



what works centre for
local economic growth

Toolkit Business Advice Tailored Support

What is it and what does it aim to do?

Tailored support is the provision of business advice that is tailored to the requirements of the specific firm or entrepreneur. It may involve any type of support (e.g. counselling, subsidised consultancy, training, or other types) but often involves a greater degree of support over a longer period of time. Tailored support may be offered either to established firms or to individual entrepreneurs before or after they start a business and may target a number of different aspects of firm performance.

How effective is it?

The evidence suggests that tailored support may be more likely to increase employment and productivity than survival or sales. This is in contrast to the findings of our systematic review of a broader range of business advice programmes which showed somewhat better results for sales than for employment and productivity. It is important to note, however, that our evidence reviews apply higher evidential standards and it may be that the stronger effects for employment and productivity simply reflect the self-selection of firms that use tailored support when they are already looking to grow employment or improve productivity.

How secure is the evidence?

Generally, the evidence base on tailored support is quite weak, meaning that the conclusions on cost-effectiveness are based on a limited number of studies. More rigorous studies are required. We found no systematic reviews of effectiveness and no meta-analysis.

We found only four studies that examined the effectiveness of tailored support. All of them provided before and after comparisons using a control group.

One of these studies comes from the UK. For a full list of studies and summaries of their findings please see the Annex

Is it cost-effective?

There is an overall lack of information on cost effectiveness in the area of tailored support.

Of the four studies evaluated here, only two present information on cost figures. Both studies present evidence on cost-effectiveness for two different schemes. One reports figures of £12,000 per job created when tailored support is the only scheme in place and is delivered to already existing firms. The other reports figures of around £2,000 per additional job created when tailored support is targeted at start-ups and delivered on top of previous forms of advice. However, while this may be cost-effective from the firm's point of view, if this additional employment comes at the expense of other local firms, this may not be cost-effective from an area point of view.

Things to consider

- Will it provide value for money? Tailored support is likely to be more expensive than standardised support. Given the limited evidence base on effectiveness, the impact on firm performance needs to be further monitored and evaluated.
- What type of firms will benefit most? The benefits of tailored support may differ according to the type of firm (e.g. young firms may benefit more).
- How should the programme be structured? The impact of tailored support may vary depending on the structure of the programme (e.g. programmes with fewer firms enrolled may provide bigger benefits to targeted firms).
- Is additional employment likely to come at the expense of other local firms? If so this will reduce the net-benefit of the programme. This is more likely to be a problem for firms that tend to serve local markets (see our evidence review on other Area Based Initiatives).¹

¹ Available here: <http://www.whatworksgrowth.org/policy-reviews/area-based-initiatives/>

Annex: Evidence on Tailored Support for Business Advice.

Business support is information, structured advice or longer term mentoring provided to firms by government funded programmes. Such interventions typically aim to increase rates of firm creation, to improve business survival, and to promote business productivity and employment growth. These interventions are justified economically where there is a lack of information available to firms (e.g. where the firm is unaware of what advice is available to them) or where there are wider economic impacts of giving advice to a single firm (e.g. where innovative behaviour is subject to ‘spillovers’).

Box 1: Five types of business support

Public advisory services are programmes where the counselling or advice comes directly from a publicly employed official or institution such as a local business centre.

Business mentors describes programmes where the public sector does not provide advice directly but acts in a financing or ‘matchmaking’ role – putting SMEs in touch with mentors from the private sector.

Subsidised consultancy describes programmes where the firm is given a voucher or grant to cover all or part of the costs of private sector consultation. In some models, the public sector may help the firm find the appropriate consultancy service, however, the primary role is financing rather than matchmaking (in contrast to business mentors).

Training covers programmes where individuals from firms receive training in business or entrepreneurship. In the case of entrepreneurs this may be training focussed on how to start up a firm.

Tailored support may involve any of the four types of support above (or other types), but where advice is tailored to the specific firm or entrepreneur’s requirements. This often involves a greater intensity of support and possibly a combination of several types of support.

The evidence in this document is for tailored support, where any kind of support may be provided but it is always adjusted to the firm’s requirements. It usually consists on intensive support over a long period of time, combining several types of advice and usually being expensive.

We looked for evidence that evaluated the effect of tailored support on firm’s performance, measured as an increase in employment, sales, or productivity. We also sought evidence on the impact on firm survival.

