



**INTERNATIONAL EXPERIENCE IN LEVERAGING BUSINESS
DEVELOPMENT SERVICES FOR SME PRODUCTIVITY GROWTH:
IMPLICATIONS FOR UK POLICY**

**SUMMARY OF AN EXPERT WORKSHOP AND
BACKGROUND PAPERS**

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Background

This report summarises the key findings of an international expert workshop and associated background papers on “International Experience in Leveraging Business Development Services for SME Productivity Growth – Implications for UK Policy”. The workshop, papers and reporting were organised by the Organisation for Economic Co-operation and Development (OECD) in collaboration with the Department of Business, Energy and Industrial Strategy (BEIS) in the United Kingdom (UK) government. The workshop took place on 26-27 April 2018 with the participation of UK and international academic experts and policy makers (see the Annex for the Agenda).

This note summarises the main messages from the workshop discussions and presentations and from the background papers. A full report is also available, including the background papers.

The aim of the workshop and report were to explore international policy experiences in offering business advice for small and medium-sized enterprises (SMEs) and the potential implications for policy development in this area in the UK. The focus was on the lessons for offering business advice to the “long-tail” of established SMEs with low productivity.

Public policies for business development services have been evolving rapidly in OECD countries in the last 5-10 years. In this context, the discussions and background papers focused in particular on the following key issues faced by policy makers:

- How to build SME demand for business development services that would benefit them?
- How to differentiate business development services across different types of SMEs, for example firms with strong or weak growth ambitions?
- How to exploit the new opportunities offered by digital technologies for business diagnostic and advice support?
- How to best utilise business development services to raise the firm-level productivity performance of UK SMEs?

The workshop and report form part of a review of what works in business support and improving the productivity of the ‘long tail’ of low productivity SMEs being undertaken by the UK government for the UK Industrial Strategy development process. They are also part of the programme of work of the OECD Centre for Entrepreneurship, SMEs, Regions and Cities on the evolution of policies for business development services internationally.

The work was led by Jonathan Potter and Sandra Hannig at the OECD and Andrew Paterson, Joshua Leedale, Cecilia Nyqvist, and Stuart Roddam at BEIS. Background papers were prepared by Kevin Mole (University of Warwick), Steffen Korsgaard (University of Southern Denmark and University of Oslo), Charlotte Norrman (Linköping University, Sweden) and Pedro Manuel Saraiva and Luís Viegas Cardoso (University of Coimbra, Portugal). Participants at the workshop made critical oral contributions. The Annex lists the participating institutions from which the participants were drawn.

Key messages

The role of business advice in SME productivity development

- SMEs account for 99% of enterprises and more than 50% of employment in the UK business economy. Their performance has a major impact on the UK's productivity.
- Weaknesses in managerial capabilities in SMEs may hamper productivity growth, particularly among firms in the 'long tail' of low productivity. However, there is mixed research evidence on the scale and nature of the link between taking business advice and SME performance.
- Self-reported evidence on the impacts of business advice is often very positive, but more robust control group evaluations of public business advice programmes are relatively rare.
- Current evaluation evidence points to a mixed picture, with some programmes performing well on some metrics but others having a negative or zero impact. It is therefore essential that more business development services programmes are robustly evaluated.

Building SME demand for business advice

- SME managers often lack ambition to grow their businesses. It may not be effective to propose growth-oriented business advice aimed to these firms.
- Business trigger points can offer effective entry points for business advice, such as when an SME is faced with a challenge such as market change, rapid growth, or survival.
- A barrier to demand for business development services is lack of awareness among many SMEs – both of the nature and quality of business advice services available and of the existence of opportunities to improve their business practices by taking business advice.
- Business development services are 'experience goods' making them difficult for SMEs to value in advance. SMEs can have concerns about the quality of the advice they will receive.
- Focusing public support on a nationally recognised brand offering business advice through a single entity can help address problems of lack of awareness and trust in business advice. The workshop included a discussion of the Cluster Innovation Programme in Norway as an example of establishing a strong national brand for services.
- Public support should aim to complement and enhance the supply of private business advice rather than crowd it out. Internationally, public programmes typically practise brokerage, whereby the public sector takes responsibility for business needs diagnosis – identifying problems and potential solutions in the SME – and then signposts the SME to existing suppliers for project delivery.

- SME managers are often over-optimistic about their firm's performance and often struggle to identify best practice. Offering managers information on the relative performance and strengths and weaknesses of their SMEs compared to peers can play a role in building SME demand for business advice, and nudge SMEs into taking action to improve their growth and productivity performance.
- Offering business advice from within the 'comfort zone' of SME managers can also help strengthen demand. This includes offering peer-to-peer learning and mentoring and offering services through established and trusted relationships (e.g. banks and accountants already working with the firms). SME managers consistently cite accountants as the most popular source for their business advice and public programmes that support the provision of advice through existing connections can have a ready access point.
- Policy may also be able to tap into established business networks to identify and reach out to companies that are interested in business development services but may go to other entry points.

