SUMMARY OF PROCEEDINGS

Third Meeting of the International SME and Entrepreneurship Policy Evaluation Discussion Network

Evaluation of the Help to Grow: Management programme, United Kingdom, and the Company Expansion Support programmes, Ireland

16 April 2024, OECD Headquarters, Paris, and online

Organised by the OECD Centre for Entrepreneurship, SMEs, Regions and Cities

What's the issue?

The introduction, design and delivery of SME and entrepreneurship policy actions should be guided by evidence on their relevance, effectiveness, and efficiency. However, research has found that there are relatively few high-quality evaluations in the SME and entrepreneurship policy field. Even in cases where there are solid evaluations, opportunities are missed to learn from their findings. With the support of the UK Department of Business and Trade, the OECD Committee on SMEs and Entrepreneurship has therefore created an International SME and Entrepreneurship Policy Evaluation Discussion Network. The network identifies high-quality evaluations and enables policy makers and experts come together for peer learning on the policy lessons from these evaluations, as well as on their methodological approaches. It involves regular online only and hybrid (online/in-person) meetings.

This note summarises the main points of third meeting of the network, which explored the methods and findings of evaluations of two programmes that aim to support SME management development and growth: the UK's Help to Grow programme and Ireland's Company Expansion Support (CES) programme.

Presenters and discussants

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Introduction

The workshop builds on the 2023 OECD Framework for the Evaluation of SME and Entrepreneurship Policies and Programmes report, which included technical recommendations for evaluation and details of 50 model evaluations. It continues the discussions from previous webinars in November 2023 and February 2024. This workshop looks at evaluations of support programmes aimed at SME growth using measures to develop SME management skills and SME investment capacity.

OECD research on drivers of scale-up firms identifies three main channels through which they grow: innovation (R&D, digital adoption and business development), investment (human capital, physical capital, and intangible assets), and network expansion (domestic market, international trade, and partnerships and co-operation). Successful SME growth policies are likely to act on some of these drivers directly or indirectly.

Management capabilities can play a key role in influencing firms' activities on innovation, investment and network expansion and can be influenced by a range of public programmes. These programmes can vary in a number of characteristics including the funding model (e.g. free support, subsidised support, grants to fund support), the target group (e.g. new start-ups, established SMEs, under-represented groups, firms with growth potential) and type of support (e.g. group training, 1-1 coaching, peer learning, mentoring, and networking). Other design options include online or in presence support, short or long duration, and the definition of a maximum number of beneficiary companies. A particularly important design element is targeting. It is not clear if programmes should prioritize relatively weaker SMEs or the relatively more productive ones.

Key questions that evaluations should answer include:

- Is there empirical evidence of impact of management development and SME growth support programmes?
- Which of the major approaches is most effective?
- What are the detailed design features that result in success?

Insights from a review of 5 evaluations of management training programmes find mixed results on their impacts of on SME turnover, profit, and employment. Some studies find a positive and significant effect on firms' performance, but others find small or non-significant effects, particularly in the long run. The impacts tend to be greater with higher quality and larger SMEs. Research also finds that even when programmes improve management quality, the effects do not always translate into firms' higher revenues or exports.

Evaluation results are subject to multiple challenges such as the time lag necessary for a benefit to be reflected in the data, availability of sufficient sample sizes, and selection bias. Even the use of propensity score matching techniques may not fully remove selection bias in some cases, while randomised control trials (RCTs) can be difficult to implement due to administrative and time constraints.

Evaluation 1. Help to Grow: Management – United Kingdom

Programme design

The Help to Grow: Management 2021-2025 programme was launched to address low UK SME productivity and was informed by the government's 2019 Business Productivity Review, which found that management and leadership, technology diffusion and absorption, and a fragmented UK market for business advice and support are the three main causes of low SME productivity in the UK.

The programme addresses one of these causes of low productivity (management and leadership). Launched by the government in 2021, it involves management training courses delivered through partnerships with 50 UK business schools or other delivery partners. The business schools and delivery partners have the main responsibility for the marketing and the delivery of the training.

