



Evidence Review 2

Business

Advice

May 2014



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.

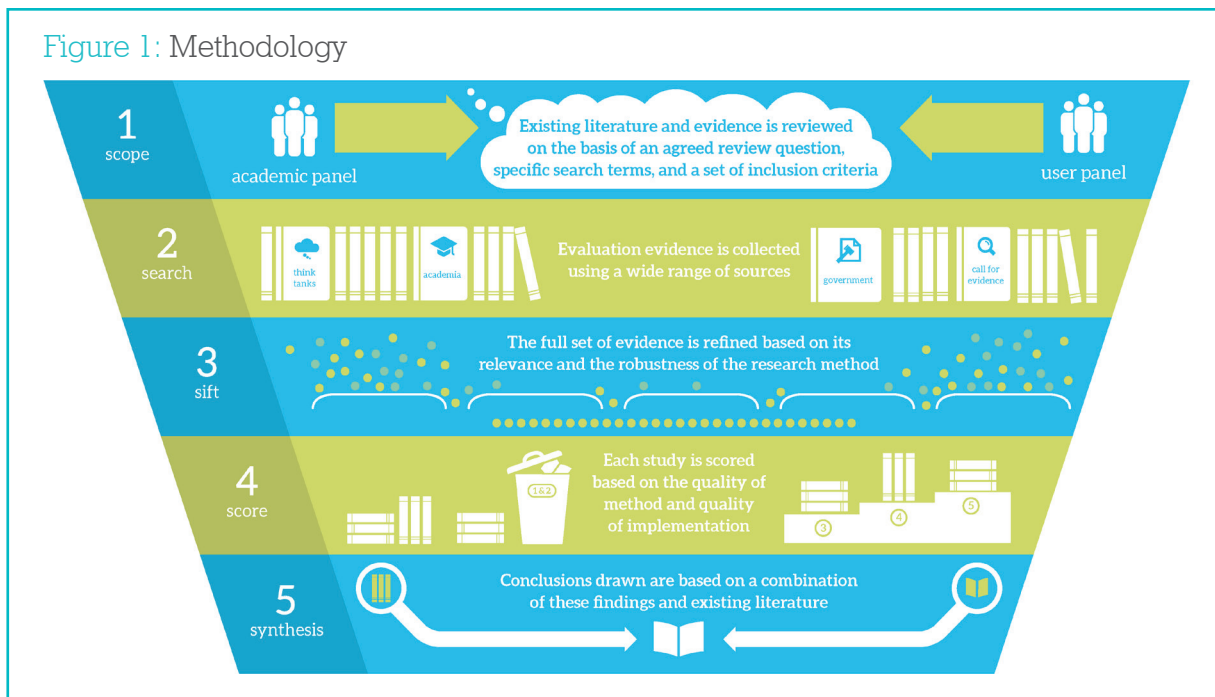
Henry Overman

Director, What Works Centre for Local Economic Growth

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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.



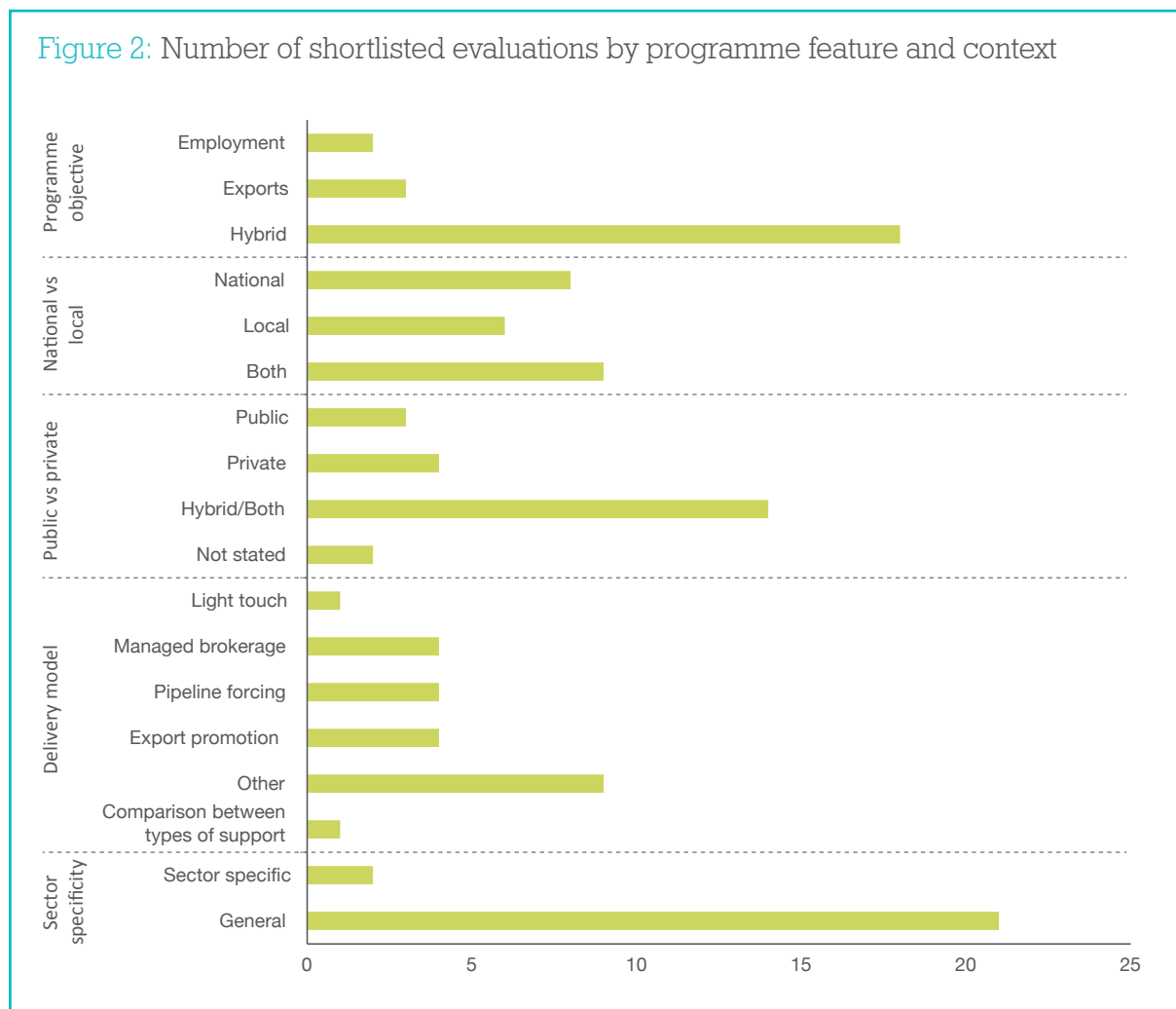
The review considered almost **700** policy evaluations and evidence reviews from the UK and other OECD countries.