Targeting SMEs for advice and segmenting the market

- Business advice is likely to meet with different levels of demand and take up and different impacts according to the nature of the SMEs approached. This suggests that it may be effective to target advice to certain groups of SMEs with higher expected demand or impact, or to offer different types of advice to different types of SMEs. For example, policy could distinguish by firm size, age or stage of development, sector, technology or geographical market. It could also focus on advice for areas of strong social concern, e.g. the introduction of green technologies or social innovations or SME development in peripheral areas
- Many business advice programmes in OECD countries focus on firms with growth ambition and potential. The workshop discussed the examples of business advice offered by BPI in France and the enterprise development programme in Estonia, which both focus on growth-oriented SMEs. Growth-oriented firms are more likely to demand advice, which may need to be quite sophisticated.
- Ordinary SMEs in the 'long tail' of low-productivity firms can also have business advice needs, and a business advice policy could miss significant opportunity if focused exclusively on firms with growth ambition and potential. For low productivity SMEs, the focus of the business advice required is likely to be on getting the basics right (e.g. management best practice; adoption of already tried-and-tested technology).
- A differentiated approach could reserve the most costly and intensive support to SMEs with high growth ambition and potential while offering more widespread and less expensive support to other SMEs.
- Public support for business development services to low productivity SMEs should be needs based and driven by the willingness and enthusiasm of the SME manager to take part in a programme.
- While the cost of intensive and sophisticated support for growth-oriented SMEs is likely to be greater than generic support for low productivity SMEs, the impacts are also likely to be higher.

Using digital business diagnostic tools

- Several governments have developed digital business diagnostic tools. For example, the workshop presented initiatives from the USA, Singapore, Portugal and the Netherlands.
- Digital diagnostic tools often operate by presenting data from business tax and social security records and government business surveys in a way that enables a firm to compare itself, after entering its own data, with the distribution of results for similar firms, e.g. grouped by business size, sector and so on, on basic measures such as sales, employment, and profitability.
- The tools can also include elements to support SME managers to self-reflect on aspects of their business practices where there may be potential for improvement compared with business best practices.
- On completion of the digital diagnostic, the tools can point the SME manager to further information and advice resources that they can use to help address aspects of their firm's performance that they identify for improvement based on their use of the tool.
- The tools can also encourage firms to make better use of their own data. This can be useful for low productivity SMEs, which often struggle to make sense of basic metrics on their performance.
- Online business diagnostic tools represent a low-cost approach to encouraging and supporting SMEs to benchmark their business performance and to identify potential areas for improvement.
- However, they mostly require relatively codified information for their operation and produce only generic advice. The impacts are also likely to be low unless combined with additional face-to-face diagnostic support and face-to-face advice.
- One of the key uses of digital diagnostic tools can therefore be as an entry point to other business advice services, through self-referral by SME managers.
- Although digital business diagnostic tools may appear in the private market, public agencies can have a significant role to play in their development because of the importance of firm-level benchmarking data from official sources and the need for data protection.

Potential implications for the UK from international practice

Ensure a coherent system of business development services under a recognised single brand. The experience of several countries, including Denmark, Norway and the Netherlands, emphasises the need to reduce fragmentation in existing business advice offers and better align support, rather than adding more programmes. A key recommendation is therefore to build a brand that unifies different programmes under a single roof to guarantee system coherence and accessibility.

Strengthen networks, mentoring and peer-to-peer learning, to encourage knowledge exchange and sharing of best practice. Many SMEs face similar challenges and would profit from closer exchange with peers in their ambitions to enhance productivity. Programmes aiming at building networks for SMEs should be further stimulated. Existing touch points of companies, such as accountants and banks should be included in these networks.

Focus services with high unit costs on businesses with growth ambition and potential. The growth ambition and potential of the SME is critical in achieving impact from BDS support. Ambitious managers are more likely to experiment with new ideas and adopt best practices. Public business development services support should therefore be targeted at SMEs that are willing to improve, especially when the services are costly.

Strengthening management is key to improving productivity in long tail of low productivity SMEs. Strengthening management capabilities is often the key enabler for productivity-enhancing activities in the SME, including technology adoption and IT engagement. There is evidence that business development services can strengthen management capabilities and productivity performance in a range of SMEs when designed effectively. However, given the relatively limited evaluation evidence available, it is essential that Government takes steps to encourage that such initiatives are robustly evaluated.

Make better use of the potential of digital business diagnosis and guidance tools. Digital business diagnostic and advice tools help firms to increase their awareness of performance and performance relative to peers and market competitors revealing potential opportunities and actions to develop their businesses. They can also reach out to larger numbers of firms in the long tail of low productivity than face-to-face interventions and increase the demand for business advice. Public agencies have a key role to play in developing and disseminating these tools, and in integrating them with existing business development services offers.

Building demand for business development services

1.1. Key policy issues

Business development services can have important benefits for SME productivity

UK SMEs account for 99% of all enterprises and more than 50% of employment in the business economy (OECD Structural and Demographic Business Statistics database) and their performance has a major impact on the UK's productivity.

SME productivity can be constrained by many aspects of firms' internal capabilities, for example in the areas of human resources availability and utilisation, access to finance for investment, and innovation practices. Central to this is managerial capability within the SME. Business advice can help SMEs to identify the most significant obstacles to their productivity growth and actions they can take to overcome them.

Existing policy evaluations provide evidence that publicly supported business advice can have an important impact on improving SME productivity and growth performance when it is of high quality (e.g. Van Cauwenberge, Bauwhede and Schoonjans, 2013; Breinlich et al, 2012; Roper et al, 2001; Calderon, Cunha and De Giorgi, 2013; Robson and Bennett, 2000; Autio and Ranniko, 2016). However, many evaluations have relied on self-reported results by programme beneficiaries. Relatively few public support programmes for business development services have been evaluated robustly, for example using control group techniques.

The evidence base needs to be expanded in order to better understand what works in the design of public business advice interventions. This includes taking evaluation concerns into the design of policy schemes upfront, for example in establishing a theory of change for the intervention and collecting data against pre-established goals, and using more sophisticated evaluation methods to give a better picture of what works in business development services support.

