1. Summary of the impact (indicative maximum 100 words)

International evidence suggests that small firms provide the main source of new jobs in almost all economies. Policy support can be important in fostering and facilitating SME growth. Dr Kevin Mole, Professor Stephen Roper and Professor David Storey have helped the UK government and regional economic development agencies to develop, implement and evaluate new policy initiatives for supporting SME growth. Building on the UK research, and partnering with the Organisation for Economic Co-operation and Development (OECD), Professor Roper has shaped SME policy development and evaluation in the Western Balkans as countries have sought to upgrade their SME support regimes and align their policy frameworks to those of the European Community.

2. Underpinning research (indicative maximum 500 words)

Given their importance in generating growth and creating jobs, policy to support SME growth is ubiquitous. Issues arise, however, about the most effective types of policy intervention and how these should be evaluated. Particular issues arise in designing and evaluating policy for high-growth firms both due to the difficulty of identifying SMEs with the potential to achieve high growth and the heterogeneity of the support needs of such firms.

The aim of research conducted by Mole, Roper and Storey (over the 2006 to 2011 period) was to develop and apply robust evaluation methodologies to SME policy in different contexts. Research was undertaken by the Centre for Small and Medium Enterprises (CSME) at WBS with the Department for Business, Innovation and Skills (BIS) and its forerunners on the evaluation of Business Link (BL), the main government support service for smaller companies until its closure in 2011. BL support was of two types, either light-touch guidance or information provision, or more intensive support involving an element of diagnosis and developmental advice or mentoring. BL ‘Intensive Support’ was targeted at those SMEs which had the potential to achieve high growth.

The research investigated the impact of BL support on SME growth and value added using an econometric methodology. Large scale survey analyses were conducted involving around 2,000 recipients of BL support and 1,000 non-recipients. Econometric methods were used to predict separately the probability that firms would receive BL support and the impact of that support. Quantitative analysis was backed up by case studies of individual grant recipients to investigate potential process issues. The analysis concluded that the most effective type of support was intensive BL assistance – typically involving repeated interactions such as mentoring. This type of support proved highly cost effective in supporting growth among more ambitious SMEs with significant growth potential and increased firms’ employment growth rate by an average of 2.4 per cent. The impact of BL interventions on the growth of supported small firms was estimated to be between £697m and £753m of additional Gross Value Added per annum compared to a cost of BL interventions of approximately £150m for the six month period April to September 2003.

The original 2006 BL evaluation has been widely cited as the most robust UK evidence on the value of public business support. The original analysis was extended in subsequent academic papers in 2008, 2009 and 2011. The 2011 paper has been the most influential, examining different profiles of BL support and establishing that the most significant growth impacts – and most cost effective type of business support - results from more intensive assistance involving business assessment and action planning for growth, and from mentoring support. Lessons learnt from this research provided the basis for SME policy design in the UK and Montenegro and international knowledge transfer on SME policy design and evaluation to countries in the Western Balkans and Denmark.

3. References to the research (indicative maximum of six references)

## Impact case study (REF3b)

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### Associated grants


## 4. Details of the impact (indicative maximum 750 words)

The research has contributed to: the evidence base on SME policy effectiveness in the UK; the justification for public intervention and design of the UK government’s flagship measure for supporting high-growth firms – the Growth Accelerator; the design and implementation of SME support policy measures internationally; and a programme of international policy development work with countries in the Western Balkans in partnership with OECD.

The 2006 study of BL by Mole and Roper, described by the BIS as the ‘most robust UK evidence on the value of public business support’, has informed recent policy discussion on the value of online support services for SMEs (2012) and assessments of the impact of spending by the Regional Development Agencies (2009). Early drafts of the 2011 ‘Broader or Deeper’ paper profiling the most cost-effective forms of SME support in different UK regions - directly informed the design and implementation of the UK government’s flagship Growth Accelerator scheme to support high-growth small firms. Announced in the Spending Review 2010, the £200m Growth Accelerator scheme implements this type of business support across the UK with the aim of helping SMEs with significant growth potential to grow more rapidly. It is by far the largest UK government intervention to support high-growth SMEs. It has already benefited over 6000 businesses and aims to help 26,000 SMEs by 2015, with an expectation of generating an additional 55,000 jobs.

Research by Mole, Roper and Storey influenced the establishment of Growth Accelerator by providing evidence of the cost effectiveness of this type of initiative. It also impacted directly on the design of the Growth Accelerator scheme which assesses firms’ growth potential and assists SME leaders to develop a growth action plan.