It found **23** impact evaluations that met the Centre's minimum standards. This is a smaller evidence base than for our first review (on employment training) although this may still be larger than the evidence base for many other local economic growth policies. 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, 17 found positive programme impacts on at least one business outcome. Four evaluations found that business advice didn't work (had no statistically significant effects) and two evaluations found that business advice might be harmful.

Approach

This review considers the effectiveness of business advice in improving firm performance (in terms of productivity, employment and other performance measures). Figure 2 provides a summary of the number of evaluations that look at different programme features.



Findings

What the evidence shows:

- Business advice had a positive impact on at least one business outcome in 17 out of 23 evaluations.
- Programmes that used a hands-on, 'managed brokerage' approach may perform better than those using a light touch delivery model such as providing advice through a website. Note, however, that this conclusion is based on only one direct comparison study and ignores the question of cost effectiveness.
- Business advice programmes show consistently better results for productivity and output than they do for employment. Results for sales, profits and exports are mixed.

Where the evidence is inconclusive:

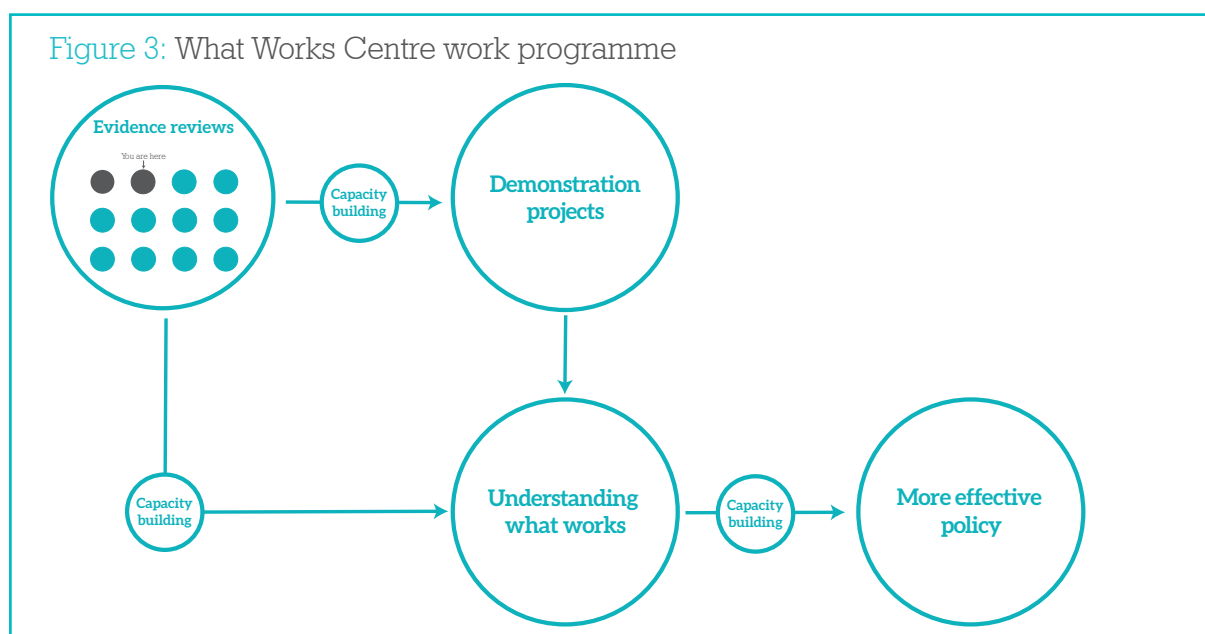
- In most cases, programmes had vague or multiple objectives, which makes measuring success difficult.
- We find no strong differences in results between programmes with multiple objectives and programmes with more focused objectives.
- We found no evidence that would suggest one level of delivery – 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 3 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 more successful in increasing firms’ **productivity** than in increasing their employment.
- One comparative study suggests that **smaller, better-resourced programmes are more likely to achieve success** and 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

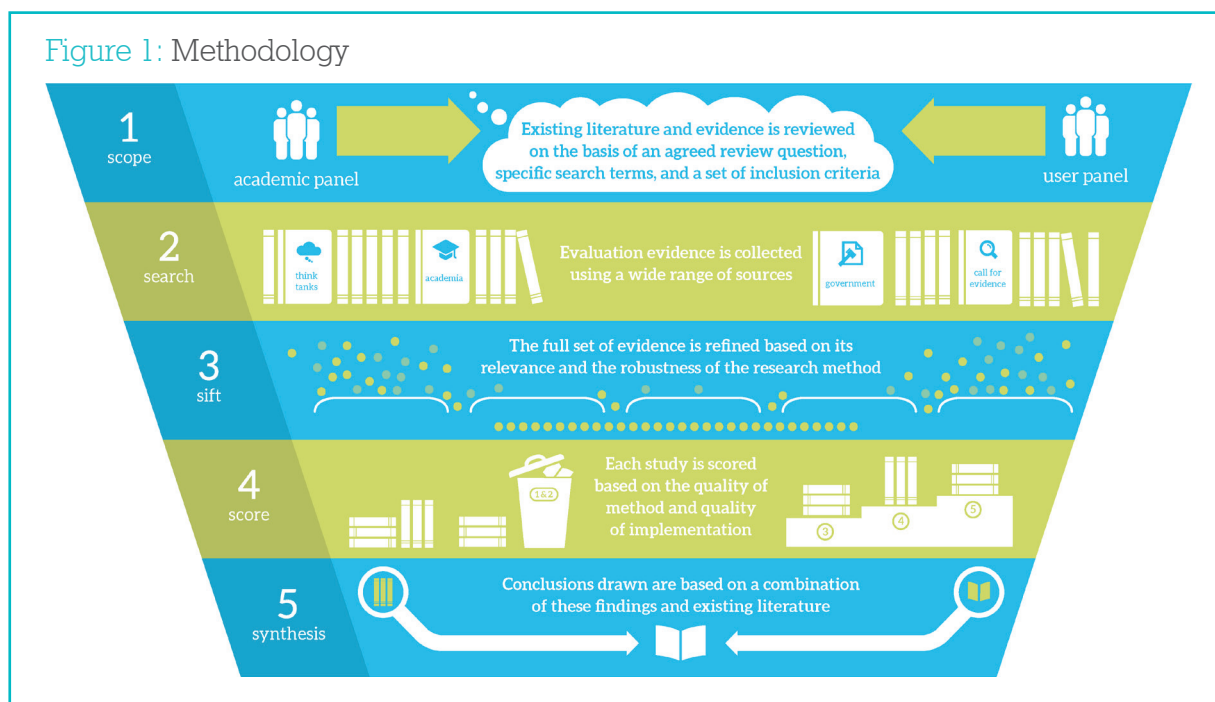
We exclude evaluations that provide a simple before and after comparison only for those receiving the treatment because we cannot reasonably assume that changes for the treated group can be attributed to the effect of the programme.