Both supply and demand side issues matter in the provision of business advice

Low uptake of business development services can be an indication of gaps on the demand side of the market. Policy-makers need to be concerned not only about ensuring an adequate volume and scope of services, potentially with public programme measures, but also about the recruitment of SMEs into service provision. There is evidence that larger firms are more associated with advice seeking than SMEs (Mole et al., 2008).

There are multiple reasons for low take up of business advice by SMEs

Reasons for low demand for business advice from SMEs include:

- **Limited SME ambition to grow and develop the business:** SME owners may not want to grow their business beyond a certain level, for example when the company becomes successful enough to pay for an attractive life-style (also referred to as the "BMW syndrome" in the literature). They therefore may not seek out business advice oriented to achieving business growth.

- **Doubts on the usefulness of the advice:** Some SME managers may doubt the ability of external advisors to be able to add value to their decision making. For example, some of the traits associated with entrepreneurs may not be helpful in encouraging the take up of external business advice, such as desire for independence, overconfidence, and use of intuition. SME managers might not be comfortable with the idea of “going back to school”. Furthermore, business development services are ‘experience goods’ making them difficult to value, particularly at the level of the individual firm.
- **Lack of awareness of available business advice:** SME owners may be unaware of the existence of business advice services and SME owners may be too preoccupied with the daily operations of their businesses to actively seek out advice. The awareness problem can also be an issue where public business advice systems have complex structures and overlaps. For example, recent UK evidence suggests that only 3-in-10 SME employers had heard of Growth Hubs, one of the government’s major business advice operators (BEIS, 2018).
- **Legitimacy issues around public operators:** SMEs may consider public business development services operators as less efficient and competent than advice provided by private sector firms such as regular accountants and consultants or peer companies.
- **Need for complementary investments:** Implementation of the actions recommended by advisors may require investments (e.g. in innovative projects), that are associated with up-front costs, uncertainty and risk. They may also imply less control over daily activities, increased managerial responsibilities and time-consuming recruitment procedures. Some SME owners may not be willing to undertake such investment with uncertain outcomes.

SMEs may be particularly stimulated to take advice at business trigger points

There is research evidence that firms can be spurred to seek public and private business advice by growth challenges (Johnson, Webber and Thomas, 2007; Mole, North and Baldock, 2017). A number of other business concerns may also stimulate advice taking, such as business survival.

SMEs can be encouraged to take business advice in topics within their comfort zones

SMEs are more likely to take business advice when offered within the “comfort zone” of the SME manager. The introductory focus of advice services could therefore be on issues such as enhancing product quality, customer service, or personal development, i.e. issues identified by the SMEs as of immediate interest to them. Demand for other support could be built through these interventions.

SMEs like to take advice through their existing networks

SME managers are more likely to take advice from people that they trust and are familiar with and consistently cite accountants the most popular source for information and advice. These actors can be engaged to connect SMEs into public business advice programmes.

It is important to build rather than crowd out the private market

Public business development services programmes tend to use brokerage, where the public sector takes responsibility for diagnosis, problem identification and potential solutions, then signposts to external experts for project delivery. This helps to build the private market rather than substitute for it.

Programmes can tap into existing firm networks

It can be effective to identify and support SMEs through existing enterprise-led networks, such as regional clusters or chambers of commerce. In addition, initiatives could be developed to encourage the emergence of enterprise-led networks for business advice provision, whereby related firms can identify common needs for advice and consultancy and share in the costs of provision. For example, the PLATO programme in the Netherlands provides business advice through peer firms. The Syntens ‘Futurised Businesses’ initiative in the Netherlands also operates by actively seeking to recruit into advice firms in local clusters that have not been engaging with business advice, offering a diagnostic of their innovation capacity and innovation development needs.

A national brand can increase the awareness and trust of SMEs in business development services

A nationally recognised and trusted brand can be important to the success of public business development services by building awareness of SMEs of the availability of services and trust in their quality (Bennett and Robson, 1999; Greene, Mole and Storey, 2008). A strong national brand can be encouraged by the use of a single agency to supply or co-ordinate services. For example, the Cluster Innovation Programme in Norway has achieved a strong brand and awareness of services among SMEs.

A Danish government assessment identified the following business development services design principles

- **Be careful in stimulating demand where the cost is high.** Research by the Danish government has shown that resistance to growth, a limited demand for business advice, and risks of self-selection of “the wrong” SME managers into public programmes entail a significant risk of over-investments in public business development services programmes. The cost effectiveness is likely to be greatest where companies have ambition and potential to grow.
- **Leverage existing linkage points:** As most SMEs are unlikely to demand business advice, even if they would benefit from it, significant effort is required in stimulating them to seek out services. Existing touchpoints, such as the firm’s existing bankers and accountants, can serve as an important way of “nudging” the SME managers to taking advice.

1.2. International policy trends and inspiring practice models

PLATO, Netherlands

Description of the approach

PLATO is a government supported network to provide guidance and support to SME managers. The network itself is organised as a group of SME managers who are supervised by highly qualified managers of large companies. PLATO is organised around three types of meeting: team building, fixed group and co-ordination. Each PLATO project begins with two team-building meetings. The first is for coaches to receive training in structured meetings. The second is for participants and coaches over a weekend to build group identity and a trusting atmosphere. Following this, monthly

fixed group meetings are held for ten to fifteen SME managers and two coaches, who facilitate joint problem solving and critical reflection on management practices. Direct competitors, suppliers, and customers are excluded from the same fixed group. Three to four times a year, co-ordination meetings bring current and previous PLATO members together with guest speakers on current management topics. The intent is for participants to exchange intensive knowledge and experience on various management topics (e.g., marketing, lean production, finance, and cost price calculation). Results for the first PLATO programme carried out in Ireland reported 34% increases in turnover and 15% increases in employment. More modest impacts were found in version of the programme adopted in the Netherlands with a 7.5% increase in turnover and 14% increase in employees attributed to the programme (Sheikh et al., 2002).

