 169.

32 Study 165.

The remaining programmes have objectives that are either not clearly defined or involve several different outcome measures. The evaluation of Business Link, for example, shows mixed results: in one example, Business Link was found to generate 4.4% employment growth, but no significant effects on sales;³³ another found similar results, with a 2% uplift in employment growth but no impact on sales;³⁴ whilst a third found only tentative evidence that Business Link increased productivity growth.³⁵ The GATE programme (US), which targeted a suite of entrepreneurship training to those receiving unemployment benefits, was principally aimed at increasing self-employment, but was also designed to raise individual earnings and develop high-growth firms.³⁶ However, increases in the number of hours spent in self-employment were offset by decreases in formal employment hours, thus resulting in a neutral net effect on number of hours in employment. Household and business earnings were not significantly different for treatment and control groups.

We have not found any evaluations that explicitly compare programmes with different objectives. Overall, we find no strong differences between programmes with multiple objectives and programmes with more focused objectives. The lack of a clear link between programme objectives and specific measures of success in the majority of cases makes it very hard to assess the overall effectiveness of business advice programmes. Our findings here echo existing evidence reviews on business advice and mentoring.³⁷

Findings

Next, we looked directly at programme outcomes, regardless of stated objectives. In this instance, we are interested in whether business advice interventions work better for some firm outcomes than others. In particular, we want to know whether programmes tend to have positive impacts on firm outcomes that relate closely to key local growth outcomes (particularly productivity or employment) as well as on relevant firm-level outcomes (such as sales) that might not be tied to local economic growth objectives.

Detailed results for all outcomes considered are provided in Appendix A1.

Programme outcomes for firms

Business advice programmes show mixed results across the board. Programme effects tend to be somewhat more positive for sales and turnover than for productivity and employment.

We find that the nine evaluations looking at productivity show consistently mixed results, with one third of studies finding positive results, four out of nine studies finding no impacts, and the remaining two studies finding mixed results.

33 Study 285

34 Study 177

35 Study 167

36 Studies 163, 282.

37 For example Curran (2000), Bennett (2008).

Table 3: Results for productivity

Result	No of studies	Study reference numbers
Positive	3	165, 167, 174
Zero	4	162, 170, 269, 284
Negative	0	
Mixed	2	166, 169

Of the 17 studies that look at employment outcomes, only six report positive programme effects, whilst eight evaluations report zero effects on employment. For the two studies that look at employment duration or small business survival, results are worse, with no positive findings in either of the studies.

Table 4: Results for employment

Result	No of studies	Study reference numbers
Positive	6	165, 177, 182, 284, 285, 287
Zero	8	167, 169, 170, 172, 195, 217, 282, 286
Negative	0	
Mixed	3	162, 163, 166

Results for sales and turnover outcomes are somewhat better than for employment and productivity, with half (eight of 16) studies reporting positive results.

Table 5: Results for sales/turnover

Result	No of studies	Study reference numbers
Positive	8	162, 165, 168, 182, 183, 184, 269, 286
Zero	6	167, 177, 195, 282, 284, 285
Negative	0	
Mixed	2	166, 169

We also find evaluations of a range of other outcomes, some of which are only relevant for specific programmes (for example unemployment benefits, which is only reported for Project GATE, a programme targeted specifically at jobless people).³⁸ Overall, for any given outcome results are quite mixed and limited to a small number of evaluations.

In principle we might worry that some evaluations are only reporting successful findings, or hiding negative results. In practice we see a number of zero or mixed effects in our shortlisted studies. For instance, study 165 evaluates an exports programme and reports negative effects on exports, but positive coefficients on a number of other outcomes (employment and turnover). Our sift strategy (see methodology section above) should also remove studies which make inflated or inaccurate claims. It might also be that sales and turnover benefits occur first, while employment benefits take longer to materialise. Evaluations that take a longer term perspective would help us understand whether this is the case.

38 Study 163.

Programme Design Elements

This section of the report looks at whether there is any evidence of a link between specific programme features and outcomes. For example, we consider whether public-led or private-led delivery models are associated with better outcomes.

This is not straightforward because possible relationships could also be explained by a number of other ‘confounding factors’ that may be in play. In addition, there is significant variety in the types of support that are explored in the different evaluations we have considered. For example, programmes may be broadly categorised by those that offer assistance to individuals who wish to start businesses and those that assist already established firms. As well as offering a very different type of support, the measurable goals of such programmes are also contrasting, making broad comparison particularly challenging.