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: The Scientific Maryland Scale

Level 1: Correlation of outcomes with presence or intensity of treatment, cross-sectional comparisons of treated groups with untreated groups, or other cross-sectional methods in which there is no attempt to establish a counterfactual. No use of control variables in statistical analysis to adjust for differences between treated and untreated groups.

Level 2: Comparison of outcomes in treated group after an intervention, with outcomes in the treated group before the intervention ('before and after' study). No comparison group used to provide a counterfactual, or a comparator group is used but this is not chosen to be similar to the treatment group, nor demonstrated to be similar (e.g. national averages used as comparison for policy intervention in a specific area). No, or inappropriate, control variables used in statistical analysis to adjust for differences between treated and untreated groups.

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). Some justification given to choice of comparator group that is potentially similar to the treatment group. Evidence presented on comparability of treatment and control groups but these groups are poorly balanced on pre-treatment characteristics. Control variables may be used to adjust for difference between treated and untreated groups, but there are likely to be important uncontrolled differences remaining.

Level 4: 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 (i.e. difference in difference). Careful and credible justification provided for choice of a comparator group that is closely matched to the treatment group. Treatment and control groups are balanced on pre-treatment characteristics and extensive evidence presented on this comparability, with only minor or irrelevant differences remaining. Control variables (e.g. OLS or matching) or other statistical techniques (e.g. instrumental variables, IV) may be used to adjust for potential differences between treated and untreated groups. Problems of attrition from sample and implications discussed but not necessarily corrected.

Level 5: Reserved for research designs that involve randomisation into treatment and control groups. Randomised control trials provide the definitive example, although other 'natural experiment' research designs that exploit plausibly random variation in treatment may fall in this category. 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.



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

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.

to the programme rather than to these firm characteristics. We can only be fully confident that 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:

- Eight 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
- Three 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); 162 covers Competitive Productivity or IPCC (Mexico); 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

Overall effects on business growth

Business support and advice had a positive effect on at least one business outcome in 17 out of 23 evaluations.

Of the 23 evaluations reviewed, 17 found positive programme impacts on at least one firm outcome. Four evaluations found that business advice didn't work (i.e. they found no statistically significant evidence of positive impacts on firm outcomes) and two evaluations found that business advice might be harmful (i.e. statistically significant negative impacts on firms outcomes with no offsetting positive effects).²³ In one of these two cases, the authors attribute the negative results to two factors: the possibility that business advice enables weak founders to form marginal businesses; and the over-provision of non-intensive support in this particular programme.²⁴

Table 2: Summary of effects of business advice & mentoring programmes

Finding	No of studies	Evaluation reference numbers
Support may help (positive coefficients on at least one firm outcome)	17	162, 163, 165, 166, 167, 168, 169, 174, 177, 183, 269, 182, 184, 195, 284, 285, 286, 287
Support doesn't work (no statistically significant findings)	4	170, 195, 276, 282
Support may be harmful (no positive, some negative coefficients)	2	172, 217
Total	23	

Table 3 summarises key characteristics of the programmes in the shortlisted evaluations. It outlines which characteristics were addressed by which evaluations, and also where direct comparisons were made.

²² Study 195.

²³ Study 165 found a negative effect on exports, but a positive effect on three other firms outcomes. We discuss this further below.

²⁴ Study 172.

Table 3: Overview of programme features

	No. of studies	Findings (on balance of evidence)	Evaluation Reference Numbers	Overall
Programme objective				
Employment	2	Mixed - Helps (1) - Harmful (1)	287 217	Most programmes target multiple or vague objectives. Only three evaluations found a clear link from programme objectives to improved firm outcomes for that objective.
Exports	3	Mixed - Helps (2) - Harmful (1)	169, 184 165	
Hybrid	18	Mixed - Helps (13) - Zero (4) - Harmful (1)	162, 163, 166, 167, 168, 174, 177, 183, 183, 269, 284, 285, 286 170, 195, 276, 282 172	
National vs local delivery				
National	8	Mixed - Helps (5) - Zero (2) - Harmful (1)	169, 182, 183, 184, 269 170, 195 165	There is no evidence that one level of delivery is more effective than others
Local	6	Mixed - Helps (4) - Zero (1) - Harms (1)	162, 168, 174, 286 276 172	
Both	9	Mixed - Helps (7) - Zero (1) - Harmful (1)	163, 166, 167, 177, 284, 285, 287 282 217	