The programme consists of i) over 50 hours of structured learning (based on a curriculum of 12 modules), ii) weekly peer networking with other businesses in the cohort, iii) one-to-one mentoring (10 hours of free mentoring from experienced business leaders), iv) participation in alumni network events and courses.

90% of the related cost is publicly funded (GBP 223 million). Each participant contributes GBP 750. The programme targets SMEs of between 5 and 249 employees, therefore excluding the very smallest programmes. Up to 15 000 SMEs can participate given the available budget, one senior leader per firm can participate.

Evaluation design

The programme is evaluated in terms of changes in managers' confidence, the operational efficiency of the SMEs, and firm sales.

The evaluation includes multiple components:

A) Surveys and interviews with participants collect information on application processes, marketing, curriculums, delivery, and governance. This includes:
   - A pre-participation survey is administered to SMEs that could potentially participate in the programme. This includes future participants and non-participants.
   - All participants must submit a post-completion survey within 2-6 weeks after completion.
   - Another survey is administered 6 months after completion to participants.
   - Quarterly mentors' surveys are also collected to gather feedback from mentors.

B) Quasi-experimental impact evaluation using multiple comparison groups: a) a cohort of year 1 (treatment group) versus a cohort of year 4 (control group) participants (early versus late design), b) participants (treatment group) versus non-participants (control group) matched through propensity score matching.

C) Contribution analysis is used to understand pathways to impact, including testing different elements of the programme and why some companies obtain a benefit, and some do not.

D) A Randomized Encouragement Design (RED) trial was launched as an alternative to traditional RCTs which are administratively difficult to set-up. A randomized group of applicants was encouraged to participate in the programme through letters directly sent to the company director.

This group could then be compared to a random control group of firms that did not receive the encouragement letters. However, the pilot letter was unsuccessful in driving take-up rates in the treatment group. Therefore, RED was not used to conduct the evaluation. The results were however used to improve the marketing of the programme.

Results

The full statistical/econometric analysis is in progress, only partial survey-based results are available today.

The impact on productivity typically manifests 3-7 years after the beginning of the programme. The sample analysis reveals that half of the participants were SMEs that were at least 10 years old and larger than 10 employees.

Results from the participant satisfaction survey show that SME leaders are satisfied with the programme, regularly exceeding their pre-participation expectations on multiple dimensions, including better understanding of how to improve their businesses and how to innovate.

Results from the 6-month post-participation survey show that almost 60% of participants increased their network due to participation in the programme, and over 90% of participants shared what they learnt from the programme with other colleagues. 92% of participants report that participating in the programme has led to improved leadership and management, and 80% report an improved relationship with the team.

Comparing the 6-month survey answers with non-participant answers shows that participants rate their own firm's capabilities higher than non-participants in many dimensions.

Policy impact

The evaluation so far has led to changes in the programme including, a change in the curriculum modules, separation of online from in-person courses, and changes in the marketing plan and communications. The evaluation also contributed to creating a test and learn mentality in the Department of Business and Trade.

Open discussion

Selection bias is a particularly challenging issue for evaluating management training programmes because only the most motivated managers tend to enrol. Some studies show that motivation and ambition of managers is an important driver of SME growth, and hence from a policy point of view, self-selection in management training may be desirable in that motivated firms and managers are more likely to benefit. Propensity score matching does not completely resolve the selection bias issue. An interesting alternative is the early versus late approach tried in the Help to Grow: Management evaluation, whereby the performance of year 1 participants is compared with the performance of year 4 participants, hence comparing a period of time during which only year 1 participants benefited, whilst keeping the full group to firms that have sought participation.

Low productivity firms are not specifically targeted, a more detailed analysis of whether higher productivity or lower productivity SMEs tend to apply could be informative.

The main metrics of the evaluation are SME business outcomes, but the improvement of managers' skills is also evaluated as an intermediate key step to realize the Department for Business and Trade 's theory of change. The diffusion channel going from management human capital to a firm's operations and productivity should be better explored and this study attempts to do so. Initial findings suggest that this is the case.