Key success factors

Several factors are associated with the success of the PLATO programme including: standardisation, trust, relevance, organisation and monitoring. The coaches are trained at the beginning of each round to build atmosphere and coaching ensures a level of consistency and standardisation that ensures the 'brand'. To enable the intensive exchanges of information the team building must result in team bonding so that the required levels of trust are present. The fixed meetings can choose their own topics to ensure that the problems are those that reflect the group's management practices and experiences and are highly relevant. The organisation that delivered PLATO was an association of enterprises putting it at arm's length from the government, however a requirement that the programme be evaluated ensures public monitoring that helps encourage the high participation rates (Schoonjans et al., 2013; Van Cauwenberge et al., 2013).

Challenges

A challenge for the programme is to organise information exchange and learning across involving different types of businesses with knowledge to share. Foreign-owned businesses are often more likely to engage with the academic and other institutions (Criscuolo et al., 2010). There may be an opportunity to increase connections between FDI and domestic SMEs outside of the supply chain in this type of networking approach to business advice.

The Cluster Innovation Programme, Norway

Description of the approach

The Norwegian government innovation agency, Innovate Norway, has created the Cluster Innovation Programme to support companies all over Norway in developing their competitive advantage and to enhance innovation using business advice and mentoring provided by peer firms, research institutes and HEIs in clusters.

The Programme has two areas of competence: digitalisation and innovation (digital technologies) and advanced production (robotics, etc.). Its intended outcome is to help SMEs start or accelerate change processes that will renew their products, services, processes and business models. 2 700 companies are currently supported in 30 clusters. Six focus areas have been chosen, including bio-economy, clean energy, and creative industries.

Key success factors

Clusters with a relevant technology base are invited to apply for the programme through an open call. Clusters are selected to participate on the basis of a proven capability to share their resources and long-term experience with working with SMEs are selected. Within these clusters, candidate firms can be supported if they meet certain criteria, including market potential and profitability, innovation, adding value to Norway and the ability to complete the task. The selected firms in the selected clusters are offered tailor-made advice and training from other cluster actors.

Further information

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Syntens “Futurized Businesses” Programme, Netherlands

Description of the approach

Futurized Businesses is a campaign to boost SME participation in networks, to attend innovation seminars and avail themselves of business advice. The initiative is delivered by Syntens, a not-for-profit organisation collecting consultants in regional offices across the country.

First, the campaign tracks down companies with more than five employees that are not part of any previous programme, and are in manufacturing, construction, wholesale, transport and business services. Next, the team prioritise this list based on the importance of sectors, and the potential of the companies. Then, small local areas based on travel to work are selected for a campaign which connects with local representatives, and the local media. Finally, the SMEs are telephoned by consultants, who listen to the challenges that the owner faced and tried to arrange a meeting with the SME manager (consultants had a 50% success rate whereas a call centre had a 1-in-10 rate).

The programme used a diagnostic to assess two critical aspects of the business. The first assessment examined the innovation potential within the business. The second assessed the level of ambition in the management team.

Key success factors

The first contact seems to be very important and the experience of the consultants appears to make a very large difference to the outcome. The Syntens network reports that 55% of firms followed up their contact to become more innovative. The network argues that: “...it is sound policy to invest time and effort in less innovative companies but only if you work in a demand driven (“listen”) way and ensure that the visits are performed by experienced consultants” (Peutz et al, 2013).

Challenges

The Futurized Business programme has used a relatively high cost approach since the outcome requires experienced consultants to make the first call. This can be a challenge in business advice systems that have sought to standardise the offers to clients so that the customer-facing staff are less experienced.

1.3. Key discussion points

The following points were a key focus of discussion in the workshop:

☞ How to raise the awareness of companies that support exists for their problem?

Businesses take advice at trigger points, e.g. when faced by a threat or challenge. Policy should use such existing trigger points by offering relevant advice at the right time. This implies a need

to scan companies for when they perceive a trigger point and to be visible in terms of ability to react to trigger points that SMEs encounter.

Policy should also use existing touch points and relationships of trust to reach SMEs with business advice. This could be through delivering business advice through contacts an SME is familiar with, such as their bank or accountant. These contacts would need special training to be aware of the public support system and what public business advice support to offer to the companies in their network. Policy support for low productivity SMEs should make use of existing company relationships, such as banks and accountants. However, it is unclear which organisations would best fit this role in the UK, where no compulsory membership Chambers of Commerce exist.

☞ **What is the role of enterprise networks?**

Enterprise networks can be an important channel to raise SME awareness of business development services and identify SMEs that have an interest in accessing them. There is often strong demand from enterprises for peer-to-peer learning opportunities. Such opportunities could be offered by organising experience exchange, advice, mentoring and consulting activities within the network. The model of Innovate Norway is a good example of an approach that uses existing networks in clusters to engage companies in business advice programmes offered by other firms, universities and organisation within the cluster. Collaborative business advice activities can also be organised through encouraging enterprise networks (e.g. local chambers of commerce, or firms in related sectors) to identify shared business advice needs and providing business advice to these groups of SMEs.

