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

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

The study, conducted by Gregoire Croidieu, an associate professor in entrepreneurship and innovation at emlyon, alongside colleagues from Aalto University School of Business, Babson College, and Grenoble Ecole de Management 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.

“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 allocated support, therefore innovativeness must be included as part of the criteria to ensure these ventures receive sufficient support,” says Professor Cordieu.

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.

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