

# Only 20% of businesses on Government entrepreneurship schemes reach their first growth milestone

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Only 20% of businesses on Government entrepreneurship schemes achieve any growth milestones, according to new research by emlyon business school.

The study, conducted by Greg Croidieu, an associate professor in entrepreneurship and innovation at emlyon, alongside colleagues from Aalto University School of Business, Babson College, and Economic Development Collaborative, investigated whether innovative businesses ventures achieved growth outcomes from government programs and found that growth is less than likely.

The researchers conducted three sets of analyses on data from the Small Business Development Centre in Southern California addressing biases, unobserved factors, and using different measures of growth. The analysis was on over 1,700 business, from sectors ranging from technology to manufacturing.

The research found that in most cases, public support programs lack sufficient resources and they often misallocate resources away from clients who need it the most.

The findings also show that innovative ventures are not guaranteed to grow more than other ventures, unless support is targeted directly for them.

If additional government support is explicitly targeted at innovative ventures, they have more opportunity to receive in-depth advice, learn from experts, and translate this into productive growth outcomes., as long as the participants are willing to learn and the correct treatment design is used.

The researchers observed that treatment design is more crucial than selection for innovative firms to achieve growth but selection ensures the right participants are chosen.

“The research determined that for innovative ventures to achieve more growth milestones, they need sufficient advising support. This depends first on having the formal criteria used to allocate support, therefore innovativeness must be included as part of the criteria to ensure these ventures receive sufficient support,” says Professor Croidieu.

The study highlights that policymakers play a vital role in allocating resources to promote innovative entrepreneurship as a means of spurring economic growth in regions.

This research can be applied to other specific sectors, as long as those sectors are explicitly included in any formal criteria used to allocate support, to ensure businesses are recruited correctly and matched with qualified advisors.

This research was published in the journal Research Policy:

<https://www.sciencedirect.com/science/article/abs/pii/S004873332030130X?via%3Dihub>

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