INTERNATIONAL EXPERIENCE IN LEVERAGING BUSINESS DEVELOPMENT SERVICES FOR SME PRODUCTIVITY GROWTH:

IMPLICATIONS FOR UK POLICY

SUMMARY REPORT OF AN EXPERT WORKSHOP ORGANISED BY THE OECD AND THE DEPARTMENT FOR BUSINESS, ENERGY AND INDUSTRIAL STRATEGY

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Table of contents

Background ........................................................................................................................................ 3
Main findings .................................................................................................................................. 4
Building demand for business development services ................................................................. 7
  1.1. Key policy issues ...................................................................................................................... 7
  1.2. International policy trends and inspiring practice models ....................................................... 10
  1.3. Key discussion points ............................................................................................................. 11
Targeting SMEs and segmenting the advice market ....................................................................... 13
  2.1. Key policy issues ...................................................................................................................... 13
  2.2. International policy trends and inspiring practice models ....................................................... 15
  2.3. Key discussion points ............................................................................................................. 16
Using digital business diagnostic and guidance tools ................................................................... 17
  3.1. Key policy issues ...................................................................................................................... 17
  3.2. International policy trends and inspiring practice models ....................................................... 18
  3.3. Key discussion points ............................................................................................................. 20
Potential implications for the UK from international practice ...................................................... 22
Annex .......................................................................................................................................... 23
Background

This report summarises the key findings of an expert workshop organised by the OECD Centre for Entrepreneurship, SMEs, Regions and Cities and the United Kingdom Department of Business, Energy and Industrial Strategy on “International Experience in Leveraging Business Development Services for SME Productivity Growth – Implications for UK Policy”. The workshop was held on 26-27 April 2018 with the participation of UK and international academic experts and policy makers (see the Annex for the Agenda), and was supported by several background papers. In addition to this summary report, a full report is available including the background papers.

The aim of the workshop was to explore international policy experiences in utilising business development services (BDS) as a lever to increase productivity in small and medium-sized enterprises (SMEs) and the potential implications for the development of policy for business development services in the UK. The focus was on providing support to the “long-tail” of established SMEs with low productivity.

Public support for business development services has been evolving rapidly in OECD countries in the last 5-10 years. The challenge is to align often complex and overlapping BDS structures and to design services that co-evolve with current business trends such as digitalisation and internationalisation. The discussions focused on the following key policy questions:

- How to build demand from SMEs for business development services that would benefit them?
- How to differentiate 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, advice and management training support?

The workshop and report form part of a review for the UK Industrial Strategy development process of what works in business support and improving the productivity of the ‘long tail’ of low productivity SMEs. It is also part of the programme of work of the OECD Centre for Entrepreneurship, SMEs, Regions and Cities on the evolution of business development services internationally.
Main findings

Building SME demand for business development services

- UK SMEs account for 99% of all enterprises and more than 50% of employment in the business economy and their performance has a major impact on the UK’s productivity. Central to this is managerial capability within the SME. Research evidence suggests that taking business advice and participating in management training programmes benefits SME productivity.

- However, there are substantial constraints to SME demand for business development services. Business development services are ‘experience goods’ making them difficult to value, particularly at the level of the individual firm.

- Key issues to address are lack of ambition among SME managers to grow their businesses, lack of awareness of the scope to improve their business practices, lack of information on available services and their potential benefits, and lack of trust in the relevance and quality of available services. Recent evidence suggests that only 3-in-10 SME employers had heard of Growth Hubs.

- Developing a nationally recognised and trusted brand offering business development services through a single publicly supported entity can help build demand for services from SMEs.

- Public providers should complement private BDS initiatives. To achieve this, 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.

- Raising awareness among SME managers of the relative performance of their business (compared to peers) and the areas of strength and weakness of their business is critical to building demand for advice. SME managers are often over-optimistic about their performance and often struggle to identify best practice.

- Policy can build demand for business development services from SMEs by operating within the ‘comfort zone’ of SME managers. This includes offering peer-to-peer learning and mentoring through existing firm networks, offering services through established and trusted relationships (e.g. banks and accountants already working with the firms), and offering advice at business trigger points (e.g. when faced by a challenge). SME managers consistently cite accountants the most popular source for information and advice and research shows growth challenges spur firms to seek advice.