In our employment training review, we were able to address this problem by looking at studies that made explicit comparisons between programmes. For business support, such comparisons are, unfortunately, not available and so we can only look for any general pattern or correlation between the feature and the outcome we’re interested in (for example, delivery type and employment).

National vs. local delivery

We found no evidence that would suggest one level of delivery is more effective than others.

The 23 evaluations involved delivery models for business support at several different scales. Some programmes were delivered through national-level organisations, both government departments³⁹ and arms-length state agencies,⁴⁰ whilst others were wholly devolved to the regional or local level.⁴¹ However, the majority of programmes covered in our review were delivered by a form of partnership, often involving overarching national control with elements of devolved power and delivery.

Table 6: National or Local Delivery

Delivery model	No of studies	Study reference number
National	8	165, 169, 170, 182, 183, 184, 195, 269
Local	6	162, 168, 172, 174, 276, 286
Hybrid	9	163, 166, 167, 177, 217, 282, 284, 285, 287

None of the evaluations looks directly at the question of whether programmes are more successful when they are locally, regionally or centrally managed. When we classified evaluations according to the level at which the programme is delivered, we found no evidence that would suggest one level of delivery is inherently more effective than others. This reflects the findings of other evidence reviews.⁴² Bennett (2008) notes that decentralisation of business advice is likely to have pros and cons: local knowledge, take-up and service performance may rise, but costs and service complexity may also increase.

39 UK Trade and Industry programmes in studies 165, 169, 183 and 184.

40 Studies 166, 167, 177, 284 and 285 assess Business Link, which was an arms-length agency administered and managed by BIS before later being devolved to the regional level.

41 In its latter years, control over Business Link was devolved to Regional Development Agencies, with individual ‘Links’ incorporated individually as entrepreneurial organisations (see study 166 for more details). The PLATO network was established and run by an independent local association of businesses, with financial support from the regional government.

42 Curran (2000), Bennett (2008).

Public vs. private-led delivery

We found no evidence that would suggest one delivery model (public, private, hybrid) is more effective than others.

While the review focuses on evaluations of publicly-funded programmes, the management and delivery of such programmes is often divided and shared between public and private sector organisations.

In several cases, public sector funding is provided to established business networks to run support and networking programmes, with the overall steer provided by private firms.⁴³ However, in the majority of cases, a hybrid structure is utilised which involves overarching project management by public sector agencies and the sub-contracting of specific advice and other sub-programmes to a mixture of private sector groups.⁴⁴ Often, businesses or individuals are screened by customer-facing business advisors from public sector organisations, before then being referred to a more specialist adviser from the private sector.⁴⁵ Some directly subsidised private sector business consultancy or professional services, for example through the provision of ‘consultancy vouchers’.⁴⁶

Table 7: Public / private delivery models

Delivery model	No of studies	Study reference number
Public-led	4	165, 169, 183, 184
Private-led	4	168, 170, 182, 286
Hybrid	14	162, 163, 166, 167, 172, 177, 217, 269, 276, 282, 284, 285, 287
Not stated	1	195

Of the four evaluations that looked at public-led programme delivery, the results can generally be described as mixed. Two studies find positive effects on at least one firm outcome. For example, firms utilising the UKTI’s regional support network (UK) experienced between 8% and 15% increased turnover growth.⁴⁷ While the UKTI Passport programme (UK) did generate turnover growth which was 20% faster than the control group (albeit without leading to greater profits).⁴⁸ The third study is more unusual – showing positive impacts in terms of employment, turnover and productivity, but negative impacts on exports (the programme objective).⁴⁹ The final study reports mixed results for productivity, sales, exports and FDI, but positive impacts on employment and firm profits.⁵⁰

In the case of the similarly small sample of four private-led programmes covered in the evaluations, the results are also somewhat mixed. One evaluation, which looked at the Regional Business Development programme (Sweden), found that the distribution of private-sector consultancy vouchers had no significant impact on employment or productivity.⁵¹ Programmes that utilised a more ‘hands on’ management style tended to show more positive results (a point we return to below). Two were

