



Department for
Business, Energy
& Industrial Strategy

BUSINESS BASICS PROGRAMME

Progress report

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Acknowledgements

The Business Basics Fund is being delivered in partnership with Innovate UK and the Innovation Growth Lab at Nesta.

Further details about the programme, funding, projects and the research undertaken is available on the Business Basics pages at gov.uk



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Ministerial Foreword

Kelly Tolhurst MP, Minister for Small Business, Consumers and Corporate Responsibility

Our 5.9 million small and medium sized businesses are vital for our national economy and local communities. That is why the government has set out a long-term plan to boost productivity and make the UK the best place to start and grow a business.



While we have some of the world's most productive firms, the overall productivity of the UK's businesses lags behind their competitors in other countries. Many of these businesses tend to be smaller and we want to understand how best to support SMEs boost their productivity.

Two areas we know that make a difference to an SME's productivity is the adoption of management practices and basic technology. Research shows that the adoption of management practices and existing technology such as accountancy software and Customer Relationship Management (CRM) software could lift UK productivity. However, the UK remains behind the curve on the adoption of these tools.

While we know the kinds of practices and technologies that can benefit smaller firms, we know less about how we can encourage SMEs to take them up. That is why we announced the Business Basics Programme in our Industrial Strategy. This innovative programme takes an experimental approach to finding new answers to this challenge. Through the programme we are investing in new ideas and testing them to build robust evidence on what works, to shape future policy at a national and local level.

I have been delighted with the level of interest in Business Basics. We received over 300 applications across our first two funding competitions which has enabled us to invest in a wide range of innovative ideas. For example, the Greater London Authority are testing how they can get small companies to adopt artificial intelligence; whilst the Chartered Institute of Professional Development are building approaches to support SMEs to build their people management skills. Our newest projects are focusing on areas diverse as online peer to peer learning, gamification and coaching skills.

This programme is also very much about partnerships, I want to pay special thanks to the wide variety of organisations that are delivering the experiments, along with our delivery programme partners; Innovate UK, the Innovation Growth Lab at Nesta and the Behavioural Insights team. They bring considerable expertise and huge commitment to helping us design and deliver this innovative programme.

Having just completed the first year of the programme, I am delighted to bring you our first progress report, as this four-year programme develops, I look forward to sharing further findings and learnings, so that we can all better support SMEs.

Kelly Tolhurst MP

An Overview of the Programme

Business Basics Programme

£9.2m
Budget

4 year
programme
(2018-19 - 2021-22)

£4m
grant funding
allocated to date



Over **12,800**
hits on Business
Basic webpages



Testing innovative ways of encouraging small and medium-sized enterprises (SMEs) to take up productivity-boosting ways of working and technology

Why?

Raising
SME
productivity



£100 billion
boost to the UK
economy if firms
adopt existing
best practice
-CBI

How?

Building evidence of what works -
by funding a range of
projects to test driving
up adoption of best
practices by SMEs

Business Basics Fund

2 rounds
of competitive
funding to date

26

funded 11 trials and
15 proof of concepts

Over 300
applications for funding



Delivered in partnership with
Innovate UK and the Innovation
Growth Lab at Nesta

What next?

Partnership projects

Messaging trials
with the Behavioural Insights team



In depth research
with **40 SMEs**

1

Launching a third
competition on
tech adoption

2

Publication and
dissemination of
emerging results

3

Launching
messaging trials

Introduction

The Business Basics Programme was launched in 2018 as part of a strategic package announced in the Industrial Strategy to drive up firm level productivity. The focus of the programme is to build up evidence around ‘what works’ in encouraging Small and Medium sized Enterprises (SMEs) to adopt tried and tested technologies and management practices. This is the first report for the Programme - providing a summary of the progress made over the past year.

To date there have been two Business Basics Fund (BBF) Rounds, resulting in 26 projects, both proof of concept projects and experimental trials receiving funding. The Programme has also funded two Partnership Projects to build up an understanding of what works in encouraging adoption.

Each funded project will publish its own evaluation report on completion. At the time of this publication, some of the proof of concept projects are starting to deliver findings; however, the majority of projects are still underway. Although it is too early to report on findings this report will highlight the types of projects funded to date, provide some early lessons learned to inform future projects and set out the next steps for the Programme.

In addition to the individual project reports, the Programme’s independent evaluation partner – The Innovation Growth Lab, based at Nesta – will also be producing Programme evaluation reports, synthesising findings and lessons learned across the Programme, to inform future policy in this space. The next report will likely be produced once the Business Basics Fund 1 (BBF1) projects have completed, summarising findings and learnings from individual projects and the wider programme (eg partnership projects).

Background

The Industrial Strategy launched in 2017, set out the Government’s aim to create an economy that boosts productivity and earning power throughout the UK, and to make the UK the best place in the world to start and grow a business. Central to this is addressing the UK’s long running productivity gap with its main competitors within the G7¹.

Smaller businesses have a key role to play in driving economic growth. At the start of 2019, there were a record 5.9 million UK SMEs, accounting for 99.9% of UK businesses and employing 16.6 million people (60% of total UK private sector employment)². However, the majority of businesses in the bottom 10% of the labour productivity distribution are small businesses³.

¹ Source: ONS (2017) International Comparisons of Productivity 2016, ONS Labour Productivity Introduction

² Business Population Estimates, BEIS 2019

³ ONS (2017), Understanding firms in the bottom 10% of the labour productivity distribution in Great Britain

The Confederation of British Industry (CBI) produced a report in 2017, highlighting the importance of leadership and management, and have estimated that getting firms to adopt tried and tested tech and management practices could add over £100 billion to the UK economy⁴. Providing direct support for SMEs, for example to raise awareness and capabilities, would seem a natural part of any solution. However, whilst there is much that can be learnt from past interventions and experiments, there remains a lack of evidence to guide policy decisions in the UK.

In 2016, the What Works Centre (WWC) for Local Economic Growth conducted a systematic review of nearly 700 studies of business support interventions⁵. Only 23 were deemed to meet the minimum standards for a robust impact evaluation⁶. Of these 23, 14 found a positive impact on one or more business outcomes (e.g. productivity, turnover/sales or employment), 5 found no significant effects and the remainder had mixed effects across various outcomes. This review reiterates the importance of building up the evidence base to understand 'what works' to inform future policy making.