- Tapping into business networks can be a powerful means of identifying and reaching out to companies with the ability and motivation to grow that would not otherwise use business development services. Referrals to BDS from networks are particularly important for adopting new process innovations.
Targeting SMEs and segmenting the market for business advice

- Business advice and mentoring can achieve strong impacts by focusing on SMEs with ambition and potential. Ambitious managers are more likely to experiment with new ideas and adopt best practice. Internationally, many business advice programmes therefore focus on the most ambitious and high growth potential SMEs.

- However, business development services can also have important effects on stimulating incremental innovation in low-productivity SMEs. For firms in the ‘long tail’, getting the basics right (e.g. management best practice; adoption of already tried-and-tested technology) could potentially have a major impact. According to the CBI 69% of the UK workforce is in firms with low productivity and ‘catch-up’ technology adoption is likely to contribute over half of future productivity growth. Good management is often a key enabler for a range of productivity-enhancing activities such as human resources development and digital technology adoption. The key to this policy is engaging low productivity firms, for example with awareness raising through local campaigns.

- It can be effective to differentiate business development services support by firm type. A basic differentiated approach could involve providing more costly intensive support to SMEs with high ambition and potential for improving their productivity whilst providing less intensive support to other firms motivated to make changes in their practices (e.g. low cost digital tools can potentially reach many firms). Research evidence shows that more intensive support produces greater benefits that defray the extra costs.

- The provision of business development services support 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.

- The effective design of public business development services support will rest on robust impact evaluation evidence. Despite some examples, robust evaluation evidence of the impact of business development services on SME productivity is limited in the UK and internationally. Evaluation should be standard in publicly supported programmes for business development services.

Using digital tools in business development services

- Publicly supported digital business diagnostic tools operate in several countries. They offer a low-cost manner of encouraging and supporting SMEs to benchmark their business performance and identify areas for improvement as a valued part of a BDS system.

- Public agencies have an important role to play in developing and offering digital business diagnostic tools. This reflects the central place that firm-level benchmarking data from official sources can play in the tools and the need for data protection as well as the scope to raise strong awareness related to a national brand.

- Digital diagnostic tools can encourage firms to make better use of their own data. Low productivity SMEs often struggle to make sense of basic metrics on their performance.

- Digital tools can screen, select and sort but require relatively codified knowledge producing generic advice.

- Digital business diagnostic tools are more powerful when combined with additional face-to-face diagnostic support by external experts in the development areas the SME
managers identify when they use the tool.
Building demand for business development services

1.1. Key policy issues

*BDS 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\(^1\) 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.\(^2\) BDS can help SMEs to identify the most significant obstacles to their productivity growth and the actions they can take to overcome them.

Existing policy evaluations provide evidence that high quality business support and external advice can have an important impact on improving SME productivity and growth performance. However, relatively few public support programmes for business development services (BDS) have been evaluated robustly, and the evidence base needs to be expanded in order to better understand what works in the design of public BDS interventions.

*Both supply and demand side issues matter in the provision of BDS*

Low uptake of BDS 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 companies into service provision.

*There are multiple reasons for low take-up of BDS by SMEs*

Reasons for low demand for BDS from SMEs include:

- **Lack of awareness of existing programmes**: SME owners may be unaware of the existence of certain services, especially where public BDS support systems have complex structures and overlaps. SME owners may also be too pre-occupied with the daily operations of their businesses to actively seek out advice. Recent evidence suggests that only 3-in-10 SME employers had heard of Growth Hubs.\(^3\)

- **Legitimacy issues around public operators**: Public BDS operators may be considered by SMEs to be less efficient and competent. SME managers may sometimes have more confidence in advice provided by private sector firms such as regular accountants and consultants or peer companies.

**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 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.

- **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.

- **Limited SME ambition to grow and develop the business**: SME owners may not want to grow beyond a certain level, when the company becomes successful enough to pay for an expensive car and other goods associated with an attractive life-style (also referred to as the “BMW syndrome” in the literature). It may be difficult to offer BDS to these companies if the services are principally oriented to achieving business growth.