	No. of studies	Findings (on balance of evidence)	Evaluation Reference Numbers	Overall
Public vs private led delivery				
Public	3	Mixed - Helps (2) - Harmful (1)	183, 184 165	There is no evidence that one delivery model is more effective than others.
Private	4	Mixed - Helps (3) - Zero (1)	168, 182, 286 170	
Hybrid/Both	14	Mixed - Helps (10) - Zero (2) - Harmful (2)	162, 163, 166, 167, 174, 177, 269, 284, 285, 287 282, 276 172, 217	
Not stated	2		169, 195	
Delivery model/ technique				
Light touch	1	Helps	168	Programmes that used a hands-on, 'managed brokerage' approach may perform better than those using a 'light touch' approach (although this conclusion is based on one comparison study).
Managed brokerage	4	Helps	162, 174, 269, 286	
Pipeline forcing	4	Mixed - Helps (2) - Zero (1) - Harmful (1)	163, 287 282 217	
Export promotion	4	Mixed - Helps (3) - Harmful (1)	169, 183, 184 165	
Other	9	Mixed - Helps (5) - Zero (3) - Harmful (1)	167, 177, 182, 284, 285 170, 195, 276 172	
Comparison between types of support	1	Intensive support more effective than light touch	166	

	No. of studies	Findings (on balance of evidence)	Evaluation Reference Numbers	Overall
Sector specificity				
Sector specific	2	Mixed - Helps (1) - Harms (1)	182 172	There is insufficient evidence to establish the relative effectiveness of sector specific programmes compared with more general programmes.
General	21		162, 163, 165, 166, 167, 168, 169, 170, 174, 177, 183, 184, 195, 217, 269, 276, 282, 284, 285, 286, 287	



Detailed findings

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 readily 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).

Programme objectives

Most programmes target multiple or vague objectives. Only three evaluations found a clear link from 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.²⁵ 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.²⁶ 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.²⁷ In order to reflect these variations, we have categorised all Business Link evaluations under the ‘hybrid’ bracket.

Table 4: Programme Objectives

Objective	No of studies	Study reference numbers
Increased employment	2	217, 287
Increased exports	3	165, 169, 184
Hybrid (multiple objectives)	18	162, 163, 166, 167, 170, 172, 174, 177, 182, 183, 195, 269, 276, 282, 285, 286

Only two evaluations consider programmes that are focused solely on increasing employment (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.²⁸ 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.²⁹

The three evaluations that assessed the effectiveness of export-only focused programmes all found at least one significant positive effect for firm outcomes. One of these did not look directly at firm exports

²⁵ Studies 166, 167, 177, 284 and 285.

²⁶ Study 167.

²⁷ Studies 177 and 284.

²⁸ Study 217.

²⁹ Study 287.

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.

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 outcomes. 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

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 departments³⁸ and arms-length state agencies,³⁹ whilst others were wholly devolved to the regional or local level.⁴⁰ 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.

30 Study 184.

31 Study 169.

32 Study 165.

33 Study 285

34 Study 177

35 Study 167

36 Studies 163, 282.

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

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

39 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.

40 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.

Table 5: 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.⁴¹ 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.

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 is very much provided by private firms.⁴² 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.⁴³ 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.⁴⁴ Some directly subsidised private sector business consultancy or professional services, for example through the provision of 'consultancy vouchers'.⁴⁵

Table 6: Public / private delivery models

Delivery model	No of studies	Study reference number
Public-led	3	165, 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	2	169, 195

Of the three evaluations that looked at public-led programme delivery, the results can generally be

41 Curran (2000), Bennett (2008).

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

43 See studies 162 or 163 for examples.

44 Business Link utilised this model.

45 For example, Study 170.

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.⁴⁶ While the UKTI Passport programme (UK) did generate turnover growth which was 20% faster than the control group (albeit without leading to greater profits).⁴⁷ The final programme is more unusual showing positive impacts in terms of employment, turnover and productivity, but negative impacts on exports (the programme objective).

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.⁴⁸ Programmes that utilised a more 'hands on' management style tended to show more positive results (a point we return to below). Two were 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.⁴⁹ Positive impacts were seen on sales and asset value. In the case of the latter study, firms' net asset value increased by nearly 5%.⁵⁰

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.⁵¹ 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;⁵²
- *Managed Brokerage* programmes were essentially similar, but with the advisor in more of a relationship-building position; they provide more targeted individual advice;⁵³
- *Pipeline Forcing* programmes involve more intensive advice to the client in order to get them to the end of the pipeline.⁵⁴ We have categorised most of the programmes focused on self-employment as pipeline forcing.

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

46 See study 183.

47 Study 184.

48 Study 170.

49 See studies 168 and 286.

50 Study 286.

51 Study 177.

52 See study 167.

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

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

Table 7: 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, with some evidence to suggest that the probability of patents is also increased. It should be noted, however, that the services received, though ‘light touch’ in nature, were tailored to the needs of businesses.⁵⁵

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.⁵⁶ 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.⁵⁷ 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 ‘mixed’. Interestingly, results are far more mixed for these studies. Of those classified as ‘mixed’ or ‘other’ approaches, five found positive results for at least one firm outcome.⁵⁸ Of the remainder, three found no evidence of positive effects, while one found negative impacts of business advice.⁵⁹

Programmes that focused solely on export promotion also found positive effects for some firm outcomes, though it is important to acknowledge that the three evaluations included in our shortlist all looked at

55 Study 168.

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

57 Study 166.

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

59 Studies 170, 195 and 276 found insignificant effects. Study 172 found negative effects.

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 three 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.⁶⁰

Table 8: 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 survival⁶¹. The other showed significant positive effects on sales and employment growth for small and medium enterprises.⁶² 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.

Programme outcomes for firms

Business advice programmes show consistently better results for productivity and output than for employment. Results for sales, profits and exports are also mixed, although in the latter cases the count of studies is small.

As set out above, most programmes in our shortlist target multiple or vague objectives, which makes it difficult to assess programme success directly against objectives. We were only able to do this direct comparison for five of the 23 shortlisted evaluations.

For that reason, we also look 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.

⁶⁰ 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.

⁶¹ Study 172.

⁶² Study 182.