The Business Basics Programme

The Business Basics Programme was announced in the Industrial Strategy, with funding of £9.2m over 4 years agreed in the Autumn 2017 budget. Alongside the **Business Productivity Review** and funding for **Be the Business**, it forms part of a strategic package of measures aimed at tackling the UK's productivity problem at a firm level.

The Business Basics Programme is designed to test innovative ways of encouraging SMEs to adopt existing technologies and management practices to improve their productivity. The aims of the Programme are:

- **Raising the productivity of SMEs** by identifying and testing the most effective, scalable interventions which encourages SMEs to adopt productivity boosting existing technology and business practices.
- **Driving innovation** by sourcing new ideas from traditional and non-traditional sources; taking a dynamic, experimental approach in order to learn and develop as the Programme develops; supporting new initiatives and creating a legacy of quality data and evaluation to inform future research.
- **Enabling better investment decisions at a local and national level** by providing a new, robust evidence base for those interventions which are the most effective in raising productivity; taking an inclusive approach such as involving SMEs from different areas and different sectors, and focusing on the transferability and scalability of interventions.

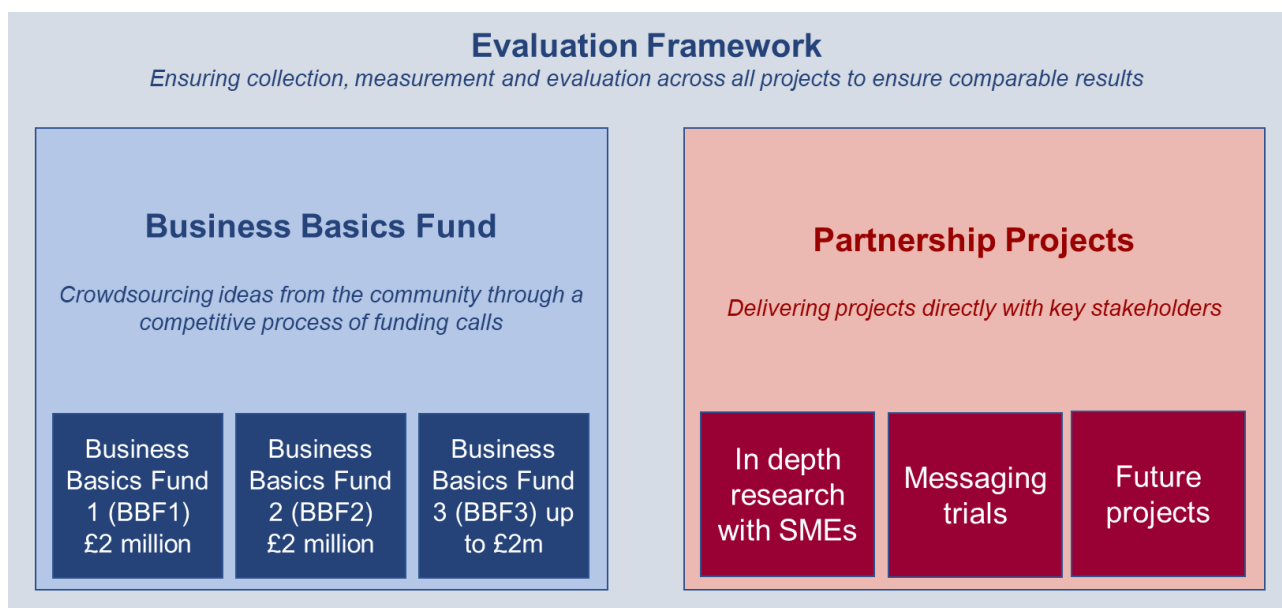
The programme consists of three key elements, as shown in Figure 1 and described below.

⁴ From Ostrich to Magpie: increasing business take-up of proven ideas and technologies, CBI, 2017.

⁵ Studies were across OECD countries (The Organisation of Economic Co-operation and Development). <https://www.oecd.org/about/members-and-partners/>

⁶ Source: What Works Centre for Local Economic Growth. Page 20 https://whatworksgrowth.org/public/files/Policy_Reviews/16-06-15_Business_Advice_Updated.pdf

Figure 1 illustrates the structure of the Business Basics Programme.



The Business Basics Fund is the main pillar of the programme, delivered in partnership with [Innovate UK](#) and the [Innovation Growth Lab](#) (IGL) based at Nesta. The Fund provides grants to test the most effective ways of encouraging SMEs to adopt modern technology and management practices. The Fund is run as an open competition, crowdsourcing ideas from businesses, business support delivery bodies, academia, trade bodies and other parties. Funding can be used for project costs, development of ideas and design and delivery of robust evaluation.

The first two funding rounds both had a broad scope to encourage a wide range of ideas. Bidders could apply for funding for two types of projects:

- **Proof of concepts** – an early stage project to test the feasibility of an idea (funding of up to £60,000, to deliver a project within 6 months for BBF1 and 12 months for BBF2).
- **Trials** – to evaluate the impact of different types of interventions (funding up to £400,000, for a 12-month project). See 'Evaluation' section below for further details on trials and evaluating impact.

Business Basics Fund 3 (BBF3) opened on 2 October 2019 for expressions of interest to run trials.

Partnership Projects enables BEIS to work with partners to deliver targeted projects eg in a specific place, sector or using specific techniques such as nudge or peer to peer advice. This compliments the “bottom up” approach of the Fund, provides flexibility to act on early findings and influence key stakeholders in an agile way.

The initial partnership projects are the **messaging trials project** in partnership with the Behavioural Insights Team (BIT) and **small-scale qualitative research** with Kantar Public. See 'Partnership Projects' section for further details and links to the findings reports.

The Business Support Evaluation Framework is designed for policy makers, analysts, evaluators and delivery bodies, to create a shared understanding of the evaluation standards expected. [The framework](#) will enable the comparison of outcomes across individual experiments, ensure effective short to longer-term evaluation can be conducted, and seek to build evidence to understand “why” interventions do or do not work. The Framework is supporting the generation of robust evidence across the Business Basics Programme as well as driving up the quality of evaluation across other business support programmes.

Evaluation

The Business Basics Programme is taking an innovative approach to build up an evidence base, to improve the quality of business support. The Programme seeks innovative ideas working with businesses, academics and the public sector organisations. This new approach for Business Support has been recognised as a very positive and significant step.