The following BDS design principles have been identified through Danish government assessments

- **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 BDS, and risks of self-selection of “the wrong” SME managers into public programmes entail a significant risk of over-investments in public BDS 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 BDS, even if they would benefit, significant effort is required in stimulating them to seek out services. Existing touchpoints can serve as an important way of “nudging” the SME managers to taking advice. These include bankers and accountants. SME managers are more likely to take advice from people that they trust and are familiar with. SME managers consistently cite accountants the most popular source for information and advice and research shows growth challenges spur firms to seek advice. Methods of engaging these actors could include utilising existing relationships and networks, training and education.

It is important to offer BDS in ways that are in the SMEs’ comfort zone

In offering BDS to SMEs, it is important to operate within the “comfort zone” of the SME manager. The introductory focus 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 may also be more comfortable in taking support from business development services firms in their existing networks.
It is important to build rather than crowd out the private market

Public BDS support 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.\(^5\)

**BDS can be delivered through firm networks rather than individual firms**

It can be effective to identify and support SMEs through enterprise-led networks, such as regional clusters or chambers of commerce. Referrals to BDS from networks are particularly important for adopting new process innovations.\(^6\) Initiatives may be needed to support the emergence of enterprise-led networks, whereby related firms can identify common needs for advice and consultancy and share in the costs of provision.

**A national brand can increase the awareness and trust of SMEs in BDS**

A **nationally recognised and trusted brand** for publicly supported business development services can be important to the success of services by building awareness of SMEs of the availability of services and trust in their quality. A strong national brand can be supported by the use of a single agency to supply or co-ordinate services. The Cluster Innovation Programme in Norway has achieved a strong brand and awareness of services among SMEs.
1.2. International policy trends and inspiring practice models

### Rural Growth Pilots, Denmark

#### Description of the approach

The Rural Growth Pilot (RGP) is a recent programme under the public Danish Innovation Fund (Innovationsfonden). It is built on experience from previous projects that suggest that the recruitment of graduates (individuals with a university Master’s degree) generally has a positive impact on the growth of SMEs that do not already employ graduates. In the RGP programme, this idea is extended to SMEs in rural areas, which tend to have relatively low growth and innovation levels.

The programme supports businesses by providing financial support over a one to two-year period to hire a graduate. The support amounts to DKK 150 000 (EUR 20 000) per year for a maximum of two years (EUR 5.3 million total over a four-year period). The support is premised on an application where the firm provides an idea for a new product, market, production method or service, as well as a description of the role of the graduate in its development. It is a requirement that the graduate employee has a different skillset from the current employees.

The design of the RGP programme follows a set of policy goals that are considered important in the current Danish political arena, i.e. job creation in rural areas to counter urbanisation, the creation of jobs for graduates, and stimulating SME growth. The programme design is based on solid experiences from previous programmes and a theory of change that sees the infusion of new skills and knowledge into SMEs as a driver of innovation and growth. Firms self-select into the programme. If few companies apply, the programme resources are released for other business support interventions.

#### Key success factors

- Creates a push for training and development in SMEs
- No demand – no cost
- Increases the likelihood of subsequent SME growth

#### Further Information

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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. The Cluster Innovation Programme was set up on the premise that clusters are important drivers in regional and national innovation strategies, and that companies that are part of a cluster perform better overall. The programme has the aim of supporting clusters to collaborate across sectors and technologies and to explore new business areas and business models.

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 in order to renew products, services, processes and business models. 30 clusters are currently supported with 2 700 companies being part of the clusters. Six focus areas have been chosen, including bio-economy, clean energy, and creative industries.

Key success factors

Based on an open call, clusters with a relevant technology base, 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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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 to best 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 awareness of BDS and identify companies that have an interest in accessing them. There is often strong demand from enterprises for peer-to-peer learning opportunities that can be organised by supporting relevant experience exchange and 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 activities can also be organised through enterprise networks (e.g. local chambers of commerce, or firms in related sectors) to identify shared BDS needs and to provide them to groups of SMEs in a cost-effective manner.