Table 9: Programme outcomes

Outcome type	Studies	Positive	Zero	Negative	Share positive
Productivity	165, 166, 167, 169, 284	4	1		4/5
GVA	170, 174, 183, 269, 286	4	1		4/5
Sales / turnover	162, 165, 167, 168, 177, 182, 184, 195, 269, 282, 284, 285	7	5		7/12
Employment	163, 165, 166, 167, 169, 170, 172, 174, 177, 182, 195, 217, 282, 284, 285, 286, 287	8	8	1	8/17
Employment duration / survival	172, 217		1	1	0/2
Assets / capital	172, 184, 286	2		1	2/3
Exports	165, 169	1		1	1/2
Profits	162, 184, 195	1	2		1/3
Earnings / income	163, 276, 287	1	2		1/3
Ownership	282		1		0/1
Unemployment benefits	163		1		0/1
Patents	168		1		0/1

Results are given in Table 9. We find that the 10 evaluations looking at productivity or output (GVA) show the most consistently positive results (8/10 positive). In contrast, of the 17 studies that look at employment outcomes, only eight report positive programme effects. As many evaluations report zero effects on employment, and one even finds negative effects. For the two programmes that look at employment duration or small business survival, results are substantially worse than other employment cases. Results for sales outcomes are slightly better than for employment but worse than for productivity (with seven out of 12 programmes reporting positive results).

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).⁶³ 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 negative 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 (productivity, 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 productivity 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.

63 Study 163.

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.⁶⁴ 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%.⁶⁵ Intensive assistance appears to be particularly effective.⁶⁶ 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.⁶⁷ 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 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.⁶⁸ Three of the four evaluations show positive programme effects when looked at in the context of several outcome variables.⁶⁹ 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,⁷⁰ whilst one actually suggests the opposite.⁷¹ 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.

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

65 Studies 177, 284 and 285.

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

67 Studies 167 and 284.

68 Studies 165, 169, 183, and 184.

69 Studies 165, 169 and 184

70 Study 169

71 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 17 out of 23 evaluations.** Four evaluations found that business advice didn't work and two studies found that business advice might be harmful. (One study found negative effects against the stated objective, although other positive effects were also recorded.)
2. **Business advice programmes show consistently better results for productivity and output (GVA) than for employment.** Evaluations looking at productivity or output each show positive effects in eight out of 10 cases. By contrast, evaluations that look at employment report positive effects in only eight out of 17 cases (with eight cases of zero effects, and zero or negative results for two further studies looking at self-employment duration / survival). Results for sales, profits and exports are also mixed, although in these cases the count of studies is small.
3. **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.

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 two high-quality evaluations of programmes aimed at incubating start-ups (referred to above as 'pipeline forcing'). 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.

10

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' **productivity, profits and sales** – rather than raising employment.
- **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: Evidence Reviewed

Number	Reference
162	Bruhn, M., Karlan, D.S., and Schoar, A. (2012) The Impact of Consulting Services on Small and Medium Enterprises: Evidence from a Randomized Trial in Mexico. Yale University, Department of Economics.
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166	Mole, K.F., Hart, M., Roper, S., and Saal, D.S. (2011) Broader or deeper? Exploring the most effective intervention profile for public small business support. <i>Environment and Planning A</i> , 43, 87–105.
167	Hart, M., and Roper, S. (2003) Modelling the Effects of Public Support to Small Firms in the UK - Paradise Gained? In: European Regional Science Association, European Regional Science Association Conference. Jyväskylä, Finland, August 2003.
168	Cumming, D.J., and Fischer, E. (2012) Publicly Funded Business Advisory Services and Entrepreneurial Outcomes. <i>Research Policy</i> 41, 467–481.
169	Girma, S., Görg, H., and Pisu, M. (2005). Quantitative analysis and linked micro-data study of UKTI services - Final report. London, UKTI.
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172	Kosters, S., and Obschonka, M. (2011) Public Business Advice in the Founding Process: An Empirical Evaluation of Subjective and Economic Effects. <i>Environment and Planning C</i> , 29, 577–604.
174	Van Cauwenberge, P., Vander Bauwhede, H., and Schoonjans, B. (2013) An evaluation of public spending: the effectiveness of a government-supported networking program in Flanders. <i>Environment and Planning C</i> , 31, 24–38.
177	Mole, K.F., Hart, M., Roper, S., and Saal, D.S. (2009) Assessing the Effectiveness of Business Support Services in England Evidence from a Theory-Based Evaluation. <i>International Small Business Journal</i> , 27, 557–582.
182	Wren, C., and Storey, D.J. (2002) Evaluating the effect of soft business support upon small firm performance. <i>Oxford Economic Papers</i> , 54, 334–365.
183	Godel, M., and Mantovani, I. (2012) Evaluation of the impact and cost effectiveness of UKTI's regional network support. London, UKTI.
184	Rogers, M., and Helmers, C. (2008) Intellectual property and UKTI Passport firms - Stage 2 Report. London, UKTI.
195	Robson, P.J.A., and Bennett, R.J. (2000) SME Growth: The Relationship with Business Advice and External Collaboration. <i>Small Business Economics</i> , 15, 193–208.
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.
285	Mole et al (2008) Differential gains from Business Link support and advice: a treatment effects approach. <i>Environment and Planning C</i> , 26, 315 – 334.
286	Schoonjans, B., Cauwenberge, P.V., and Bauwhede, H.V. (2013) Knowledge networking and growth in service firms. <i>The Service Industries Journal</i> , 33 (11), 1051-1067.
287	Benus, J.M., Wood, M.L., Grover, N., and Abt Associates (1994) A Comparative Analysis of the Washington and Massachusetts UI Self-Employment Demonstrations. Cambridge, Mass, Abt Associates.