Geoff Mulgan - CEO Nesta (UK), said

“With this move, the UK is taking a lead in applying experimental methods to boosting productivity – much the best way of ensuring that in the long run public money goes on programmes that really do work”.

Business Basics Fund projects are taking a test and learn approach, looking at different ways to improve the productivity of SMEs through encouraging the adoption of tried and tested technologies and management practices. All Fund projects will be evaluated, generating evidence to understand what works for whom, why and how, to better inform future policy making.

Impact evaluation provides an objective test of what changes have occurred, and the extent to which these can be attributed to the intervention⁷. There are different ways in which this can be measured; Randomised Controlled Trials (RCTs) are considered to be the most robust method, achieving level 5 on the Maryland Scientific Methods Scale (SMS)⁸.

In the simplest form, RCTs randomly place participants either in the treatment group (ie those who receive the intervention or programme) or the control group (those who do not). By virtue of the random assignment, the programme’s impact can be estimated by simply comparing the behaviour and outcomes between the two groups, without having to worry about bias. However, RCTs only generate robust, unbiased evidence when they are designed and implemented properly. RCTs are not always proportionate or appropriate to implement, and there are other methodologies that can estimate the impact of a policy or programme (see levels 3 and 4 on the Maryland SMS⁹). The Evaluation Framework provides further information

⁷ The Magenta Book, the Government’s guidance on delivering evaluation.

<https://www.gov.uk/government/publications/the-magenta-book>

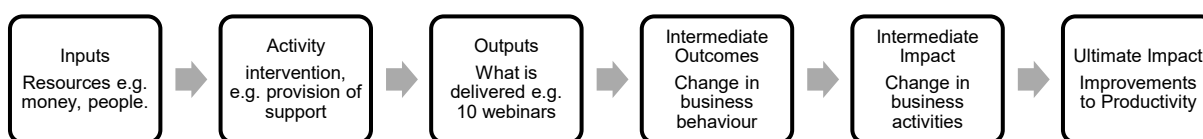
⁸ The Scientific Maryland Scale (SMS) <https://whatworksgrowth.org/resources/the-scientific-maryland-scale/>

⁹ ibid

of the methodologies that are deemed to deliver high quality evidence, following guidance from the WWC¹⁰.

All currently funded trials from BBF1 and BBF2 are delivering RCTs over 12 months. This is too soon for the ultimate productivity improvements to emerge and/or be measured¹¹, therefore projects are designing an evaluation to measure earlier stage outcomes that indicate the anticipated gain (eg behaviour change, intention of adopting or adopting). See Figure 2 provides an example logic model of the types of outcomes and impacts funded projects could deliver.

Figure 2: Example logic model of business support interventions to improve productivity.



Proof of concept projects are much smaller, earlier stage projects, and are not expected to demonstrate causal impacts. Rather there is more of a focus on process evaluation, to assess whether a policy is being implemented as intended and what, in practice, is felt to be working more or less well, and why. Proof of concepts are expected to build up an understanding of whether an intervention is feasible and to learn lessons about how it could be scaled up or tested on a larger scale.

Longer Term Evaluation

The Evaluation Framework also highlights the importance of conducting longer term evaluation to fully understand impacts on firm level productivity and provides guidance on what data projects must collect to enable this. Primarily, projects must collect unique business identifiers, to enable data matching with other datasets, to track productivity over a longer period. Individual projects are also encouraged to conduct their own longer-term impact analysis outside of their Business Basics project.

Longer term impact evaluation can only take place in three to five years' time to allow impact to emerge and be measurable. It is currently too early to develop detailed evaluation plans, but the appropriate data collection and data sharing agreements have been put in place to enable the longer-term learning from the programme.

¹⁰ <https://whatworksgrowth.org/policy-reviews/business-advice/how-to-evaluate-this-policy/>

¹¹ The Enterprise Research Centre (ERC) states that productivity impacts can take 3-7 years to emerge. Drews, C., & Hart, M. (2015). Feasibility Study – Exploring the Long-Term Impact of Business Support Services. Research Paper. <https://www.enterpriseresearch.ac.uk/wp-content/uploads/2015/04/ERC-Research-Paper-LT-Impact.-Research-PaperNo29.-Final-02APR15.pdf>

Progress to Date

Business Basics Fund

To date, there have been two open Business Basics Fund competitive rounds with 26 projects being funded. Launched at the CBI's Mid-sized Business Conference on 26 June, the first round attracted over 140 applications and £2 million was awarded to projects which began in late 2018. All proof of concepts will be completed by Autumn 2019 and trials are due to report back in 2020. Individual evaluation reports from all of these projects will be made available via the Business Basics pages on the Gov.uk website.

BBF2 opened for applications in January 2019 and 12 projects have been awarded a share of £2 million. These projects have just started and will run for up to 12 months.

BEIS is delivering the fund in partnership with Innovate UK and has adopted their framework to select proposals to fund. The Fund has been promoted through Innovate UK and with support from key stakeholders including trade associations and growth hubs etc. All bids have been subject to an initial scope review by BEIS. Bids deemed in scope are sent through to independent assessors for scoring, with proposals scoring 70% and above considered for funding. For the first two fund rounds, a Portfolio Panel consisting of evaluation experts and senior BEIS officials determined the final selection of proposals. Their aim was to achieve a balanced portfolio with a mix of projects.

Following each funding competition, feedback was sought to determine ways to improve future rounds. For example, as a result on feedback on BBF1, bidders to BBF2 were given more time to apply, provided with support to identify partners, and additional guidance on evaluation requirements was provided through a masterclass.

See table 1 and table 2 below for a full list of all 26 projects funded to date, across BBF1 and BBF2¹². For further information, including a full list of partners, see the [press release](#) from BBF1.

¹² One proof of concept project from BBF1 decided to withdraw due to unforeseen circumstances.