**What type of support is needed?**

BPI, the French public development bank, outlined its business support 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 marketed to firms in a targeted way.

Another option is to focus publicly supported BDS 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 publicly-supported BDS 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 programmes to growth-oriented SMEs.

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

Both research and practice indicate that established low-productivity SMEs have the potential to grow. According to the CBI 69% of the UK workforce is in firms with low productivity, and ‘catch-up’ technology adoption is likely to contribute over half of potential future productivity growth. It can be effective for BDS to target firms with what Klofsten (1992) defines as a ‘business platform’: these are established companies with a solid base of customers and a working organisation as a basis for potential future growth. A key to the success is engaging low productivity firms in BDS initiatives, for example with awareness raising through local campaigns.

The question might not be whether to, but what type of support to provide to low-productivity SMEs

Most SMEs in the long tail of low productivity performance are not at the cutting edge of innovative production and would thus need support that incrementally changes their product or business models. A key focus for BDS for low productivity firms should therefore be on supporting management to get the basics right, for example best practice management approaches or digital technology adoption across the enterprise. International evidence shows the value of basic management processes.
Evaluations of what works in BDS for low productivity SMEs are scarce

Academic evidence has shown that business support can work. However, relatively few public schemes are robustly evaluated. Most programmes do not take 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. This makes it difficult to properly evaluate these programmes. Increased data collection and evaluation efforts to give a better picture of what works in BDS support.

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

Public support for BDS 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 motivated to make changes in their practices (e.g. low cost digital tools can potentially reach many firms). Research evidence shows that more intensive support produces greater benefits that defray the extra costs.\(^8\)

However, research evidence shows that more intensive support produces greater benefits that 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 Swedish region 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, which consisted 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.

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2.3. Key discussion points

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

- **Is segmenting and targeting a good strategy?**
  Cost effectiveness in intensive BDS support interventions, where there is a high per company cost of provision, is likely to be achieved by targeting SMEs with potential and ambition to grow. A focus of services on firms with high growth potential is common internationally. On the other hand, the Netherlands is an example of a country that does not apply a differentiated publicly supported BDS approach across segments of businesses, but provides dedicated digital training to all SMEs that are interested.

- **Which support for the long tail?**
  A recent evaluation of the Danish DBS system by the Danish Business Authority proposed a two-tier system. This type of approach would help focus expensive programmes on businesses with 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 a lot of 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 and guidance tools

3.1. Key policy issues

Digital business diagnostic and guidance tools are increasingly common

Digital business diagnostic tools have been developed and applied across a wide range of countries and shown to be quite powerful in providing basic business advice and motivating take up of business advice.

There are two major categories of digital business diagnostic tools:

- **Generic tools aimed at benchmarking SME competitiveness**: These 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.

Digital business diagnostic and guidance tools offer new opportunities for providing BDS to low productivity SMEs

Using digital business diagnostic tools 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. Digital tools can screen, select and sort but require relatively codified information and produce generic advice. After using a digital business diagnostic assessment, the user can be signposted to appropriate and tailored online advice.

*Digital tools can make BDS more accessible and inclusive*

The use of digital business diagnostic and guidance tools offers the prospect of providing business advice to firms in a lower cost manner than traditional face-to-face support. Lower public costs per firm imply the possibility to expand the reach of the support towards greater numbers of SMEs in the long tail of low productivity.

At the same time, more firms may be willing to engage with BDS in this way, given the lower costs to them of identifying, accessing and using the support. Online tools offer support that is just “one click away” for any SME that wants to explore them. Such online tools are readily available to any interested SME, regardless of its size or location, and can be used from remote areas, when they are connected to broadband. However, a constraint is that digital approaches can be reactive and relatively passive, requiring the SME manager to take the lead.
Policy has a key role to play in providing digital business diagnostic and guidance tools

Many digital diagnostic and guidance 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 leading to the identification of performance profiles together with the development of information on priorities and possible areas for improvement.