43 Studies 168 and 286 provide good example of this approach.

44 See studies 162 or 163 for examples.

45 Business Link utilised this model.

46 For example, Study 170.

47 See study 183.

48 Study 184.

49 Study 165

50 Study 169

51 Study 170.

managed and run by private sector business networks and provided both mentoring and networking opportunities with business executives still in active employment with other firms.⁵² Positive impacts were seen on sales, while mixed results were found in terms of asset value and no effects were found on employment. In the case of asset value, the latter study reports that firms' net asset value in the service industry increased by nearly 5% in response to the programme; however, when manufacturing firms are considered, results of the programme on asset value are insignificant.⁵³

Delivery Technique

Programmes which used a hands-on, 'managed brokerage' approach may perform better than those using a light touch approach (although this conclusion is based on only one comparison study). Taken at face value, this suggests that a strong relationship and a high level of trust between advisor and client may be important to the delivery of positive programme outcomes. It is not clear, however, which of these two approaches is more cost-effective.

The programmes covered in our review use a wide variety of different techniques in their delivery. In their review of the Business Link service, Mole et al developed a series of models which broadly categorised how different aspects of the advice service operated.⁵⁴ We have adapted this categorisation to allow us to compare different programme types in our review:

- *Light Touch* programmes are those with little or no engagement or follow up between advisors and their clients, for example, those which provide holistic advice which directs them towards other sources;⁵⁵
- *Managed Brokerage* programmes were essentially similar, but with the advisor in more of a relationship-building position; they provide more targeted individual advice;⁵⁶
- *Pipeline Forcing* programmes involve more intensive advice to the client in order to get them to the end of the pipeline.⁵⁷ We have categorised most of the programmes focused on self-employment as pipeline forcing.

We also separated out four programmes which focused solely on export promotion (as we felt that these did not fit appropriately into any of these three categories).

52 See studies 168 and 286.

53 Study 286.

54 Study 177.

55 See study 167.

56 Study 162 is a good example of this, with consultants diagnosing problems that prevent growth, suggesting solutions and assisting with implementation.

57 Study 287 fits neatly into this category, the assistance being short term and intense.

Table 8: Delivery Techniques

Delivery technique	No of studies	Study reference number
Light touch	1	168
Managed brokerage	4	162, 174, 269 , 286
Comparison of Light touch vs managed	1	166
Pipeline forcing	4	163, 217, 282, 287
Other	9	167, 170, 172, 177, 182, 195, 276, 284, 285
Export promotion	4	165, 169, 183, 184

One evaluation looked at a ‘light touch’ programme, which found that business advisory services resulted in greater levels of sales. It should be noted, however, that the services received, though ‘light touch’ in nature, were tailored to the needs of businesses.⁵⁸

Programmes utilising managed brokerage techniques as part of their delivery, which would involve some level of “funding and more interaction between the clients and advisor in a relationship-building approach”, tended to be successful in improving at least one firm outcome. All four evaluations found some positive results, one of which was the result of an SMS 5 randomised experiment.⁵⁹ In this case, monthly profits were reported to be 120% higher versus the control group.

On the basis of these studies, it is hard to reach any conclusion about which approach is more effective. There is, however, one example of an evaluation that directly compares intensive and light touch support administered to businesses.⁶⁰ It found that more intensive advisory services were more effective than ‘light touch’ methods, heading to 2.2% higher annual employment growth. It is important to note that this study did not use randomised allocation techniques; instead support methods were broadly categorised and used to make later comparisons. Taken at face value, this evaluation suggests that a strong relationship and a high level of trust between advisor and client may be important to the delivery of positive programme outcomes. However, it is important to note that such advice may be more expensive, and so it is unclear which approach is more cost-effective.

Several programmes (notably Business Link) used a mixture of these techniques, or another technique. Once again, the categorisation of evaluations of the Business Link policy was challenging because each evaluation provides slightly different material on the content of the programme, and the scope of the services provided varied over time and between areas. The majority of evaluations suggest a mixed approach of light touch and managed brokerage and so, for consistency, we have classified all the Business Link evaluations as ‘other’. Interestingly, results are far more mixed for these studies. Of those classified as ‘other’ approaches, five found positive results for at least one firm outcome.⁶¹ Of the remainder, four found no evidence of positive effects, while one found mixed impacts of business advice for sales and employment.⁶²

58 Study 168.

59 Studies 162, 174, 296 and 286. Study 162 is an RCT.

60 Study 166.

61 Studies 166, 177, 182, 284 and 285.

62 Studies 170, 195 and 276 found insignificant effects. Study 166 found mixed effects.

Programmes that focused solely on export promotion also found positive effects for some firm outcomes, though it is important to acknowledge that the four evaluations included in our shortlist all looked at initiatives delivered by UKTI, thus we cannot conclude with certainty that all export focused programmes are generally successful in their outcomes. We discuss findings from these four studies further below.