Currently Funded Projects

Table 1: List of Business Basics Fund 1 projects

Project Title	Description	Coverage	Lead Partner	Funding	Project Type
Artificial Intelligence in London's hospitality and retail SME sector	To test the effectiveness of different forms of business support and how they affect the uptake of artificial intelligence technologies.	London's hospitality and retail SME sector	The Mayor of London's Office and partners	£190,000	Randomised controlled trial
HeadsUp! Boosting performance amongst micro firms through take-up of digital technologies	Test the effectiveness of training delivered in person versus online video delivery for technologies such as cloud computing, E-commerce transactions and accounting software.	Urban and rural areas and across different geographical locations.	Enterprise Nation and partners	£237,000	Randomised controlled trial
A Systematic Approach to SME Productivity	Test whether a more systematic approach to decision making will enable SMEs to make more effective strategic decisions.	SMEs in England.	City University London and partners	£318,000	Randomised controlled trial
People Skills+ An innovative management and leadership approach to boosting SME productivity	Compare the effectiveness of different forms of business support for building people management capability; along with evaluating how different marketing messages drive interest and participation from SMEs.	Mixture of SME sizes in the West Midlands.	The Chartered Institute of Personnel and Development and partners	£351,000	Randomised controlled trial

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Micro-Business Productivity Boost Project	Comparing different ways to improve leadership.	Micro businesses across England.	The Cavendish Consortium Ltd and partners	£389,000	Randomised controlled trial
Local Productivity Club	Test a local productivity club to encourage the adoption of tried and tested management techniques.	Micro and small firms in the manufacturing and engineering sector, located in the East of England.	Anglia Business Growth Consultants (WLP) and partners	£59,000	Proof of Concept
Digitally Enabled Business Clinic - a cost-effective means of universities supporting SMEs to increase their productivity	Project aiming to establish if a Digitally Enabled Business Clinic is a cost-effective means of universities supporting SMEs to increase their productivity.	Micro and small businesses in the North East.	Northumbria University	£44,000	Proof of Concept
Testing data-led targeting of low and mid productivity firms to increase awareness of performance and support	Project looking to utilise firm level data analysis and behavioural insights to compare the impact of differently tailored, targeted messages on encouraging businesses to address low productivity and change their subsequent behaviour.	SMEs in the Yorkshire and Humber region.	Leeds City Region Enterprise Partnership	£59,000	Proof of Concept

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Technology foresight for growth and productivity: the design and implementation of a new foresight approach for UK SMEs	Project aimed at assessing the main technologies driving the future of health care applications. The project tests the application of 'Delphi' to identify the most relevant technologies for digital health SMEs.	SMEs in the Health and Social Care sector in London.	Kingston University	£48,000	Proof of Concept
Productivity in professional services, by inspiring employees to step forward	Test whether an online programme that provides a scalable, low-cost career coaching experience can be effectively applied to SMEs to increase their firm's productivity.	Professional services sectors	The Career Innovation Company and partners	£59,000	Proof of Concept
Dairy Forward	Project to develop and test an online analytic /benchmarking tool to enable SMEs to evaluate the case for investment in proven technologies that improve resource productivity.	SMEs in the dairy sector	Food Forward and partner	£60,000	Proof of Concept
Engaging Rural Micros for increased productivity	Test the theory that rural micro businesses need support at a basic level to adopt modern business practices and explore if support is more effective if shaped around the person as well as the business.	Rural micro businesses	Devon County Council	£60,000	Proof of Concept

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Will the provision of facilitated support improve the adoption of cloud-based accounting packages, by community sector SMEs?	Test how the provision of facilitated support improves the adoption of cloud-based accounting packages by community sector SMEs.	Not-for-profit and NGOs in the Community Sector in England.	Locality UK	£32,000	Proof of Concept
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ADAPT – Adoption of Digital Automation Processes and Technology	Pilot the delivery of ‘Learning Journeys’; in partnership with Siemens and RedEye, to help SMEs benefit from their expertise in adopting digital technology to boost business productivity.	SMEs in Cheshire	The Skills & Growth Company	£58,000	Proof of Concept
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Table 2: List of Business Basics Fund 2 projects

Project Title	Description	Coverage	Lead Partner	Funding	Project Type
Scalable Cyber Interventions Accelerating Productivity Practice for SMEs	Testing whether the use of an online tool can enhance productivity of SMEs through encouraging adoption of better digital and cyber security management.	Micro businesses in the Creative and Digital, and the Manufacturing and Engineering sectors, located in the South West.	The BCP Council and partners	£223,000	Randomised controlled trial
Small Business Charter schools - Driving Productivity in Micro-businesses	Utilising a consortium of 16 Business Schools to trial ways of influencing micro-businesses to adopt technologies and effective management practices aimed at improving productivity.	Micro businesses	The Chartered Association of Business Schools	£400,000	Randomised controlled trial
Engaging Rural Micros for increased productivity Trial	Testing the most effective methods of engagement with businesses and the most appropriate method to increase adoption of existing technologies and business practices. Note: This follows up the Council's Proof of Concept funded under BBF1.	Rural micro-businesses in Devon	Devon County Council	£400,000	Randomised controlled trial

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Optimising Trusted Advisor Accountants to Drive Digital Adoption	A trial to equip accountants to be trusted advisors to SMEs, encouraging adoption of productivity-boosting technology and management practices.	Micro and Small firms in the Professional Services sector across England.	Northumbria University and Sage	£280,000	Randomised controlled trial
Adopting Operational Coaching as a Management Style to Drive SME Productivity	A trial testing whether the adoption of operational coaching practices in SMEs can impact positively on firm-level performance and productivity in the same way as for larger organisations.	SMEs in the West Midlands.	Notion Limited and partners	£315,000	Randomised controlled trial
Developing management system to boost productivity via online and peer-to-peer learning among SMEs in manufacturing sectors	A trial to explore the efficacy of online digital training and peer-to-peer learning in advocating design of proper management systems among SMEs.	SMEs in manufacturing sectors.	The University of Cambridge Judge Business School and Tech Nation	£350,000	Randomised controlled trial
Accelerating digital adoption and productivity for suppliers, makers and their customers in the South East	Testing three approaches to help SMEs overcome barriers to adopting digital technologies.	Small businesses in the Manufacturing and Engineering sector, in the South East.	Edge Digital Manufacturing Limited	£60,000	Proof of Concept