- **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 its ownership of much of the data and responsibilities with respect to data protection, government is a front-runner to develop a diagnostic tool, bringing in private data where relevant. Several countries have a single agency in charge of combining different administrative data and supporting their use and this work can be the responsibility of that 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. It could also include combining access to subsidised consultancy and mentoring offered from business advisors with the use of the diagnostic tool.

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 and guidance 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 the 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 and guidance tools for low productivity SMEs?**

  Most SMEs lack knowledge to use available 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 diagnostic and guidance tools?**

  Data protection and regulation issues, as well as the importance of government held data, call for a public agency to be in charge of providing digital diagnostic tools 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 these tools?**

  It will be necessary to devote efforts to raising the awareness of SMEs about the existence of digital business diagnostic tools. This might be achieved by combining the use of a tool with a training programme or the use 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 concepts such as productivity or competitiveness should be clearly explained and tools should link to further online information on basic business concepts where possible.

- **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 tool could therefore show clearly existing advice and business support programmes that are available and may highlight the benefits from further supports to SME managers that complete the assessment.
The tool can also serve as a means of raising awareness and appetite from SMEs for other types of support, including face-to-face advice.
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 BDS 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. 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 BDS 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 BDS can strengthen management capabilities and productivity performance in a range of SMEs when designed effectively.

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 BDS offers.
Annex

1. Agenda
2. List of Participants
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:
Ms Sandra Hannig
Policy Analyst
OECD Centre for Entrepreneurship, SMEs, Regions and Cities
sandra.hannig@oecd.org
+33 1 4524 7533
## DAY ONE PROCEEDINGS

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
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<tbody>
<tr>
<td>09.00 - 09.15</td>
<td>Registration of participants</td>
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<tr>
<td>09.15 – 09.45</td>
<td>Opening</td>
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<tr>
<td>09.15 – 09.30</td>
<td>Welcome addresses and key issues for discussion</td>
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<tr>
<td></td>
<td>- Mr Andrew Paterson, BEIS</td>
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<td></td>
<td>- Mr Jonathan Potter, OECD</td>
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<tr>
<td>09.30 - 09.45</td>
<td>Introduction of the seminar structure, organisation and contents, Ms Sandra Hannig, OECD</td>
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<tr>
<td>09.45 – 10.45</td>
<td>SESSION 1: UK business development service context – main challenges and opportunities</td>
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<td>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.</td>
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<tr>
<td>09.45 – 10.00</td>
<td>Introduction to UK context, Mr Kevin Mole, Warwick Business School</td>
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<td>10.00 – 10.30</td>
<td>Open discussion of issues by national and international experts</td>
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<td>10.30 – 10.45</td>
<td>Coffee break</td>
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<td>10.45 – 12:45</td>
<td>SESSION 2: Using digital technologies for offering business development services</td>
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<td></td>
<td>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.</td>
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<td>10.45 – 12.00</td>
<td>Presentation of international practices on this theme:</td>
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<td>- Mr Pedro Saraiva, Professor, University of Coimbra, Portugal</td>
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<td></td>
<td>Country intervention:</td>
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<td>- Mr Priit Tinits, Ministry of Economy, Estonia</td>
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<tr>
<td>11.45 – 12.45</td>
<td>Discussion of the key issues and potential lessons for the UK, national and international workshop participants</td>
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<tr>
<td>12.45 – 14.00</td>
<td>Lunch and networking break</td>
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<td>14.00 – 16.00</td>
<td>SESSION 3: Influencing the market in which interventions operate</td>
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<td>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.</td>
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<tr>
<td>14.00 – 15.00</td>
<td>Presentation of international practice on this theme:</td>
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<td>- Mr Steffen Korsgaard, Associate Professor, University of Aarhus, Denmark</td>
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<tr>
<td>Time</td>
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| 15.00 – 16.00 | **Country intervention:**  
- Ms Marie-Claude Taillandier – Thomas, BPI France | Discussion of the key issues and potential lessons for the UK, national and international workshop participants |
| 16.00 – 16.30 | Coffee break                                                                |                                                                         |
| 16.30 – 18.00 | **SESSION 4: Evaluating the impact of business development services – methods and evidence** | 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. |
| 16.30 – 17.00 | **Country intervention:**  
- 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**                                                                  |                                                                         |
| 18.30 – 19.00 | **SESSION 5: Targeting and differentiating business development services by firm type** | 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. |
| 09.00 – 10.00 | **Presentation of international practices on this theme:**  
- Ms Charlotte Norrman, Senior Lecturer, University of Linköping, Sweden and Mr Magnus Klofsten, Professor, University of Linköping (via skype) | Country intervention:  
- 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 are in different local contexts. It will also examine how national governments provide a conducive framework for local intervention.