Mole and Roper’s experience in policy analysis and development in the UK also provided the basis for international knowledge transfer through a programme of work in the Western Balkans. Conducted in partnership with OECD, this work has contributed to improved SME policy making as well as implementation and evaluation of new initiatives, in the region.

In 2010, Roper worked with OECD and the governments of Serbia and Montenegro in the development of support for high-growth firms. This work was conducted as part of the SME Charter process which aims to help countries in the Western Balkans to upgrade their SME policy frameworks to match those implemented in most EU countries and key findings, which had international reach, were published as part of the 2010 SME Charter Report. Issues highlighted in the findings related to the supply of finance, export market access, effective property rights enforcement and the need for more effective scheme evaluation. Results were presented to government Ministers from across the region at the report launch in Brussels. They informed subsequent policy developments as part of the SME Charter process over the 2010 to 2012 period and led to further policy development and evaluation.

Roper worked closely with the Directorate for SMEs and the OECD on proposals for new SME
Impact case study (REF3b)

Policy initiatives in Montenegro in 2012. He conducted a needs analysis among local firms, developing a business case for the policy intervention based on international best practice and the review evidence and then developing implementation plans. The needs analysis suggested a lack of managerial and exporting expertise in Montenegrin SMEs and their need for external consultancy and mentoring support. The evidence suggested the potential value of a SME voucher scheme in Montenegro aimed at enabling SMEs to access appropriate external support. Roper presented the case for the initiative to the Montenegrin government. This was accepted and a pilot SME voucher programme was introduced in early-2012. Early feedback from the pilot SME voucher scheme is positive, suggesting complete take-up of the available budget and that two-thirds of the participating firms increased their sales and profitability as a result of the external mentoring and advice provided through the scheme.

In 2011 and 2013, drawing on lessons from UK policy experience through the BL evaluation and subsequent academic studies, Roper led capacity building sessions for SME policy makers from across the Western Balkans on SME policy evaluation. These Capacity Building sessions were based on the six levels of evaluation outlined in the OECD best practice guidelines developed by Storey (2008). In 2013 – again in partnership with OECD – Roper provided mentoring and technical support to evaluators working on three exemplar policy evaluation projects in Montenegro and Macedonia. In Montenegro, the evaluation projects related to the earlier SME voucher programme and a programme to support self-employment, in Macedonia the evaluation related to a job creation programme for SMEs. Results from each evaluation will inform policy development in the specific country and provide exemplar evaluation studies for other countries in the Western Balkans.

5. Sources to corroborate the impact (indicative maximum of 10 references)

Evidence of contribution to evaluation methodology

1. Measuring the Economic Impact of an Intervention or Investment - Paper Two: Existing Sources and Methods, Office of National Statistics, December 2010. Cited the methodological advance represented by Mole and Roper as follows: ‘Several studies have also assessed the economic impact of Business Links in terms of changes to employment and turnover of firms. However, the authors have only found two evaluations, Mole et al (2006) and PwC (2009a) which estimated the impact in terms of GVA’. (p. 32). Online, available at: http://www.ons.gov.uk/ons/rel/regional-analysis/measuring-the-economic-impact-of-an-intervention-or-investment/measuring-the-economic-impact-of-an-intervention-or-investment/index.html

Evidence of continuing impact on evidence base for UK policy


5. Impact on UK SME policy evaluation and development, E-mail communication comments of the BL evaluation: ‘Firstly the study is arguably one of the most robust evaluations of a UK business support programme; most being solely reliant on the recipient business’ self-assessed estimates of impact and additionally. The study has therefore provided strong evidence on the overall rationale for, and impact of, business support interventions. This has been further strengthened by the work into the longer term impacts. Secondly, the finding that impacts are greater from deeper rather than broader interventions helped inform decisions
Evidence of impact on SME Charter Process

6. The Deputy Director of the Private Sector Development Division, OECD, Paris can corroborate claims that Roper made a contribution to the SME Charter process in the Western Balkans, particularly in the area of supporting high-growth firms.

Evidence of impact on Montenegro SME Voucher Scheme

7. The Policy Analyst, Private Sector Development Division, OECD, Paris can provide evidence on the contribution of Roper to the development, design and implementation of the Montenegro SME Voucher scheme.

Evidence of contribution to capacity building in Montenegro and Macedonia

8. The Policy Analyst - Private Sector Development Division, OECD, Paris can corroborate claims relating to Professor Roper’s contribution to capability building and developing exemplar SME policy evaluations in Montenegro and Macedonia.