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Investing in SME productivity growth by developing their performance management capability	Project involving an expert quartet of intermediaries to help SMEs improve productivity by developing their performance management capability.	SMEs in the Manufacturing and Engineering sector, in Yorkshire and Humber.	Leeds Beckett University and partners	£60,000	Proof of Concept
Feasibility of 1-hour and 30-minute lifestyle behaviour change interventions designed to improve employee health and productivity in SME's	Testing the feasibility of 1 hour and 30-minute lifestyle behaviour change interventions designed to improve employee health and productivity in SMEs.	Small Manufacturing and Engineering businesses in Yorkshire and Humber.	Sheffield Hallam University	£48,000	Proof of Concept
Design Thinking Training for SME's	Comparing Design Thinking training on SMEs compared with the current services offered by the Growth Hub.	Small and Medium Manufacturing and Engineering businesses in the South East.	Tenshi Consulting Ltd and partners	£59,000	Proof of Concept
Digital Benchmark Index	Testing a Digital Benchmark Index and other ways to motivate SMEs to adopt digital technologies and improve their productivity.	Micro businesses across England.	Winning Moves Ltd and partners	£39,000	Proof of Concept

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Accelerating the adoption of productivity systems for farming businesses	Project testing three approaches to delivering its Technology Assessment and Recommendation service for farming businesses to accelerate the adoption of technologies that can increase productivity.	Farming sector	Yagro Ltd	£59,000	Proof of Concept
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Partnership Projects

Alongside the Business Basics Fund, BEIS has funded two partnership projects, working directly with key stakeholders to develop and test new ideas. This compliments the “bottom up” approach of the fund and provides flexibility to act on early findings.

Messaging Trials

Existing research on business take-up of advice and government incentives finds that interventions are often held back by poor awareness, complexity, limited manager time, and a lack of shared language between business and Government.

In partnership with The Behavioural Insights Team (BIT) and other key stakeholders including, trade associations, other government bodies and businesses, BEIS will run five randomised controlled trials (RCTs). These trials will test what works best to prompt businesses to take action on adopting proven technologies and management practices.

The project seeks to build evidence across five key research questions, to understand whether businesses respond differently depending on the following:

- **Message framing** – the content in which the message is presented. For example, peer effects (businesses being influenced by what their peers are doing).
- **Messenger** – such as testing messages coming from government, peers, representative organisations.
- **Timing** of the prompt – including internal (e.g. internal business changes) and external timings (e.g. end of financial year).
- **Mode** of a prompt – including letters and digital communications.
- **Recipient** of the prompt – such as the CEO, CFO or manager.

The lessons learned from the messaging trials will be used to provide practical guidance to policymakers and other stakeholders in the business support landscape such as business advisors, Growth Hubs, and local authorities.

Prior to commencing the five trials, BIT carried out a rapid literature review, to assess the existing evidence on what works in terms of nudging businesses to take up business support and encouraging adoption. The report can be found on the gov.uk web page¹³.

The trials aim to work with a diverse set of intervention and delivery partners across the UK to cover thousands of businesses around the country. Findings from these trials will also be published on gov.uk.

¹³ <https://www.gov.uk/government/publications/nudging-firms-to-improve-productivity-rapid-literature-review>

Attitudes to Adoption

In 2018, BEIS commissioned Kantar Public to conduct a small-scale qualitative research project to understand attitudes and barriers towards innovation. Interviews were conducted with 40 SMEs to explore responses to a range of technologies and management practices that have been proven to boost productivity. Five distinct 'SME typologies' were identified, varying in terms of their approach to innovation; defiant resisters, reluctant innovators, recently taken the reins, cutting edge industry innovators and growth hungry start-ups. The five typologies differed in terms of the barriers and enablers exhibited in order to innovate within their businesses, which was also influenced by the length the key decision maker had been in post.

Although this research is not representative of the SME population, it does provide insights into how the barriers and enablers to innovation differ amongst SMEs and some of the areas for consideration when designing new interventions funded through the Business Basics Programme. The findings report can be found on the gov.uk web page¹⁴.

¹⁴ <https://www.gov.uk/government/publications/small-and-medium-sized-business-sme-attitudes-towards-adopting-best-practice>

Business Basics Fund 1 Case Studies

The four case studies below give a flavour of some of the initial projects funded under the first funding competition. The trial projects are only part way through delivering, so there are no conclusions yet. The proof of concept projects are starting to deliver findings reports now, which will be published upon completion.

A Systematic Approach to SME Productivity (Trial)



The Strategy Insight Lab at City University London and partners are running a randomised control trial to rigorously test whether a more a systematic decision-making process can improve SME productivity.

There is growing evidence that a key barrier to SME productivity is the shortage of effective programmes that educate and support promising businesses in their decision making. This project aims to address this gap in evidence.

The specific project involves 200 micro-business owners based in London operating in a wide range of sectors including management consulting, health and well-being, fashion, manufacturing industrial machinery etc. They were offered seven three-hour workshops in February 2019 through to April 2019 when the course concluded. The actions and performance of all participating SMEs are now being measured once a month for ten months and expect to share the findings with BEIS in early 2020.

Elena Novelli, Professor of Strategy at CASS Business School said:

“The funding from BEIS has allowed us to support hundreds of firms with a free training programme delivered by experts. Large scale research is crucial if we want to obtain meaningful and reliable results for improving the theory and practice of management for the benefit of all firms.”

Business Boost (Trial)



Cavendish Enterprise, a group of leading Enterprise Agencies from across England (comprising Business West, Enterprise First, Nwes and TEDCO) have been working with Warwick University to deliver this trial.

The consortium is looking at whether its approach – focused on improving leadership in small businesses – is more effective and creates a better return on taxpayer’s investment than standard one-to-one business support.

The questions that the project seeks to answer are if early-stage small businesses – that are both willing and able to increase productivity – can be identified, and how effective the interventions are. Cavendish’s approach includes one-to-many and peer-to-peer support, as well as providing expert-led sessions on key leadership and management practices.

This trial is focused on businesses from any sector with between 1 and 19 employees in which the owner manager has demonstrated an aspiration to grow the business. The businesses are between one and four years old. There are 150 businesses receiving the new approach and 150 businesses receiving the standard approach. There is also a second control group of a further 150 businesses from the general population that appear to have similar characteristics.

Cavendish Chairman, Doug Scott, said:

“Business Basics has enabled Cavendish Enterprise to test a productivity improvement programme that our long experience of business support delivery leads us to believe has merit. Without the funding, we would have not been able to deliver it at a scale that was large enough and timely enough to provide well-tested results. The funding will not only provide valuable results to us but also to the Government and the taxpayer.”