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| 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**                                      |

**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.

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| 14.00 – 14.30 | **Presentations of international practices on this theme and detailed examples of country intervention**  
|          | - Mr Priit Tinit, 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.

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| 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 Participants

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
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<tbody>
<tr>
<td>Grace Adeyemi</td>
<td>BEIS</td>
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<tr>
<td>Lu An</td>
<td>BEIS</td>
</tr>
<tr>
<td>Nida Broughton</td>
<td>Behavioural Insights Team</td>
</tr>
<tr>
<td>Declan Breslin</td>
<td>BEIS</td>
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<tr>
<td>Jeannine Bursi-Franssen</td>
<td>Ministry of Economy (Netherlands)</td>
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<tr>
<td>Rebekah Carr</td>
<td>BEIS</td>
</tr>
<tr>
<td>Jane Galsworthy</td>
<td>Oxford Innovation</td>
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<tr>
<td>Thea Goodsell</td>
<td>HMT</td>
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<tr>
<td>Neil Gordon</td>
<td>HMT</td>
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<tr>
<td>Helen Gjester</td>
<td>Innovation Norway (Norway)</td>
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<tr>
<td>Sandra Hannig</td>
<td>OECD</td>
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<tr>
<td>Mark Hart</td>
<td>Enterprise Research Centre (ERC)</td>
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<tr>
<td>Simon Rahlf Hauptman</td>
<td>Danish Business Agency (Denmark)</td>
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<tr>
<td>Katherine Hogg</td>
<td>ESRC</td>
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<tr>
<td>Magnus Klofsten</td>
<td>University of Linkoping (Sweden)</td>
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<tr>
<td>Steffen Korsgaard</td>
<td>University of Aarhus (Denmark)</td>
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<td>Ruxandra Jianu</td>
<td>OECD</td>
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<tr>
<td>Emma Jones</td>
<td>Enterprise Nation</td>
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<tr>
<td>Joshua Leedale</td>
<td>BEIS</td>
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<tr>
<td>Kevin Mole</td>
<td>Warwick Business School (UK)</td>
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<tr>
<td>Paul Nightingale</td>
<td>University of Sussex</td>
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<tr>
<td>Cecilia Nyqvist</td>
<td>BEIS</td>
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<tr>
<td>Charlotte Norrman</td>
<td>University of Linkoping (Sweden)</td>
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<tr>
<td>Jessica Northend</td>
<td>Be the business</td>
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<tr>
<td>Gonzalo Nunez-Chaim</td>
<td>What Works Centre</td>
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<td>James Partington</td>
<td>BEIS</td>
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<tr>
<td>Andy Paterson</td>
<td>BEIS</td>
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<td>James Phipps</td>
<td>Nesta</td>
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<tr>
<td>Jonathan Potter</td>
<td>OECD</td>
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<td>Stuart Roddam</td>
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<td>Pedro Saraiva</td>
<td>University of Coimbra (Portugal)</td>
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<td>David Storey</td>
<td>University of Sussex</td>
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<td>Marie-Claude Taillardier-Thomas</td>
<td>BPI France</td>
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<tr>
<td>Priit Tinits</td>
<td>Ministry of Economy (Estonia)</td>
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<tr>
<td>Tim Vorley</td>
<td>Productivity Insights Network</td>
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<tr>
<td>Colm Williams</td>
<td>BEIS</td>
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</table>
References


7. CBI (2017) From ostrich to magpie: increasing business take-up of proven ideas and technologies, Confederation of British Industry, London