Sector targeting

There is insufficient evidence to establish the relative effectiveness of sector specific programmes compared with more general programmes.

The majority of the programmes in our review were not restricted by firm sector, but we did find two evaluations of programmes that were more targeted. One was tailored specifically to advanced technology firms, whilst another was only open to British-based manufacturers.⁶³

Table 9: Sector Targeting

Targeting	No of studies	Study reference number
Sector-specific	2	172, 182
General	21	162, 163, 165, 166, 167, 168, 169, 170, 174, 177, 183, 184, 195, 217, 269, 276, 282, 284, 285, 286, 287

One of the two sector-specific studies showed no statistically significant effects on employment and firm survival.⁶⁴ The other showed significant positive effects on sales and employment growth for small and medium enterprises.⁶⁵ Overall, there are not enough studies that focus on sector-specific programmes to say whether these programmes tend to lead to more/less positive outcomes than the general programmes. There are also no direct comparisons available.

Specific UK Programmes

A number of our evaluations look at the same programme, allowing us to attempt collective judgements about the effectiveness of specific policies.

Five studies look specifically at the Business Link (UK) policy, examining programme effects on a range of firm outcomes.⁶⁶ The weight of evidence suggests that the policy has had mixed results across these outcomes. Three of the five studies conclude that Business Link had a positive and significant impact upon employment, between 2.2% and 4.4%.⁶⁷ Intensive assistance appears to be particularly effective.⁶⁸ However, impact on sales appears to be particularly weak in all studies, with only tentative (and statistically insignificant) indications that Business Link leads to uplifts in sales and productivity.⁶⁹ This is particularly noteworthy given that one of the main objectives of the policy is to improve the productivity of small businesses. Another thing to note is that all of the five evaluations are

⁶³ Study 172 is technology-focused, 182 manufacturing-focused. A further evaluation (study 183) looked specifically at programme impact from the perspective of the manufacturing and real estate industries, though for consistency we have decided not to include it in our discussion here as the programme itself was not itself sector-targeted.

⁶⁴ Study 172.

⁶⁵ Study 182.

⁶⁶ Studies 166, 167, 177, 284 and 285.

⁶⁷ Studies 177, 284 and 285.

⁶⁸ Studies 284 and 166 compare the effectiveness of light touch and intensive services.

⁶⁹ Studies 167 and 284.

ranked 3 on the SMS scale, the lowest quality type of evaluation that we have considered.

We also found four studies that consider the impacts of UKTI (UK) programmes that assist small firms to enter new foreign markets and increase their exports.⁷⁰ All four evaluations show positive programme effects when looked at in the context of several outcome variables.⁷¹ Surprisingly, only two of the four studies of export-focused programmes look specifically at the impact on exports; of those one finds a significant positive impact on exporting itself,⁷² whilst one actually suggests the opposite.⁷³ Given that a core aim of UKTI is to allow firms to enter foreign markets, this raises questions about the overall effectiveness of some policies in delivering their stated objectives, even if support does appear to broadly beneficial to firms.

70 Studies 165, 169, 183, and 184.

71 Studies 165, 169, 183 and 184

72 Study 169

73 Study 165



Summary of findings

What the evidence shows

1. **Business support and advice had a positive impact on at least one business outcome in 14 out of 23 evaluations.** Five evaluations found that business advice didn't work in any outcome evaluated, and one study found negative effects against the stated objective, although other positive effects were also recorded.
2. **Business advice programmes show largely mixed results across the board.** The nine evaluations looking at productivity show consistently mixed results, with one third of studies finding positive results, just over one third of studies finding no impacts, and just under one third of studies finding mixed results. Of the 17 studies that look at employment outcomes, only six report positive programme effects, whilst eight evaluations report zero effects. For the two studies that look at employment duration or small business survival, results are substantially worse, with no positive findings. Results for sales and turnover outcomes are somewhat better than for employment and productivity, with eight of 16 studies reporting positive results.
3. **Programmes which used a hands-on, 'managed brokerage' approach may perform better than those using a light touch approach** (although this conclusion is based on only one comparison study). Taken at face value, this suggests that a strong relationship and a high level of trust between advisor and client may be important to the delivery of positive programme outcomes. It is not clear, however, which of these two approaches is more cost-effective.