The initial data collection and the interventions have been delivered. The informal feedback from the businesses has been very positive and, from a cohort that was asked in more detail about its activities, every member of the group said they had taken action as a result of being involved in the programme. A full findings report will be delivered next year.

Adapt (Proof of Concept)



Adoption of Digital Automation
Processes & Technology

The Adoption of Digital Automation Practices & Technology (ADAPT) Proof of Concept project was devised by Cheshire East Council’s Skills & Growth Company to test the effectiveness of ‘peer-to-peer best practice learning visits’ as a means of encouraging SMEs to adopt productivity boosting ways of working.

It tested the approach through running best practice learning visits to industry leading companies in two specific areas of digital automation:

- Marketing Automation - the use of software and systems to automate marketing processes such as customer segmentation, customer data integration, and campaign management.
- Manufacturing Automation – the use of systems that perform automated operations in a factory environment such as; processing, assembly, inspection or packing.

48 SMEs expressed an interest in attending a one-day best practice visit and 30 of them were invited to either the RedEye International (Marketing Automation) in Crewe or the Siemens PLC Digital Factory at Congleton (Manufacturing Automation).

An evaluation was conducted, collecting quantitative and qualitative data from participants (and a small comparison group), measuring the intervention outputs and outcomes. Surveys were completed before and after the visits by both groups to understand the change in views towards adopting new practices. Following the visits, a small sample of participants were selected for an in-depth qualitative interview to understand more about how the outcomes of the project could potentially lead to longer term outcomes and impacts (i.e. adoption and an improvement in the business's productivity).

The evaluation findings found that visit participants felt more knowledgeable about the automation practices; understood the advantages and disadvantages better; were motivated to find out more and; felt more able to decide whether to adopt or reject digital automation practices than those in the control group.



All participants reported that the visit had changed their view of whether adopting automation could help achieve their business objectives, with 85% reporting a change in their plans to adopt digital automation practices and technology either "somewhat" or "a lot" and 79% feeling that it had helped overcome some barriers that were preventing them adopting automation.

Figure 3: Illustration of the main barriers preventing participant SMEs adoption automation

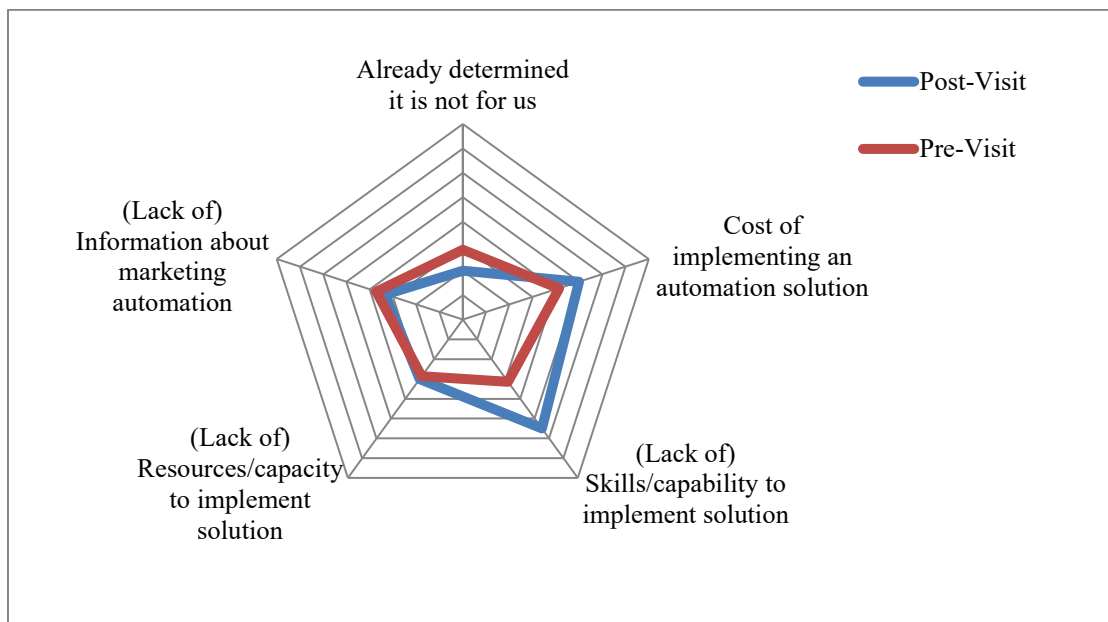


Figure 3 shows that three of the barriers to adoption were reduced after the site visit. However, the costs of implementing digital automation and the lack of skills to implement it were identified as persistent barriers to adoption that had become even more acute following the participant's increased level of awareness and understanding. This suggested that additional support was needed to overcome those barriers.

This project set out to determine the feasibility of delivering this intervention amongst SMEs, and to provide an indication of the potential outcomes and impacts the intervention could result in. Further testing would be needed to robustly measure the impacts of the activity in terms of whether the SMEs would actually adopt the technologies, and any resultant increase in productivity. However, the qualitative feedback showed that participation had helped SMEs progress towards the decision-making stage.

Phil Kerr, Senior Investment Manager, Economic Development, Cheshire East Council said:

“ADAPT can be seen as an effective ‘entry point’ intervention for SMEs at the very earliest stage of digital automation adoption.”

See [the Skills and Growth website](#) for more information on ADAPT, including the evaluation report.

Engaging Rural Micros for Increased Productivity (Proof of Concept)

Devon County Council undertook a 6-month proof of concept study to understand why rural micros are hard to engage, what the drivers and barriers to engagement are and what can be done to make it easier and less daunting for them to increase productivity.