We focused on evidence from the OECD, in English. We considered any study that provided before and after evidence on the effect on participants; or cross-sectional studies that compared effectiveness for firms receiving different kinds of support. We also included more robust studies that compared changes to participants with a control group.²

Using these criteria, we found four studies that looked at the effectiveness of tailored business support.

² For more information on how we rank the robustness of evaluations, take a look at our introduction to the Scientific Maryland Scale: <http://www.whatworksgrowth.org/resources/the-scientific-maryland-scale/>

The evidence

Study 12 (SMS 3) examines the impact of participating in a specialised business support programme in addition to general business support in Germany over 2000-2005. This programme offers three types of support: short-term self-employment training, coaching programmes, and discretionary start-up support. Discretionary support, is the form of advice with the highest degree of freedom and, sometimes, can involve a combination of the other two forms of support. Using individual level data, the study evaluates the impact of each of these forms of business support (on top of general advice) on firm survival. They found that participation in the programme actually pushed participants into either employment or unemployment rather than encouraging firm survival.

Study 29 (SMS 3) evaluates the effects of the North Jutland Entrepreneurial Network (NiN), a regional business support programme in Denmark, on business creation, survival and performance over 2002-2006. This programme provides three types of advice: business counselling, general subsidised consultancy services and tailored consultancy services. In this context, tailored support refers to extended counselling during the start-up process provided by private sector consultants. It is considered to be tailored because the subject for the support is chosen by each participant. It is funded by vouchers that subsidise 50% of the market price of the service. Using data on individual entrepreneurs, the study finds that tailored support increases two year survival rates by 7.6%, on top of the 8% increase arising from general subsidised consultancy services. They also find a 50% increase in the number of employees and a positive effect on sales, both lasting up to three years after enrolment.

Study 132 (SMS 3) examines the impact of a personal business advisor on firm productivity. The role of the personal business advisor is to provide SMEs with holistic advice on business problems and signpost the support services available to solve them. Using firm level data for the years 1994-2000, they find that assistance in 1996 had a positive and statistically significant effect on productivity growth over the subsequent four-year period.

Study 238 (SMS 3) evaluates the effects of intensive and non-intensive assistance provided by Business Links, a UK business one-stop-shop support initiative on sales growth and employee growth. Intensive assistance involves ongoing support and regular contacts between the firm and Business Links over a period of time, while non-intensive is typically a one-time intervention. It is generally understood that intensive assistance is tailored to the firm as well as more expensive than non-intensive support. Using data at the firm level for the years 2003-2005, the study finds no significant effect of either intensive or non-intensive assistance on sales but a positive effect of intensive assistance on employment growth (an average boost in employment growth of two percentage points).

Cost effectiveness

There is a lack of information on cost effectiveness in the area of tailored support. Only two out of four studies (studies 29 and 238) present information on costs.

The Danish North Jutland Entrepreneurial Network programme (Study 29) costs £640,000 per year³. In terms of benefits, the scheme creates around 600 new enterprises and increases their employment by 50% after one year. However, only about one third of the costs are directly attributable to the tailored support element and it is not possible to attribute benefits to the tailored counselling elements as opposed to the other subsidised consultancy services. The authors calculate that 300 new jobs are created one year after participation (that is the increase of 50% in firm size one year after participation on the programme).

3 Using the 2009 USD-GBP exchange rate of 0.641169

These estimates suggest the cost-effectiveness of the overall programme (not distinguishing between tailored counselling and subsidised consultancy services) is £1,067 per firm, and £2,133 per job created.

Study 238 presents some cost and cost-benefit figures for the UK Business Link Service. The authors calculate that intensive assistance increased national employment by 22,622 jobs. Using a gross value added figure of £27,990 per employee they estimate that this leads to an increase in gross value added of £633m compared to scheme costs of £300m (a 2:1 benefit to cost ratio).

Evidence Reviewed

Ref. No	Reference
012	Oberschachtsiek, D. and Scioch, P. (2015): "The outcome of coaching and training for self-employment. A statistical evaluation of outside assistance support programs for unemployed business founders in Germany", <i>Journal of Labour Market Research</i> , 48, 1–25.
029	Pons Rotger, G., Gørtz, M. and Storey, D.J. (2012): "Assessing the effectiveness of guided preparation for new venture creation and performance: Theory and practice", <i>Journal of Business Venturing</i> , 27, 506–521.
132	Roper, S., and Hart, M. (2003): "Modelling the Effects of Public Support to Small Firms in the UK-Paradise Gained?", European Regional Science Association Conference, Jyväskylä (Finland)
238	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(5), 557-582.

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