☞ **What type of support is needed?**

BPI, the French public development bank, outlined its business development services structure, which is based around three pillars of non-financial support: (i) training, (ii) advisory services, and (iii) networking. This includes e-learning programmes, diagnostics and assistance, web platforms, and a business accelerator. It was emphasised that companies need a package that combines training and advice with networking and financial investment.

Targeting SMEs and segmenting the advice market

2.1. Key policy issues

There are various options for segmenting the business advice offer

A common approach to segmenting publicly supported business advice involves differentiating between different stages of company development, for example distinguishing support for nascent entrepreneurs, start-ups, established businesses, and businesses engaged in growth or internationalisation. Specific and tailored service offers can be developed for each company stage. These services can be marketed to firms in a targeted way.

Another option is to focus business advice support on areas where strong social impacts can be expected, for example by supporting SMEs with introducing or developing green technologies or social innovations or focusing support on SMEs in peripheral areas.

Identifying growth-oriented ventures remains a difficult undertaking for policy-makers

Policy makers often seek to target public business advice schemes on ventures with high growth potential, where the impacts of the assistance may be particularly strong. However, the existing body of research into high growth firms suggests that growth processes are often random and unpredictable, and that identification of ventures with potential for growth is exceedingly difficult. As a consequence, it may be difficult to effectively target business advice programmes to growth-oriented SMEs.

Business advice can be beneficial for established low-productivity SMEs as well as ambitious enterprises

Established SMEs in the long tail of low productivity performance often have what Klofsten (1992) defines as a ‘business platform’, i.e. a solid base of customers and a working organisation as a basis for potential future growth. It can therefore be effective to target these firms with business advice. These firms are not at the cutting edge of innovative production and business advice would be more appropriately focus on supporting catch up process technologies and incremental changes to their products or business models. A key focus for business development services for low productivity firms should therefore be on supporting management to get the basics right, for example introducing best practice management approaches or adopting digital technologies across the enterprise.

The cost and intensity of support could vary with enterprise growth ambition and potential

Public business advice support could differentiate between more costly intensive support to SMEs with high ambition and potential for improving their productivity and less intensive support to other firms that are nonetheless motivated to make changes in their practices. While the more intensive support is more costly, greater impacts are likely to defray the extra costs.

The solution might not lie in ‘more’ support

An analysis of the Swedish business support system has stressed the importance of better co-ordination and coherence in the existing support structure. The aim should be a system that is easy to navigate for SMEs and that provides targeted support channels through linkage organisations.

2.2. International policy trends and inspiring practice models

ITKL – Innovation for growth in the province of Kalmar, Sweden

Description of the approach

Kalmar is a province with around 240 000 inhabitants located in the South East of Sweden. The aim of the ITKL project, which has been running from 2015 to 2018, is to create a sustainable regional innovation system among the various support actors in the region in order to increase innovative and sustainable growth in existing SMEs. To this end, an Innovation Council was created consisting of representatives from the support actors included in the project (the regional business incubator, industrial development centre, science park, university, local government, inventor association etc.). SMEs are given the opportunity to pitch their ideas for business model improvement or new products to all of the support actors at one single occasion through this Innovation Council.

In a first round, 22 SMEs were identified to pitch their project, of which 17 “test pilots” received tailored counselling and finance of up to SEK 50 000 (approximately EUR 4 900). The counselling and finance were complemented with a seminar programme for small firm owners. The seminars were attended by 12 of the 17 companies and were arranged around themes such as marketing and sales, product development and intangible asset property rights, including presentations and discussions. The companies were also given opportunities to participate in trade fairs and study visits.

Key success factors

While it is still too early to trace the effects of the programme on the 17 test pilot companies, the main strength of the programme has been that it managed to address an important problem within the Swedish support system, which has been a large degree of fragmentation among existing actors. The Innovation Council has successfully brought together several actors, including public and private sector representativeness as well as the local university, and initiatives beyond the Innovation Council have been developed. The province of Kalmar has decided to continue the programme.

Further information

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2.3. Key discussion points

The following points were a key focus of discussion in the workshop:

☞ **Is targeting high growth a good strategy?**

A focus of business advice on high growth potential enterprises is common internationally. This may be important to achieve cost effectiveness in intensive business development services supports where there is a high per company cost of provision. On the other hand, too strong a focus on high growth potential risks missing the potential of advice to stimulate productivity improvements in established SMEs through catch-up support towards business best practices.

☞ **Which support for the long tail?**

Policy could develop a two-tier system. This type of approach would focus expensive programmes on businesses with the highest growth ambition and potential whilst also addressing the long tail of low productivity SMEs with less expensive support. Digital business diagnostic tools offer the opportunity to reach many firms at low cost. This type of intervention could benefit SMEs in the long tail of low productivity to increase their awareness of their performance and compare it with other businesses. Moreover, the impact on low productivity businesses might be substantial.

Using digital business diagnostic tools

3.1. Key policy issues

Digital business diagnostic tools are an increasingly common component of SME support

Digital business diagnostic tools have been developed and applied across a wide range of countries, including the USA, Singapore, Portugal and the Netherlands.

There are two major categories of tool:

- **Generic tools aimed at benchmarking SME competitiveness:** The generic tools aim to assess the level of competitiveness and productivity of an SME in a certain sector or location. User companies enter key values for their own company (profits, number of employees etc.) and the tool provides a benchmarking of the company against records for other companies in the same sector or location.
- **Focused tools:** These are of a more specific nature and aim at providing a diagnostic within a certain area of importance to companies, such as innovation, internationalisation or digitalisation.