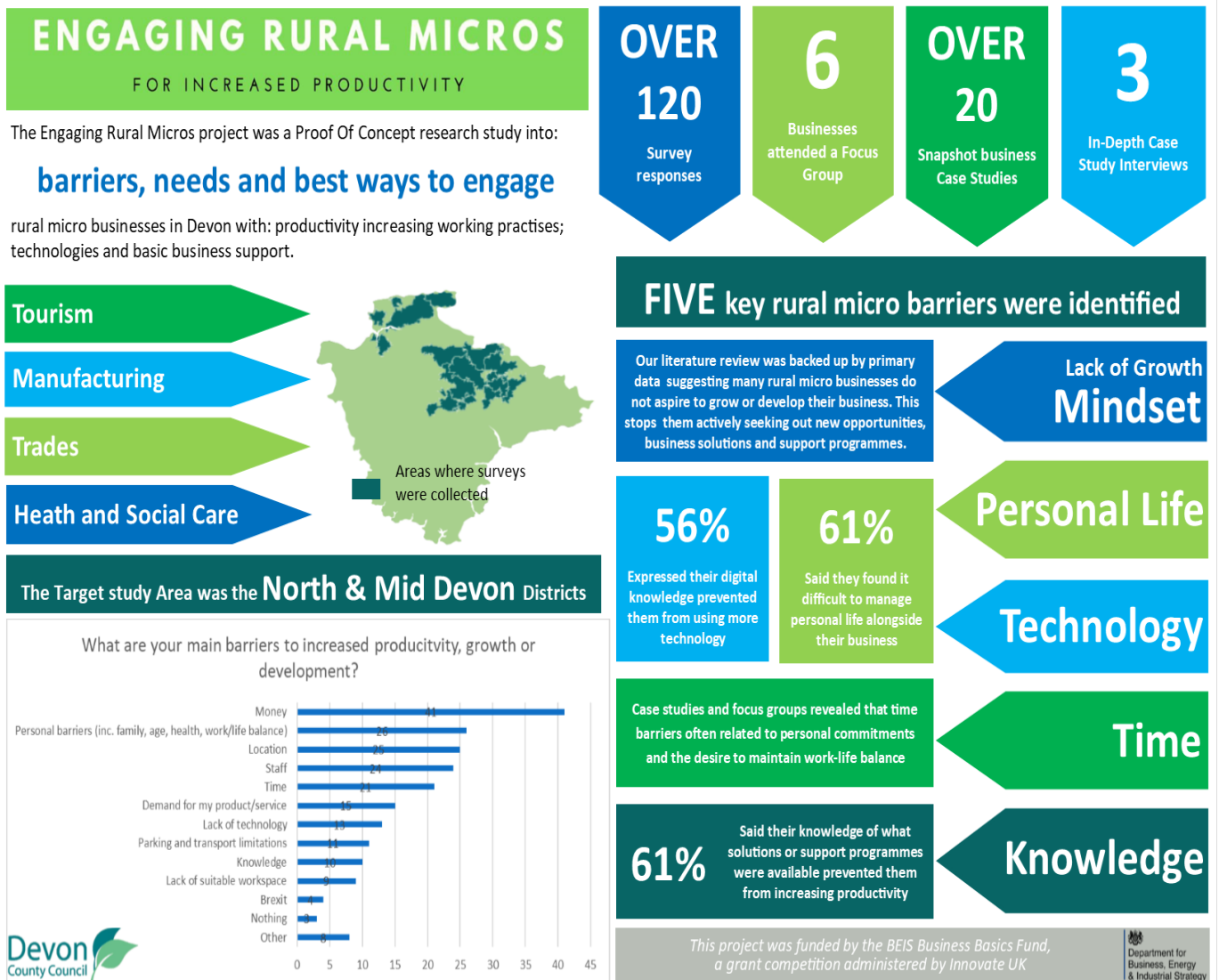
The project was seeking to identify:

- Micro business needs in respect to the adoption of productivity increasing practices; use of technology to support business growth and access to basic business support.
- The barriers preventing them from adopting these practices and technologies and accessing support.
- Their preferred methods of engagement with organisations offering support and advice.

See Figure 4 below for details of the key findings from the project. The full evaluation report will be published upon completion.

Devon County Council has been awarded further support under BBF2 to run a trial into the most effective methods of engagement with rural micro-businesses in Devon and the most appropriate method to increase adoption of existing technologies and business practices.

Figure 4: Summary infographic for Devon County Council project



What have we learned so far?

Results are just beginning to emerge from BBF1 Proof of Concept projects and although longer term impacts on productivity can take years to materialise, early evaluation findings from the BBF1 trials will start to emerge in 2020.

With most of the projects still to complete, including all trials, it is too early to start answering the big policy questions set for the fund. However, valuable insights into programme delivery, experimental design and qualitative evidence on what works to encourage adoption are already being gained. These lessons have and will continue to be fed back to improve the delivery of the Programme. The section below provides some insights into these early lessons learned.

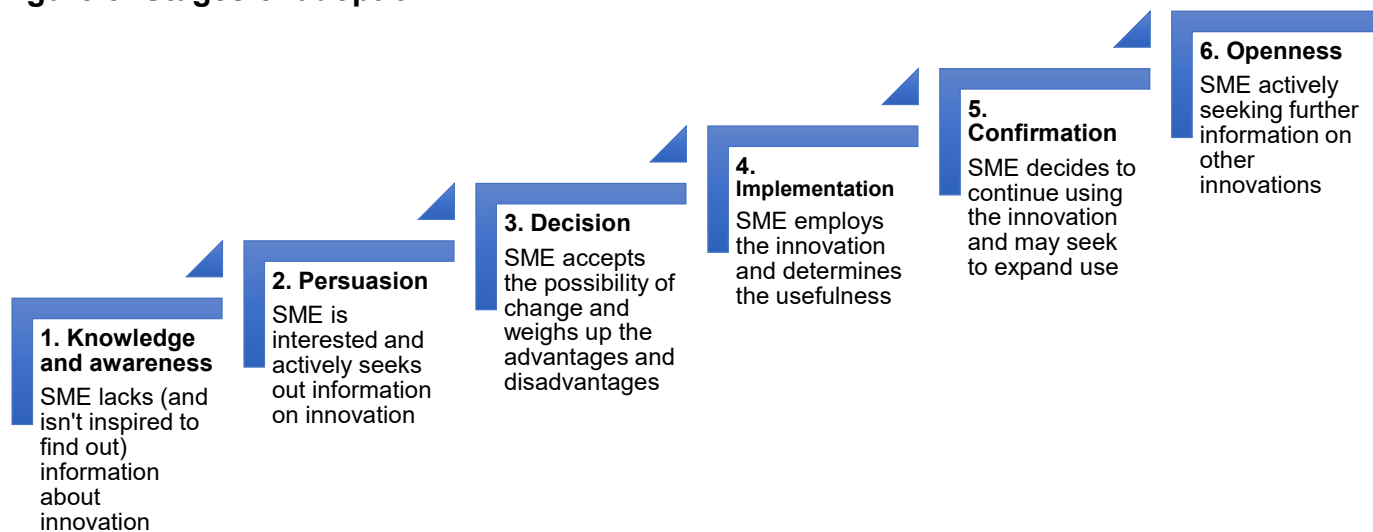
Early Insights

As illustrated by Figure 5, there are a number of stages SMEs have to go through to adopt a new practice and/or technology¹⁵. The majority of the currently funded projects are looking to engage SMEs in the initial stages of increasing knowledge and awareness and persuasion. Some projects are looking to progress SMEs through to the later stages of adoption such as implementing a new practice, whilst others remain focused on tackling initial barriers.