Where the evidence is inconclusive

4. **In most cases programmes had multiple or vague objectives.** Of the five evaluations that looked at programmes with a clearly identified objective (i.e. increase employment/ exports) **three found positive effects.**
5. **We find no strong differences between programmes with multiple objectives and programmes with more focused objectives.** The lack of a clear link between programme objectives and specific outcome measures in the majority of cases makes it very hard to

assess the overall effectiveness of programme support, and to unpick what features of the programmes are linked to specific outcomes for firms. It is also likely to raise operational complexity and programme risks (such as the chance of unintended consequences). Our ability to understand what works for business advice would be improved if policies were designed with clear objectives that related to measurable, relevant firm outcomes.

6. **We found no evidence that would suggest one level of delivery is more effective than others.** Results for both nationally-led and locally-led programmes is mixed, as it is for 'hybrid' programmes the combine national and local delivery structures.
7. **It is difficult to reach any strong conclusions on the effectiveness of private-led versus public-led delivery.** Results appear to be mixed for both public-led and private-led programmes.
8. **Overall, it is difficult to reach any conclusions on the link from specific programme features to better firm outcomes.** To improve our understanding of what works, policymakers should design programmes that allow for explicit comparisons of programme features – for example 'light touch' versus 'hands on' delivery models, or different kinds of 'accelerator' approaches for startups (see below).

Where there is a lack of evidence

9. There is insufficient evidence to establish the relative effectiveness of sector-specific programmes compared with more general programmes.
10. We found no high-quality impact evaluations that explicitly look at how business advice affects outcomes for female-headed or BME businesses. More research is needed here.
11. We found three high-quality (SMS 5) evaluations of programmes aimed at incubating start-ups (referred to above as 'pipeline forcing').⁷⁴ All three programmes were targeted at unemployed people and show mixed results for employment outcomes and wages. The remaining paper that examined 'pipeline forcing' found that the programme had no effect on employment outcomes.⁷⁵ However, there is a lack of impact evaluation for Dragons' Den-type accelerator programmes that aim to launch high-growth businesses and involve competitive entry.

74 Studies 163, 282 and 287

75 Study 217



How to use this review

This review considers a specific type of evidence – **impact evaluation**. This type of evidence seeks to identify and understand the causal effect of policy interventions and to establish their cost-effectiveness. To put it another way, they ask, ‘did the policy work’?

The focus on impact reflects the fact that we often do not know the answers to basic questions that might reasonably be asked when designing a new policy, such as ‘what will work best in this scenario’ and ‘what approach offers best value for money’. Being clearer about what **is** known will enable policymakers to better design policies and undertake further evaluations to start filling the gaps in knowledge.

Supporting and complementing local knowledge

The evidence review sets out a number of ‘Best Bets’, which outline the approaches to business advice and mentoring have performed most strongly, based on the best available impact evaluations.

The ‘Best Bets’ do not address the specifics of ‘what works where’ or ‘what will work for a particular individual’. In some cases evaluations **do** break out results by area type or different groups. But even when they do, detailed local knowledge and context remain crucial.

Reflecting this, the overall findings from the evaluations should be regarded as a complement, not a substitute, for local, on-the-ground knowledge.

Business advice and mentoring interventions will need to be tailored and carefully targeted. An accurate diagnosis of the specific local business challenges needs to be the first step to understanding how the evidence applies in any given situation.

‘Best Bets’ also raise a note of caution for policymakers if they decide to introduce a programme that has not worked so well elsewhere.

Specific recommendations

- When designing a programme, local policymakers should **identify one or two clear programme objectives**, and then identify outcome measures that are both clearly related to the programme objectives, and feasible to measure. Many of the programmes we looked at had overly complex or vague objectives, which makes assessing effectiveness difficult.