Appendix B: Search Terms and Sources

Source	Search Terms
EconLit	"business support" AND jobs
EconLit	"business support" AND employment
EconLit	"business support" AND turnover
EconLit	"business support" AND productivity
EconLit	"business support" AND meta
EconLit	incubator AND jobs
EconLit	incubator AND employment
EconLit	incubator AND turnover
EconLit	incubator AND productivity
EconLit	incubator AND meta
EconLit	business* AND mentoring AND jobs
EconLit	business* AND mentoring AND employment
EconLit	business* AND mentoring AND turnover
EconLit	business* AND mentoring AND productivity
EconLit	business* AND mentoring AND meta
EconLit	business* AND network* AND jobs
EconLit	business* AND network* AND employment
EconLit	business* AND network* AND turnover
EconLit	business* AND network* AND productivity
EconLit	business* AND network* AND meta
Web of Science (SCCI) via Endnoteweb	"business support" AND jobs
Web of Science (SCCI) via Endnoteweb	"business support" AND employment
Web of Science (SCCI) via Endnoteweb	"business support" AND turnover
Web of Science (SCCI) via Endnoteweb	"business support" AND productivity
Web of Science (SCCI) via Endnoteweb	"business support" AND meta
Web of Science (SCCI) via Endnoteweb	incubator AND jobs
Web of Science (SCCI) via Endnoteweb	incubator AND employment
Web of Science (SCCI) via Endnoteweb	incubator AND turnover
Web of Science (SCCI) via Endnoteweb	incubator AND productivity
Web of Science (SCCI) via Endnoteweb	incubator AND meta

Source	Search Terms
Web of Science (SCCI) via Endnoteweb	business* AND mentoring AND jobs
Web of Science (SCCI) via Endnoteweb	business* AND mentoring AND employment
Web of Science (SCCI) via Endnoteweb	business* AND mentoring AND turnover
Web of Science (SCCI) via Endnoteweb	business* AND mentoring AND productivity
Web of Science (SCCI) via Endnoteweb	business* AND mentoring AND meta
Web of Science (SCCI) via Endnoteweb	business* AND network* AND jobs
Web of Science (SCCI) via Endnoteweb	business* AND network* AND employment
Web of Science (SCCI) via Endnoteweb	business* AND network* AND turnover
Web of Science (SCCI) via Endnoteweb	business* AND network* AND productivity
Web of Science (SCCI) via Endnoteweb	business* AND network* AND meta
Web of Science (SCCI) via Endnoteweb	mentor* AND business* AND evaluat*
Web of Science (SCCI) via Endnoteweb	compan* AND mentor* AND evaluat*
Web of Science (SCCI) via Endnoteweb	mentor* and business* AND growth
Google Scholar	business AND support
Google Scholar	“small business” AND support
Google Scholar	business AND mentoring
Google Scholar	entrepreneur AND support
Google Scholar	“local economic growth” AND “small business”
Google Scholar	SME AND support
Google Scholar	micro-enterprise AND support
Google Scholar	micro-firm AND support
Google Scholar	SME AND mentoring
Google Scholar	business advi*
Google Scholar	“business support” AND meta
www.gov.uk/publications (BIS, DCLG, HM Treasury, Cabinet Office, Economic and Social Research Council, UK Commission for Employment and Skills)	“small business”
www.gov.uk/publications	“small business” AND support
www.gov.uk/publications	SME
www.gov.uk/publications	SMME
www.gov.uk/publications	micro-business
www.gov.uk/publications	micro-enterprise

Source	Search Terms
www.gov.uk/publications	micro-firm
www.gov.uk/publications	business AND mentor
National Audit Office - Publications Search	business support jobs
National Audit Office - Publications Search	business support employment
National Audit Office - Publications Search	business support turnover
National Audit Office - Publications Search	business support productivity
National Audit Office - Publications Search	incubator
National Audit Office - Publications Search	business mentoring
National Audit Office - Publications Search	business network
IZA Journal of Labor Economics	Visual scan of full publications list
IZA Journal of Labor Policy	Visual scan of full publications list
IZA Journal of Labor and Development	Visual scan of full publications list
IZA Journal of European Labor Studies	Visual scan of full publications list
IZA, Research in Labor Economics	Visual scan of full publications list
CEPR, Discussion Papers on Development Economics	Visual scan of full publications list
CEPR, Discussion Papers on Economic History	Visual scan of full publications list
CEPR, Discussion Papers on Financial Economics	Visual scan of full publications list
Centre for Cities - Publications	"business support"
Centre for Cities - Publications	business mentoring
Centre for Cities - Publications	network (in category: business and enterprise)
The Work Foundation	Visual scan of reports section
OECD	business support
OECD	incubator AND jobs
OECD	incubator AND employment
OECD	incubator AND productivity
OECD	business +network OR networking +job
OECD	business +network OR networking +employment
OECD	business +network OR networking +productivity
OECD	business +mentor OR mentoring +jobs
OECD	"business mentoring"
REPEC via EconPapers	"business support" AND jobs

Source	Search Terms
REPEC via EconPapers	"business support" AND employment
REPEC via EconPapers	"business support" AND turnover
REPEC via EconPapers	"business support" AND productivity
REPEC via EconPapers	business* AND mentor* AND jobs
REPEC via EconPapers	business* AND advice AND jobs
REPEC via EconPapers	business* AND advice OR advis* AND jobs
REPEC via EconPapers	business* AND advice OR advis* AND growth
REPEC via EconPapers	SME AND jobs AND support
REPEC via EconPapers	SME AND growth AND support OR advis*
REPEC via EconPapers	SME AND mentor* AND employment
REPEC via EconPapers	SME AND mentor* AND jobs
REPEC via EconPapers	SME AND mentor* AND growth
REPEC via EconPapers	firm* AND mentor* AND employment
REPEC via EconPapers	firm* AND mentor* AND jobs
REPEC via EconPapers	firm* AND mentor* AND growth
REPEC via EconPapers	entrepreneur* AND mentor* AND productivity
REPEC via EconPapers	entrepreneur* AND mentor* AND jobs
REPEC via EconPapers	entrepreneur* AND mentor* AND growth
REPEC via EconPapers	business* AND network* AND jobs
REPEC via EconPapers	"small business" AND network* AND job*
REPEC via EconPapers	business* AND network* AND employment AND impact*
REPEC via EconPapers	business* AND network* AND "economic growth" AND impact*
REPEC via EconPapers	business* AND network* AND productivity AND impact*
REPEC via EconPapers	SME AND network* AND job* AND impact*
REPEC via EconPapers	SME AND network* AND growth
REPEC via EconPapers	SME AND network* AND job*
REPEC via EconPapers	SME AND network* AND productivity
REPEC via EconPapers	firm* AND network* AND productivity AND impact
REPEC via EconPapers	firm* AND network* AND jobs AND evaluat*
REPEC via EconPapers	firm* AND network* AND jobs AND impact*
REPEC via EconPapers	firm* AND network* AND growth AND impact*

Source	Search Terms
LEP websites (all)	growth OR jobs “business support”
LEP websites (all)	growth OR jobs mentoring
IPPR	“business support”
IPPR	mentoring
IPPR	“business advice”
RDA archives	Visual scan of RDA websites on National Archive website
Eurofound	“business support”
Eurofound	mentoring
Eurofound	business advice
NESTA	Visual scan, followed by search using terms such as “business support” & mentoring
UKCES	Search by theme, key terms (“business support”) and visual scan of evidence reports
CORDIS	“business support”
CORDIS	“business support” + impact jobs OR growth
CORDIS	mentoring + impact jobs OR growth
CORDIS	mentoring + business jobs OR growth
European Commission	Visual scan with some searches (“business support”), but appeared to be problem with search function
UNESCO	Visual scan
Technology Strategy Board (www.innovateuk.org)	small AND business
IPPR	Visual scan of full publications list

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.⁷²

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 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.