This framework was adopted by BEIS as the programme was being developed. So far it has proven to be a successful way of characterising the adoption process and the immediate changes to expect from interventions. However, early results suggest progress is not linear. There is useful learning to be gained through the programme about when start to 'pushing' SMEs through the adoption process and the duration, strength and breadth of the support required to ultimately encourage adoption. This is a question that projects supported by the fund will allow us to shed more light on in future.

¹⁵ Adapted from Rogers, EM (1995). Diffusion of Innovations.

Figure 5: Stages of adoption



Increasing Awareness

Current projects, especially trials, have already started to provide valuable insights on how to recruit SMEs to receive support and overcoming very initial barriers of encouraging SMEs to take support and make a change. Projects have considered the costs and benefits of targeted, intensive recruitment strategies, versus more generic strategies, where more intensive strategies have tended to be more successful. Further understanding potential ways to address this challenge will in time be delivered through the Fund and wider programme, for example through the messaging trials partnership project and the use of new data sources.

Decision to Adopt

Early results have demonstrated that providing SMEs with support to encourage adoption has in some cases led to an improved understanding of the barriers and enablers. This in turn enables SMEs to identify the additional requirements needed before they adopt a specific tool or practice, rather than resulting in adoption immediately. For example, one finding from the ADAPT project (see BBF1 case studies) was that some SMEs identified a need to improve wider management practices before digitising their operations.

Delivering Evaluations

The Business Basics Programme has a strong focus on generating robust evaluation evidence. IGL have provided on-going evaluation support for funded projects, and have identified several considerations in order to minimise project risks and deliver high quality evaluation evidence:

- Allowing enough time for upfront development of evaluation plans, especially for trials.

- Considering the potential benefits of running small scale testing on elements of the trial, to minimise risks to later delivery and ensuring any failures are ‘good’ with the lessons learnt proportionate to the investment¹⁶.
- Projects must think through what they want to learn and the specific research questions that their chosen trial design can (and cannot) answer (e.g. by carefully considering who and what interventions are being compared).
- Outcomes need to be thought about upfront, clearly linked to the research question and intervention and must be sensitive, measurable and reliable.
- Projects must carefully consider the data being collected, to ensure conclusions can be drawn around whether the anticipated outcomes and impacts have been achieved.
- Projects need to carefully consider approaches to recruiting SMEs, including how long recruitment will take, how SMEs will be targeted, what approaches will be used, how and when SMEs will access the intervention(s) as well as what can be learned through the recruitment process itself.
- Projects will benefit from being flexible, to enable projects to respond to unforeseen issues without compromising the projects objectives. For example, where recruitment is slower than anticipated, one project has decided to deliver the intervention in cohorts of SMEs whilst recruitment is ongoing.

¹⁶ <https://www.innovationgrowthlab.org/blog/making-room-learn-failure>

Next Steps

Business Basics Fund 3

A further £2 million is available for Business Basics Fund 3 (BBF3), which opened on 2 October 2019. This round is specifically focused on technology adoption to improve back office functions. As announced on 19 June 2019 in the Government's response¹⁷ to the [Call for Evidence](#), up to £1 million of this funding will be used to encourage businesses to use payment technology to simplify invoicing, payment and credit management etc. Over 30% of those who responded to the Call for Evidence suggested that it is the processing of invoices which often leads to long payment terms and delays in payment, with time poor small businesses spending valuable time tracking and chasing late payments. Much of this can now be automated, allowing staff time to be focused on generating revenue.

Details of how to apply for funding under BBF3 can be found on the [Business Basics](#) pages on Gov.uk.

Future Reports

The Business Basics Programme aims to produce a wealth of evidence to support local and national policy making and innovation. It is currently too early to report on findings from funded projects, however future evaluation reports will seek to address the big questions set for the Programme.

Business Basics Fund Evaluation Reports

All projects delivered through the fund will produce an evaluation report upon completion, to ensure findings are available and can be disseminated to key stakeholders. For trials, evaluation reports will provide findings on the outcomes and early impacts of interventions (eg changes to business awareness and attitudes, attention to adopt etc.). For proof of concept projects, evaluation reports will summarise the evidence and draw conclusions on the feasibility of delivering these interventions and potentially raise questions for future research to answer.

Individual evaluation reports produced by funded projects will be published online by project leads. The Business Basics Gov.uk page will provide a central repository for emerging evidence.

Evaluation of the Programme

In addition to providing one-to-one evaluation support for funded projects, IGL are also conducting an independent evaluation of the Business Basics Programme, to draw out findings

¹⁷ Creating a responsible payment culture: a call for evidence in tackling late payment: Government response. <https://www.gov.uk/government/consultations/creating-a-responsible-payment-culture-a-call-for-evidence-on-tackling-late-payment>

across the broad range of funded projects, and to summarise lessons for delivering these types of projects. The Programme evaluation is designed to be flexible but will likely produce reports synthesising findings from each competition. The next Business Basics report will be produced upon completion of BBF1 projects in 2020, and will be published on the gov.uk page, alongside other relevant research reports to support the programme (eg findings from partnership projects).

There is an intention to conduct future evaluation activity to understand impacts on productivity beyond the duration of project. These longer-term productivity impacts can only be measured once a sufficient amount of time has elapsed (eg three to seven years' time). Therefore, it is too early to develop detailed evaluation plans, but the appropriate data collection and data sharing agreements have been put in place to enable this longer-term evaluation activity to happen in the future.

This publication is available from: www.gov.uk/government/publications/business-basics-programme-progress-report-october-2019

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