Potential research for the future could include an evaluation across other programmes and support types to improve knowledge on what the most cost-effective approaches are.

Evaluation 2. Company Expansion Support - Ireland

Programme design

The Company Expansion Support (CES) programme was administered between 2005 and 2010. It was mainly focused on micro business but also supported manufacturing exports. It consisted of a suite of programmes that supported firms undertaking (or planning to undertake) an expansion. Two packages were offered:

a) A tailored company expansion package, which included training, financial support for R&D and investment in capital assets, management development support, and consultancy. SMEs could not choose the elements within the package.

b) Standalone grants with a specific purpose (e.g. productivity improvement fund, key manager grant, growth fund). Firms were allowed to apply for multiple grants.

EUR 311.5 million were approved between 2005 and 2010, with EUR 205 million drawn down by 2012. 1 589 firms received support. 55% was delivered as tailored support, 21% as productivity improvement fund support, and 13% as growth fund support.

The programme was delivered during the global financial crisis, which impacted some aspects of the delivery. Unemployment rates increased in 2009, peaked in 2012 and then started to gradually decline. While the CES was designed to target only established companies that wanted to expand, because of the recession, vulnerable SMEs that were still willing to expand were made eligible.

Evaluation design

The full package was evaluated. If a company obtained multiple grants they were combined for the evaluation. The evaluation covers approvals between 2005 and 2010, and impacts were analysed until 2012.

The objectives of the evaluation were to assess a) Appropriateness, b) Efficacy, and c) Effectiveness of the programme.

The evaluation of impacts on participants combined data from: the Company Grants Database, which allows tracking of companies with a unique ID, the Annual Employment Survey, and the Annual Business Survey. In addition, interviews were conducted with a sample of SME beneficiaries.

The performance of the treatment group (SMEs that participated in the programme) was compared with multiple control groups: 1) Broad propensity score matching was used to create a control group according to firms' characteristics (e.g., R&D expenditure, wages); 2) An almost-exact propensity score matching control group was created; 3) another control group involved SMEs that applied, and were approved for, but did not use the allocated funds.

Results

The overall finding was that the programme had a positive impact. CES increased participant firm sales by about 12% (after accounting for deadweight) and export sales by 11%. The estimate of additional job creation ranged from 3 additional jobs per SME (control group 3) to 5 additional jobs per SME (control group 1).

A cost benefit analysis was conducted comparing costs (CES funds and indirect costs of support) and benefits (firms' turnover, wages and profits, additional tax revenues). A government appraisal model provided conversion factors to translate all costs and benefits into a monetary value to enable a cost-benefit comparison. The result was positive for all control groups, ranging from between EUR 2.5 and EUR 3 generated for each Euro spent.

Participating in the programme also improved survival. Only 19% of SMEs that received assistance stopped trading by the end of 2012 compared with 36% of non-assisted SMEs. It should be borne in mind that these figures are influenced by the effect of the global recession on both groups.

A survey conducted on a sample of 500 of assisted firms showed that 70% found the programme useful in increasing the strategic ambition of the firm and the firm's viability, while 42% found that the programme helped to "improve cost competitiveness" or "help to identify and respond to commercial risks". It was estimated that without participating in the programme these companies would have had 18% lower exports, sales and employment levels.

Only about 16% of the SMEs that received support reported that they would have gone ahead with the expansion even if they did not receive support. The estimated deadweight of the programme was between 47% and 80% depending on the assumptions used to model the deadweight.

The evaluation concluded that:

- Public intervention was required before and after the crisis (Appropriateness).
- The funding delivered strong impacts on firms' performance (Effectiveness).
- There was significant leveraging of private funding; some 24-29% of the expansion investments used public funds, but firms added private resources, and there was only a 4% overlap between CES and other public funds (Efficacy).

Policy impact

The evaluation results led to several policy changes. The programme objectives were better specified in reference documents using SMART (Specific, Measurable, Achievable, Relevant, Timebound) objectives. The programme was better aligned with other national policies, by linking CES to complementary Enterprise Ireland policy supports at programme design stage. The application process was also improved.