These online tools offer relatively generic and passive advice

Digital diagnostic tools are suitable mostly for providing basic business advice. They require relatively codified information from the user firm and from benchmarking data sources. From the benchmarking and self-assessment scores they can then produce generic advice. Compared with face-to-face support, these approaches can be reactive and relatively passive, requiring the SME manager to take the lead. On the other hand, they are useful in getting companies to start to think about their areas of strength and weakness, and in supporting them to use and make sense of the data they have on their own business.

Digital tools can be an important entry point to business advice and support

Using a digital business diagnostic tool can be an important first step for SME managers to reflect upon their company's performance and practices vis-à-vis potential competitors and to focus on how to improve certain key aspects of their business approach, such as their innovation strategy or human resources development. After using a digital business diagnostic assessment, the user can be signposted to appropriate and tailored online advice. The tools have been shown to be quite powerful in motivating the take up of business advice among SMEs.

Digital tools can make business advice more inclusive and accessible

Online support offers basic business advice to firms in a lower cost manner than traditional face-to-face advice, which opens up the possibility to expand the reach of business advice towards greater numbers of SMEs in the long tail of low productivity.

At the same time, more firms may be willing to engage with business advice in an online format. Online tools offer support that is just "one click away" for any SME that wants to explore them. They are relatively easy for the SME to identify, access and use. As opposed to local business advice centres, they are readily available to any interested SME regardless of location, even in remote areas, on condition of having internet access.

Policy has a key role to play in providing digital business diagnostic tools

Many digital business diagnostic tools have been created with public support. Public policies can play several functions in their development and use:

- **Design:** One of the key roles of public agencies is in supporting the design of a conceptual model that can inform the identification of business performance profiles and potential business development priorities.
- **Data-driven comparison and benchmarking:** The key business performance data used in digital business diagnosis tools often come from official sources, such as tax records, social security records, and official business surveys. Given public ownership of much of the data and public responsibilities with respect to data protection, government is a front-runner to develop a diagnostic tool, bringing in additional private data where relevant. Several countries have a single agency in charge of combining different administrative data and supporting their use. The development of a digital diagnostic tool could therefore be the responsibility of such an agency in collaboration with the ministry responsible for enterprise.
- **Dissemination:** Public agencies can disseminate information on the tool to potential SME users through a range of networks. A nationally branded tool can achieve high visibility.
- **Integration:** Policy can play a role in integrating several diagnostic tools (public and private) under a single user-friendly online platform that would provide an entry point towards a virtual toolbox or library of digital diagnostic tools for SMEs.
- **Implementation support:** Even though an SME may undertake a diagnostic on its own, it may be important for public policies and agencies to support SMEs to implement actions to respond to the diagnosis. This could be limited to providing information on potential actions to effect change. However, it could also offer access to subsidised consultancy and mentoring by business advisors who make use of the diagnostic tool and build on its indications.

3.2. International policy trends and inspiring practice models

The box below provides a number of examples of different diagnostic tools from different countries.

International examples of digital business diagnostic tools

- **“Future SME”** Capability Diagnostic Model. This online tool was developed with financing from the European Union for use by SMEs across a range of countries. The SME provides information about the company and responds to questions around a number of indicators (e.g. strategy, performance management, etc.). An output report is automatically generated which highlights key priorities for the SME to address to improve business performance and competitiveness.
- **“COTEC Portugal”** Innovation Scoring System. This involves an online company self-assessment across five key areas related to innovation management. The system automatically creates a feedback report, which allows comparison with average and top performers that have already used the tool.
- **“2SHERPA”**, Singapore. This self-assessment tool focuses on supporting SMEs that aim to internationalise. The tool highlights strengths and weaknesses in the SME’s export capability and potential.
- **“SizeUp”** (US Small Business Administration). This online tool links up a number of datasets to help SMEs increase their competitiveness by benchmarking themselves (based on wages to employees and cost-effectiveness), mapping their competition and suggesting the best place to advertise their products and services.
- **“Holistic Industry Productivity Scorecard (HIPS) Calculator”** (Singapore Business Federation). This online tool helps SMEs to understand their performance across 10 indicators and shows how they compare to SMEs in other percentiles of the firm distribution. The Scorecard links to further support provided by the Singaporean government after the diagnostic.
- **“Singapore Smart Industry Readiness Index”** (Singapore Economic Development Board). This self-assessment tool scores SMEs against 8 criteria across 3 dimensions (process, technology, organisation). The resulting performance profile helps SMEs to prioritise and implement improvement on smart industry readiness.
- **“Canada Business Productivity”** (Canada Business Development Bank). This digital benchmarking tool can be used by SMEs to compare their productivity with peers in the same industry. It is based on five indicators: (1) overall productivity; (2) revenue per employee; (3) profit per employee; (4) labour productivity; (5) capital productivity. The tool uses data from corporate federal income tax returns.
- **“Intellectual Property Simulation”** (Canada Business Development Bank). This online programme guides SMEs on how to protect the company’s intangible assets based on certain indicators provided by the SME.

- **“e-Estonia”** (Enterprise Estonia). This offers a digital tool that helps SMEs to identify how competitive they are, using seven indicators (competitiveness; customers and markets; sales and marketing; products and prices; distribution channels; product development, production and logistics; and resources and know-how).