- Business advice programmes are best placed to help firms' **turnover and sales** – rather than raising employment and productivity.
- **Programmes that used a hands-on, 'managed brokerage' approach may perform better than those using a 'light touch' delivery model.** Note, however, that this conclusion is based on only one direct comparison study and does not consider cost-effectiveness.

Helping to fill the evidence gaps

As should be clear from this review, there are many things that we do not know about the effectiveness of business support. Much of the policy debate focuses on very broad questions about the institutional structures that are put in place to support businesses. Yet overall the evidence provides no clear steer on whether one particular type of delivery model (public / private; national / local) is more effective.

To help improve business advice programmes, we would like to see far more focus on robustly evaluating the impact of particular aspects of advice programmes and comparing their cost-effectiveness. For example, the costs of light touch versus more intensive support vary dramatically, yet we found only one evaluation that directly compared the effectiveness of these two types of support. Similarly, only 5 of the 23 shortlisted studies included cost-benefit analysis that assess cost-effectiveness, and not all of these used measures that are comparable across studies. There is a clear need for more, consistent cost-benefit analysis in business advice impact evaluations. We believe that further evaluations of this kind, involving, for example, the provision of different types of advice to similar firms, should be a priority for improving our understanding of what works in business advice. Local flexibility that allows for greater experimentation provides an ideal opportunity to undertake such evaluations.

The Centre's longer-term objectives are to ensure that robust evidence is embedded in the development of policy, that these policies are effectively evaluated, and that feedback is used to improve them. To achieve these objectives we want to:

- Work with local decision-makers to improve evaluation standards so that we can learn more about what policies work, where; and
- Establish up a series of 'demonstration projects' to show how effective evaluation can work in practice.

Interested policymakers please get in touch.



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Appendix A: Programme Outcomes

Outcome type	Studies	Positive	Zero	Negative	Mixed	Share positive
Productivity	162, 165, 166, 167, 169, 170, 174, 269, 284	165, 167, 174	162, 170, 269, 284		166, 169	3/9
Sales/ Turnover	162, 165, 166, 167, 168, 169, 177, 182, 183, 184, 195, 269, 282, 284, 285, 286	162, 165, 168, 182, 183, 184, 269, 286	167, 177, 195, 282, 284, 285		166, 169	8/16
Employment	162, 163, 165, 166, 167, 169, 170, 172, 177, 182, 195, 217, 282, 284, 285, 286, 287	165, 177, 182, 284, 285, 287	167, 169, 170, 172, 195, 217, 282, 286		162, 163, 166	6/17
Employment duration / survival	172, 217		172, 217			0/2
Assets / capital	172, 184, 286	184	172		286	1/3
Exports	165, 169			165	169	0/2
Profits	162, 169, 184, 195, 269	162	169, 184, 195		269	1/5
Earnings / income	163, 169, 276, 287		163, 276		169, 287	0/4
Foreign Investment	169				169	0/1
Ownership	282				282	0/1
Unemployment benefits	163		163			0/1
Patents	168		168			0/1

Appendix B: Evidence Reviewed

Number	Reference
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217	Oberschachtsiek, D., Scioch, P. (2011) The outcome of coaching and training for self-employment : a statistical evaluation of non-financial support schemes for unemployed business founders in Germany. Nuremberg, Institute for Employment Research of the Federal Employment Agency (IAB).
269	Bartle, D., and Morris, M. (2010) Evaluating the impacts of government business assistance programmes: approaches to testing additionality. <i>Research Evaluation</i> , 19, 275–280.

Number	Reference
276	Sanders, C. (2002) The Impact of Microenterprise Assistance Programs: A Comparative Study of Program Participants, Nonparticipants, and Other Low-Wage Workers. <i>Social Science Review</i> , 76, 321-340.
282	Fairlie, R.W., Karlan, D., and Zinman, J. (2012) Behind the GATE Experiment: Evidence on Effects of and Rationales for Subsidized Entrepreneurship Training. Cambridge, Mass., National Bureau of Economic Research.
284	Mole et al (2007) Economic Impact Study of Business Link Local Service. London, Department for Business Enterprise and Regulatory Reform.
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For a full list of search terms, please visit:

<http://www.whatworksgrowth.org/policy-reviews/business-advice/search-terms/>

Appendix C: Findings for RCT studies

Amongst the 23 shortlisted evaluations, four were Randomised Control Trials which scored the maximum five on the SMS scale. The results of the top scoring evaluations are mixed. Two of the top four scoring studies found positive results, and the other two (which both evaluate the same programme) found mixed results with minimal impact on business growth outcomes.⁷⁶

Study 162 looks at a programme in Mexico to provide subsidised business consulting services to micro-, small and medium sized businesses. Support included developing mission statements, visions, targets as well as advice on accounts, record keeping, pricing, teamwork and leadership. Volunteers were randomly selected either to participate or to form part of the control group and follow-up interviews were undertaken two years after programme entry. The study found very large productivity gains in firms who received the advice compared with the control group. Those who participated experienced increased profits, and there is some evidence of increased sales. Specifically, monthly sales increased by around 80% and profits increased by 120% in the treatment group compared with the control group. The average increase in profits is estimated to lie between \$7,600 and \$11,000 per month, compared with a cost of \$988 per month for the consulting services.

Study 287 evaluates two US programmes aimed at encouraging the unemployed into self-employment. Two Randomised Control Trials were carried out on federally-funded demonstrator projects in Washington State and Massachusetts. Those applicants who were randomly assigned to the programme were offered entrepreneurial training, business support and financial assistance analogous to unemployment insurance for the early period of business set-up. The two programmes were different in terms of detail, but both included elements of classroom-based group learning and in one-on-one individual advice with specialist business counsellors. Follow up surveys were carried out after two years. The evaluation found that both programmes increased the likelihood of entry into self-employment 21 months later, and accelerated moves from unemployment into self-employment (5.9 months earlier for the Washington programme, 2.4 months for the Massachusetts programme). Both programmes also significantly increased the chances of being employed / self-employed, which was 14% higher for Washington participants and 5% higher for those in the Massachusetts initiative. However, neither programme significantly increased participants' total earnings, in part because people were *less* likely to move into a regular job. The differences between the two programmes seem partly related to wider economic conditions in the two states; most of the US was in recession during the delivery period, but Washington's economy was largely insulated from these macro trends.

Two evaluations look at the impacts of Project GATE (Growing America Through Entrepreneurship), a microenterprise support programme which aimed to support the development of fledgling businesses, support entrepreneurship and move people from unemployment to self-employment as part of a wider Active Labour Market Programme.

The project was supported by the federal government and delivered locally through 14 small business development centres which were publicly owned and delivered and delivered as non-profit organisations. The evaluation was carried out by means of a Randomised Control Trial at seven of the 14 locations (four urban, three rural) across three US states. Over 4,000 qualifying applicants with a business idea were allocated into either treatment or control groups and tracked by means of follow-up surveys for five years after entering the programme.

⁷⁶ Studies 162, 287

The official project evaluation found that participants were more likely to start a business than the control group, although this impact was only statistically significant during the first few quarters after random assignment.⁷⁷ Businesses started by the treated group experienced similar growth and profitability to those started by control group members. Self-employment and hours worked by self-employed increased (but that the self-employment effect was offset by a reduction in employment and employment hours which suggests that individuals were, on the whole, transferring from employment to self-employment rather than moving from unemployment to self-employment).

A follow-up evaluation by different authors, using the same dataset aims to provide additional analysis of Project GATE's impacts.⁷⁸ Extending the original study's exploration of self-employment outcomes, this research concluded that marginal businesses created as a result of Project GATE do not survive in the long run. Self-employment was 5.2% higher in the treatment group, but this result was no longer statistically significant after 18 months. The researchers also looked at the sales and employment outcomes of new businesses, finding no treatment effect. The programme also had no significant effect on the likelihood of creating high-revenue or high-employment 'gazelle' firms.

In general, these higher quality evaluations tend to find more positive programme impacts than the less robust evaluations. Two of four of the RCT evaluations find positive results compared to 7 of 19 SMS 3 studies. 8 of these SMS 3 studies show mixed results compared to two RCTs (although these consider the same programme). None of the RCTs find zero or harmful effects overall, compared with 4 of 19 SMS 3 studies. Although these conclusions are based on a very small number of studies, they do suggest that high quality evaluation may be important for detecting any positive impact of business advice programmes.

⁷⁷ Study 163.

⁷⁸ Study 282.

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