The official project evaluation found that participants were more likely to start a business than the

⁷² Studies 162, 287

control group, although this impact was only statistically significant during the first few quarters after random assignment.⁷³ 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.⁷⁴ 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.

73 Study 163.

74 Study 282.

Appendix D: Case Studies

Study 169: Matching; SMS level 3

This 2005 study by Sourafel Girma and colleagues evaluates two programmes run by the UK Trade and Investment agency (UKTI). Aftercare provides support for inward investors already in the UK and aims to attract more investment by these foreign firms by helping them integrate within the local economy. The Passport to Export service supports domestic firms to increase their export activity and offers a range of services such as training, access to foreign contracts, and export development services.

The fact that UKTI chooses which of the applying firms participate makes it harder to assess the programme's impact. There are two sources of selection bias: firstly, only firms that expect to benefit will likely apply for the program. Secondly, given a limited budget UKTI may be tempted to 'pick winners' by selecting firms that look likely to succeed. Overall, this means that participating firms will likely be different in performance to other firms – and this may bias the estimated effects of the programme. For example, if participants were generally larger firms (observable) or had more ambitious CEOs (unobservable) then differences in performance compared with non-participants could simply be an effect of these factors.

The authors used a difference-in-difference matching approach to estimate the impact of the policy. A control group was constructed by carefully matching program participants with other firms on the basis of variables such as size (employment), productivity (value added per worker), assets and exporting intensity. The difference-in-difference estimate is the before-and-after change in outcome variable for the treatment group (i.e. those that receive advice) relative to this control group. This kind of matching based on 'observable' (or recorded) characteristics can never be perfect. Participants and non-participants will always differ in some unobserved respects. Because the evaluation isn't able to do anything to address this concern, we score this method a '3' on the Scientific Maryland Scale.

To implement this approach, firm level data was taken from the FAME database from 1994 to 2003 and linked with UKTI management data. There were two other export promotion programmes that were dropped from the analysis since the linking between datasets for participants of these programmes was considered unsuccessful by the researchers. Their final treatment groups include 299 firms who received Passport support at some point over this timeframe and 509 firms who used Aftercare.

The evaluation examines the effect of Aftercare and Passport on a number of outcome variables, covering not only core objectives (exporting and FDI) but also wider outcomes such as employment, productivity and profits. For this review we are most interested in the Passport scheme. Specifically, participation in Passport is found to have successfully increased the level of export activity for both manufacturing and services firms – the core aim of the programme. Passport is also found to increase total factor productivity, compared with the control group, but there is no significant effect on employment.

What do these results mean for policymakers? On the face of it, these results imply that the UKTI programmes have been very successful in reaching their goals and promoting firm performance in general. However, since the authors only control for observable characteristics (SMS3) it may be that these results are driven by the firms' own goals (which are unobservable) aligning with the policy objectives. For example, firms on the Passport programme are likely to have been considering increasing their export activity in the future and may have shown increases compared with the control group even if they had not been selected. Further research controlling for unobservables (through randomisation, instruments or quasi-experiments) would help pin down programme impacts.

Study 170: Matching; SMS level 3

In this paper Jonas Månsson and Barbro Widerstedt evaluate the Regional Business Development Programme (RBDP) in Sweden. The RBDP provides support for SMEs operating in rural areas of Sweden – especially in the sparsely populated north. The policy aims to stimulate firm performance through a combination of grants and ‘consultancy cheques’, which firms spend on business advice and mentoring (the focus of the analysis). The programme is voluntary: firms prepare a business case and apply for funding, with the regional development agency making the decision. In 2009, the average award was about €7,000 (£5,700).

There are several challenges in identifying the effects of a business support programme like this one. First, firms’ characteristics rather than the intervention may drive performance, and we need some way to control for these. Second, because the programme is voluntary firms may ‘select’ into it. For instance, if the firms who least need support dominate applications, this will bias results upwards. Third, agency staff may not make objective decisions – reinforcing the self-selection problem. Finally, even if firms don’t receive RBDP funding they may still get other forms of business support, which may contaminate the evaluation results.

To deal with these issues, the authors use a matching approach, using available data to construct a control group that looks similar to the treatment group. They also vary the matching process to control for contamination and self-selection – for example, to deal with self-selection they compare outcomes for treatment firms with a control group of unsuccessful RBDP applicants. They avoid a simple comparison of treatment and control groups after the firms receive advice because differences in performance may be driven by unobservable firm characteristics. Instead, they look at the change in firms’ performance before and after treatment, and check if the difference between treatment and control groups is meaningful. (Statisticians call this a ‘difference in difference’ approach.)

This strategy is strong but not perfect. Matching based on ‘observable’ characteristics is never perfect, as unobservable factors may still explain differences in firm performance. The researchers are also unable to see the grant-making decision, so that source of selection bias may still be present. For these reasons, we score this method a ‘3’ on the Scientific Maryland Scale.

The researchers use rich administrative data on 1,010 RBDP recipients and 52,613 control firms between 2004 and 2007, with smaller samples for contamination and selection tests. They find that in the basic analysis, consultancy cheques ‘work’: value added was 14.3% higher for treatment firms, and employment 12.6% higher. Allowing for contamination, effects are smaller but still statistically significant. However, the results became insignificant once treatment firms are compared with unsuccessful applicants (rather than all other firms in the region).