3.3. Key discussion points

The following points were a key focus of discussion in the workshop:

☞ **What is the role of digital business diagnostic tools for low productivity SMEs?**

Most low productivity SMEs lack knowledge to use their business diagnostic data without support and are unaware when they are underperforming. Digital diagnostic tools can help SMEs to better understand their own data and compare it with those of other companies. Such tools can help them to get a realistic evaluation of their situation vis-à-vis peers and provide them with an initial diagnostic of strengths and weaknesses globally or in particular focus areas. They can also be an entry point into other business advice services.

☞ **Who should be designing digital business diagnostic tools?**

Data protection and regulation issues, as well as the importance of government held data, suggest that a public agency may need to be responsible for providing a large-scale digital diagnostic tool rather than a private provider. Government funding may also be needed to stimulate the development of the tools. Universities may be a good partner if they have protected access to the data.

☞ **How can awareness be raised on the existence of the tools?**

Efforts will be needed make SMEs aware of the existence of digital business diagnostic tools. This might be achieved by combining the use of a tool with an SME management training programme, or by using of “ambassadors” who function as agents of a certain tool within a certain sector or location.

☞ **How to make sure that these tools are user-friendly?**

Statements and questions in such tools need to be framed in an accessible manner that allows the SME manager to understand the added value of the tool and the actions the assessment suggests they may take. Key basic business concepts, such as productivity or competitiveness, should be explained clearly with links to further online information.

☞ **Are these tools sufficient on their own?**

Whereas the tools allow firms to assess their performance, they do not provide the solution. SMEs may need further support to ensure they implement the right actions. The tools could therefore offer links to existing available business advice and business support programmes and explain their benefits. In particular, the tools can serve as a means of raising awareness and appetite from SMEs for other types of support, including face-to-face advice.

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Annex

1. Agenda
2. List of Participating Organisations



AGENDA

International Experience in Leveraging Business Development Services for SME Productivity Growth – Implications for UK Policy

26-27 April 2018

09.00 – 18.00

This workshop is organised by the Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) of the OECD in co-operation with the Department of Business, Energy and Industrial Strategy of the UK in the context of the UK review of actions improving productivity and growth as outlined in the UK Industrial Strategy.

VENUE:

**St Matthews Conference Centre
20 Great Peter Street, Westminster
London SW1P 2BU, UK**

WHAT IS THE OBJECTIVE OF THIS WORKSHOP?

The aim of this workshop is to assess recent evolutions in the design and delivery of business development services in OECD countries and possible lessons for increasing SME productivity in the UK, particularly in the 'long tail' of low productivity SMEs, through provision of business diagnostics, advice, consultancy, mentoring and leadership training.

WHAT IS THE CONTEXT?

Business development services have been evolving rapidly in OECD countries in the last 5-10 years. The trends include increased targeting of business development services on SME where the impacts are anticipated to be the greatest, increased emphasis on giving control in identifying service providers to SME clients, increased use of digital methods to enable SMEs to assess their strengths and weaknesses and get advice and guidance on-line and increased emphasis on leadership development in SME management.

The UK Industrial Strategy White Paper has announced a review of what actions could be most effective in improving the productivity of SMEs. The workshop will provide input by focusing on the role of business development services in strengthening firm management-level productivity in SMEs, particularly with respect to management practices and digital tools.

The experts, practitioners and policy makers will discuss international experiences and lessons for the UK with reference to some key policy questions such as:

- How to differentiate services across different types of SMEs, for example between firms with strong and weak growth ambitions or potential.
- How to identify specific productivity challenges that SMEs face, e.g. in recruitment, changing markets, introducing new technologies, accessing finance, improving workforce skills, changing business models) in agreement with SME management.
- How to take the opportunities of digital technologies for business diagnostic, advice and management training support.
- How to facilitate access and build demand of SMEs for business development services.

Upon completion of the workshop the OECD Secretariat will prepare a report on the main messages and international inspiring best practices that have been considered valuable by the participants. Participants will have the opportunity to comment on and strengthen this report.

WHAT IS THE FORMAT?

The workshop is structured around a mix of presentations and discussions of expert analysis of international business development services approaches on potential opportunities for increasing UK SME productivity using the lever of publicly-supported business development services.

Participants will be invited to provide notes during the workshop to contribute to the summary report.

Workshop contact:

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DAY ONE PROCEEDINGS

09.00 -09.15	Registration of participants
09.15 – 09.45	Opening
09.15 – 09.30	Welcome addresses and key issues for discussion <ul style="list-style-type: none"> • Mr Andrew Paterson, BEIS • Mr Jonathan Potter, OECD
09.30 - 09.45	Introduction of the seminar structure, organisation and contents, Ms Sandra Hannig, OECD
09.45 – 10.45	SESSION 1: UK business development service context – main challenges and opportunities
<p>This session will set the scene by introducing the business development services policies and delivery structures in the UK, key challenges, and suggestions for areas for improvement on what works in raising firm-level productivity and business performance..</p>	
09.45 – 10.00	Introduction to UK context, Mr Kevin Mole, Warwick Business School
10.00 – 10.30	Open discussion of issues by national and international experts
10.30 – 10.45	Coffee break
10.45 – 12:45	SESSION 2: Using digital technologies for offering business development services
<p>This session will explore different approaches to providing business diagnostics and advice to SMEs in order to raise productivity, including what data are available for diagnostics, how to design the diagnostic, what support measures work best follow-up on the diagnostics and how to ensure that they contribute to increases in SME productivity.</p>	
10.45 – 12.00	Presentation of international practices on this theme: <ul style="list-style-type: none"> • Mr Pedro Saraiva, Professor, University of Coimbra, Portugal Country intervention: <ul style="list-style-type: none"> • Mr Priit Tinitis, Ministry of Economy, Estonia
11.45 – 12.45	Discussion of the key issues and potential lessons for the UK, national and international workshop participants
12.45 – 14.00	<i>Lunch and networking break</i>
14.00 – 16.00	SESSION 3: Influencing the market in which interventions operate
<p>This session will discuss how public and private business support interventions can make the private market for business support work better, expanding its reach to firms in the long tail, and improving the quality of support provided. It will consider the supply and demand drivers of BDS used by different types of companies and the barriers they face. It will focus on different models of influencing the market for support services and which country cases show evidence for positive outcomes.</p>	
14.00 – 15.00	Presentation of international practice on this theme: <ul style="list-style-type: none"> • Mr Steffen Korsgaard, Associate Professor, University of Aarhus, Denmark Country intervention:

15.00 – 16.00	<ul style="list-style-type: none"> • Ms Marie-Claude Taillandier – Thomas, BPI France <p>Discussion of the key issues and potential lessons for the UK, national and international workshop participants</p>
16.00 – 16:30	Coffee break
16.30 – 18.00	SESSION 4: Evaluating the impact of business development services – methods and evidence
<p>This session will gather and discuss the available evaluation evidence on which types of public and private BDS interventions are most effective in supporting improved business outcomes, as well as evidence on which types of BDS have the strongest effect on firms. It will also examine recent developments in monitoring and evaluation approaches to public BDS intervention. It will include an assessment of what data are missing to help evaluate BDS interventions and how future interventions can be designed to increase our knowledge of what works.</p>	
16.30 – 17.00	<p>Country intervention:</p> <ul style="list-style-type: none"> • Mr Simon Rahlf Hauptmann, Danish Business Agency, Denmark
17.00 – 18.00	Discussion of the key issues and potential lessons for the UK, national and international workshop participants
18.00 – 18.15	Wrap-Up
<p>This session will provide a brief summary of key take-aways from day one of the workshop and report back from the different sessions.</p>	

DAY TWO PROCEEDINGS

09.00 – 11.00	SESSION 5: Targeting and differentiating business development services by firm type
<p>This session will consider how to differentiate BDS support across different types of firms, such as high-technology firms, gazelles, mid-sized firms, and low productive SMEs. It will include consideration of what can be done to encourage 'ordinary' firms to innovate and increase productivity through public support for BDS that affect management capabilities.</p>	
09.00 – 10.00	<p>Presentation of international practices on this theme:</p> <ul style="list-style-type: none"> • Ms Charlotte Norrman, Senior Lecturer, University of Linköping, Sweden and Mr Magnus Klofsten, Professor, University of Linköping (via skype) <p>Country intervention:</p> <ul style="list-style-type: none"> • Ms Helen Gjester, Innovation Norway
10.00 – 11.00	Discussion of the key issues and potential lessons for the UK, national and international workshop participants
11.00 – 11.30	Coffee break
11.30 – 12.45	SESSION 6: National-Local Divisions of Responsibilities

This session will discuss BDS approaches delivered at national and local level through different streams of funding and present a variety of initiatives that are aimed at raising firm productivity in different local contexts. It will also examine how national governments provide a conducive framework for local intervention.

11.30 – 12.00

Country intervention:

- [Ms Jeannine Bursi-Franssen, Ministry of Economy, Netherlands](#)

12.00 – 12.45

Discussion of the key issues and potential lessons for the UK, [national and international workshop participants](#)

12.45 – 14.00

Lunch and networking break

14.00 – 15.00

SESSION 7: Exploiting new data for business diagnosis and targeting

This session will discuss what public and private data is available to target intervention. It will include consideration of how data can be used to drive businesses to identify weaknesses and potential increase the take-up of business advice.

14.00 – 14.30

Presentations of international practices on this theme and detailed examples of country intervention

- [Mr Priit Tinitis, Ministry of Economy, Estonia](#)
- [Mr Simon Rahlf Hauptmann, Danish Business Agency, Denmark](#)

14.30 – 15.00

Discussion of the key issues and potential lessons for the UK, [national and international workshop participants](#)

15.00 – 15.30

Coffee break

15.30 – 17.00

Closing session

This session will discuss and draw out main policy development messages for the UK from the workshop and main directions for further development of the report.

15.30 – 16.15

Break-out groups

- Participants will derive potential lessons of the workshop for the UK.
- Moderated discussions will cover the key workshop questions related to the practices presented.

16.15 – 16.45

Report back to plenary and discussion

- Rapporteurs from each group will briefly share the key discussion points from their break-out groups.

16.45 – 17.00

Some concluding comments on the way forward, [Jonathan Potter, OECD](#), and [Andrew Paterson, BEIS](#)

Workshop participating organisations

Behavioural Insights Team, United Kingdom
Be The Business, United Kingdom
Bpifrance, France
Danish Business Agency, Denmark
Department for Business, Energy and Industrial Strategy, United Kingdom
Economic and Social Research Council, United Kingdom
Enterprise Nation, United Kingdom
Enterprise Research Centre, United Kingdom
Oxford Innovation, United Kingdom
HM Treasury, United Kingdom
Innovation Norway, Norway
Ministry of Economy, the Netherlands
Ministry of Economy, Estonia
Nesta, United Kingdom
Organisation for Economic C-operation and Development
Productivity Insights Network, United Kingdom
University of Aarhus, Denmark
University of Coimbra, Portugal
University of Linkoping, Sweden
University of Sheffield, United Kingdom
University of Sussex, United Kingdom
University of Warwick, United Kingdom
What Works Centre, United Kingdom