Open discussion

Using multiple methods/angles to evaluate the success of a policy is a good approach. However, in addition to the global evaluation of the full sample, a more refined evaluation could aim to better understand what type of support should be provided to each individual company.

Propensity score matching (PSM) is better suited as an estimation technique rather than a way to identify a control group. To use PSM correctly, a control group should be identified in advance, for instance, using the conditions under which a firm is eligible to obtain support. PSM can then be used to refine the match. One way to improve these types of estimations is to use clustering methods that identify different firms' profiles and run evaluations separately for each profile. This approach also helps to identify what type of support should be offered to each type of company.

In terms of policy design, the inclusion of SMART objectives in the definition of the programme resonates with the experience of other countries although it is not easy to implement. In addition, in the experience of some countries, a full package that combines funding support with mentoring and guidance is the most appropriate way to proceed because many SMEs cannot anticipate upcoming challenges nor use the available funds in the most strategic way. A particularly difficult task for SMEs is to provide the type of financial information to be approved for projects that have an extremely rigorous application process.

Cost Benefit Analysis (CBA) frameworks applied to the CES programme are being revised. The Irish government requires that an CBA must be conducted on any public expenditure item exceeding EUR 20 million. However, it is difficult to apply CBA methodologies to seed capital funds or grants because the benefits in these cases are much harder to quantify than in infrastructure development projects.

Further important questions that evaluations should answer include how to decide what should be included in a support bundle, who assesses what companies need, how to define which activities are in line with the policy targets (e.g. which firms' investments are in line with improving productivity). When grants are offered, it would also be important to understand which companies are financially constrained and when a grant is not the optimal response to a company's problem. In the Irish case, Enterprise Ireland defines what type of support is more suited for a company, and in their experience and analysis financial constraints are a common bottleneck for operational expansion, but often also require complementary advisory services. Another open question for evaluation is whether receiving grants under these types of programmes crowds-in or crowds-out private capital and how grants affect the cost of borrowing for all firms.

More research should also go into how to offer one-stop-shop solutions and how to deal with the complexity of multiple support offers at different institutional and geographical levels.

Conclusions and next steps

Learnings from the both the UK and Ireland cases include:

- Both programmes have a positive impact on multiple dimensions.
- Programme designs that offer a package support-bundle are often to be preferred in terms of achieving impact. Offering a few options with multiple instruments supports the marketing of these programmes and leverages synergies across different instruments.
- Evaluation methods that use multiple control groups are more robust and resilient. Propensity score matching techniques are useful but should be used as an estimation technique to improve the treatment/control group match, not to identify control groups in the first place.
- RCTs can sometimes take more time to implement than other control group methods, for example by achieving a sufficient sample size in both the treatment and control group to measure impact. However, there are alternatives to the traditional RCT that may mitigate this. The UK case introduced a Randomised Encouragement Design (RED), a type of RCT that compares randomly selected participants that received a participation-encouragement letter, to participants that did not receive a letter. The Irish case compared selected and approved SMEs that used the funds with selected and approved SMEs that did not use the funds, assuming that the lack of use is related to random factors.
- Process evaluation surveys should be used as a complementary tool to quantitative impact evaluations. In this respect, participant surveys can be useful to gain knowledge on how to improve marketing, administration, and application processes.

- There is often national guidance on how to conduct evaluations that can be useful to evaluators. In the case of the UK, a business support evaluation framework document is available, while in Ireland, there is government guidance on how to conduct a Cost Benefit Analysis (CBA). Countries can use their own national guidance instruments or look at other countries' tools when preparing evaluations.

- It can take between 3 and 7 years to see the effects of business support in the economy depending on the type of intervention. Policymakers should not expect a quick return on these programmes. Evaluators could implement evaluations on early outcomes to support the later assessment of the full impact of the programme.

- The results of impact evaluations should be used to improve programme design and looped into programme development. The two cases presented actively used the evaluation results to adjust policy direction.

Read More

Further information on the themes discussed at the webinar:

- Framework for the Evaluation of SME and Entrepreneurship Policies and Programmes 2023

OECD contacts

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