So does the programme have zero effect? The authors suggest that it’s the time firms spend thinking about business development that generates impacts – and this is part of the application process, so can be considered part of the treatment. In effect, the results suggest a kind of placebo effect where the RBDP application does the job rather than the support itself. That implies that policymakers should look for other, less costly ways of delivering support to firms – perhaps through outreach rather than structured advice.

We should be careful in using these results in a UK context. As noted, there are some unresolved issues in identifying true effects, and the findings may not translate from rural Sweden to rural Britain. The evaluation could be replicated in the UK, for example testing control groups against firms receiving application advice and a second group receiving full support. Ideally, these groups would be randomly selected.

Study 162: Randomised Control Trial; SMS level 5

This research by Miriam Bruhn and colleagues tests the impact of subsidised consulting services on outcomes for small and medium enterprises (SMEs) using a Randomised Controlled Trial in Puebla, Mexico. The programme ran from March 2008 to February 2009 and was implemented by the State Government of Puebla. It was aimed at increasing the size of SMEs, thereby creating jobs and economic growth in the region. Participating businesses were matched with an appropriate consulting firm that was asked to diagnose problems that prevented growth, suggest solutions and assist with implementation. The State of Puebla then covered 90% of the cost of services for micro enterprises (defined here as less than 10 employees), 80% for small enterprises (11-30 employees) and 70% for medium enterprises (31-100 employees).

From the 432 SMEs who applied for the programme (following state-wide advertisements), 150 were randomly selected into the treatment group. The remaining 282 firms made up the control group and did not receive any subsidised services. The fact that treatment was randomised makes it much easier to assess the programme's impact. Specifically, randomising receipt allowed the researchers to 'control' for both observable characteristics (e.g. age of firm) and unobservable characteristics (e.g. the CEO's leadership qualities) that might affect outcomes. This also avoids 'selection into treatment' issues that might arise if (for example) government officials decided who got subsidised consulting, allowing us to be confident that differences in outcomes for the treated group really are caused by the fact that they received business growth advice.

In order to examine the effects of the treatment, the researchers conducted a baseline survey of the firms in October-December 2007 and a follow up survey in March-May 2009. The results of the baseline survey demonstrated that the treatment and control groups were largely similar on observable characteristics, suggesting that randomisation was successful. The baseline characteristics also showed that more productive/profitable firms in the treatment group (i.e. those receiving advice) were more likely to take up the offered services (80 of the 150 'treated' firms decided to take up the services). So long as these firms are kept in the treatment group and surveyed, this does not bias the results but simply means the evaluation captures the effects of being offered rather than getting subsidised consulting. The rate of response for the follow up survey was around 88%, with no differences across treatment and control groups, nor evidence of compositional shifts due to firms dropping out ('attrition'). Since the treatment was successfully randomised and attrition was not a big problem, we score this study as a 5 on the Maryland Scale.

This field experiment found huge returns to subsidised consulting. 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. In our main review we find that business advice programmes have a mixed record on improving employment, and in this case the researchers do not find any increase in the number of workers employed by treated firms – although perhaps employment may take longer than two years to adjust. The cost-effectiveness of the programme poses the question of why firms didn't invest in these services themselves in the first place. The researchers suggest the most likely source of market failure in this case is funding constraints. Another possible explanation is that they simply never considered taking up consultancy services or did not know such services were available.

To what extent are the results from this trial relevant to UK policymakers? The results highlight the potential for worthwhile intervention in the area of business support. However, such a policy would be successful in the UK only if it were addressing a similar market failure such as a lack of funding/information for SMEs. Since the Mexican economy is significantly different to the UK economy it may be that the policy would not be so successful. The only way to know for sure if it would be effective in the UK is to replicate the programme here as a randomised trial.

Study 287: Randomised Control Trial; SMS level 5

This research by John Benus and colleagues (1994) evaluates two US projects designed to support unemployed people to start their own businesses: the Washington State Self-Employment and Enterprise Development Project (SEED), and the Massachusetts UI Self-Employment Demonstration. Both programmes ran from 1989 to 1991, and tested whether public assistance could help participants move into employment or self-employment, raise individual incomes and increase business start-up rates. Both programmes provided a mix of expert training sessions, one-to-one sessions to develop business ideas and workshops covering business planning, marketing, accounting and management. In addition, the SEED programme gave participants completing the course a lump sum to help start their new firm.

Both programmes were designed as Randomised Control Trials (RCTs), with participants recruited from people receiving unemployment insurance. A random number generator was used to assign individuals to treatment or control groups, across a number of sites in each state. (In the case of SEED, 755 people were assigned to treatment, with a further 752 in the control group; numbers was slightly lower for the Massachusetts programme.)

Randomisation makes it much easier to assess these programmes' impact. Specifically, it allows researchers to control for participants' observable characteristics (such as gender or qualifications) and unobservable characteristics (such as motivation) that might affect outcomes. It also avoids selection issues that might arise if (say) programme managers assigned only the strongest participants to treatment. This allows us to be confident that a higher rate of self-employment in the treated group is really caused by programme participation. One potential problem with RCTs is people dropping out of the study – the researchers deal with this issue using administrative data, which allows tracking even if participants don't respond to follow-up surveys. We therefore score this study '5' on the Scientific Maryland Scale.

The research finds 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 SEED, 2.4 months for the Massachusetts programme). Both programmes also significantly increased the chances of being employed / self-employed, which was 14% higher for SEED 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.

What does this mean for policymakers? The studies provide very high quality evidence that business support interventions are effective in raising employment, but less effective if the aim is to raise wages and incomes. What is less clear is exactly which elements of the treatment mix are most effective, and how it could be further fine-tuned. This is important to know, given the stronger performance of SEED may be related to programme design differences as well as external economic conditions. Further trials which randomised treatment strands would help answer these questions.

The What Works Centre for Local Economic Growth is a collaboration between the London School of Economics and Political Science (LSE), Centre for Cities and Arup.

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This work is published by the What Works Centre for Local Economic Growth, which is funded by a grant from the Economic and Social Research Council, the Department for Business, Innovation and Skills and the Department of Communities and Local Government. The support of the Funders is acknowledged. The views expressed are those of the Centre and do not represent the views of the Funders.

May 2014

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