The short-term bias in policy programs for small business
Exploring discontinuation of a successful growth program
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Abstract

When a successful policy intervention for small firm growth is ending, a continuation decision may be relevant. However, immediately after program termination solid analysis of the growth of the treated firms in comparison with similar firms cannot be produced so decision-makers rely on less valid data. Moreover, the decision process is challenging because many players, alternative programs, decision levels and financial sources tend to be part of the process. In such a complex and volatile policy environment, successful programs may well be discontinued despite a clear continuation need. The purpose of the paper is to explore this weakness.

The paper identifies four fundamental principles which are conducive for a rational continuation choice: ‘additionality’, ‘substitution’, ‘need’ and ‘success’. It argues that if these principles are fulfilled, the rational choice would be to continue the program. To demonstrate that this rational outcome does not always happen in practice, an extreme case fulfilling the four principles well, was selected.

The program aimed to enhance growth in small firms through manager training. It encompassed about 700 growth-oriented small firms in three years and was comprehensively evaluated after program termination. This evaluation demonstrated a high success rate of the program in all respects, including in terms of achieved growth compared to a control group of similar firms.

This discontinuation case suggests that non-rational reasoning play a significant role in contemporary complex and volatile policy environments which again points to a need for reform in this policy area.
**Introduction**

Why are policy programs for small firms seldom continued after an initial support period? Is it because most programs are not successful; or because the need for support no longer exists; or because performance studies of the first intervention phase are not available when decisions are made; or because a discontinuation norm dominates among decision-makers; or because the high complexity and volatility of contemporary business support systems promote non-rational reasoning?

This is the series of questions this paper departed from. The overall anecdotal impression at the outset was that small firm growth programs rarely are continued by follow-up programs, regardless of their success in the first phase and the need for a continuation phase. This led to the overall, broad research question for the paper:

*What influences continuation choices for small firm growth programs in complex and volatile policy environments?*

The paper is building on the following logic. In rational reasoning, the decision to continue or discontinue a policy program depends on certain rationality-easing principles. When these principles are fulfilled, rational reasoning is likely to dominate the decision process, and when absent other decision models blossom. As already emphasized in the classic works of Herbert Simon (1947) and James March (1962), decision makers strive for rational decisions, but rationality is a complex and multifaceted concept. A group of decision-makers pursuing special interests in relation to the continuation of a program are rational from their point of view, but not in the broader sense referred to here, focusing on the overall impact of a policy intervention regardless of special interests.

The most important rationality-easing principles for program continuation decisions seems to be the following ones:

- First, a general principle guiding the overall outcome of the completed intervention is essential, namely the *additionality* principle, meaning whether the intervention has led to “a better situation than that which would have developed without the intervention” (Auerswald, 2007, p. 30). Additionality can be understood as an alternative to the market failure criterium which is often used to justify public intervention. Additionality emphasizes the improvement for program recipients compared to non-intervention rather than improvement in the market system. And improvement for recipients can be measured through control group design.

- Second, continued policy intervention from the public sector can only be justified if no non-public actors are able or willing to deliver a similar service to the recipients. Hence the principle of *substitution* can be identified as another key principle, referring to whether the public offering can be substituted by a non-public offering.

- Third, rational reasoning about continuation of an intervention must consider whether the offering of the program is still needed as the completed intervention might have treated most of the potential beneficiaries during the first intervention period, leaving few potential recipients for a follow-up program. This can be called the principle of *need*. 
• Forth, success is an important, but rather complex, rationality-easing principle. Success can refer to various aspects such as, a) whether program targets for the first intervention were met, b) whether participants express satisfaction with the program, c) whether it led to cognitive and behavioral change, d) whether the intervention, after some time, improved the performance of treated firms compared to similar firms, and e) whether the intervention has resulted in tax revenues which are higher than the public costs for the program.

When these four rationality-easing principles are fully fulfilled, the rational choice would be to continue the policy intervention. In other words, when a program produces additionality, a need for continued intervention exists, no non-public offering of the same kind is available, and success (along all five dimensions) has been asserted in solid, control-group based evaluation of the initial policy intervention, then the rational choice would be to continue the program. Reversely, when the four principles are not fulfilled, or only partially fulfilled, then room is left for non-rational reasoning which enhances the risk that successful and needed interventions are discontinued although it would be beneficial for all parties to continue.

In order to identify factors influencing continuation versus discontinuation choices for small firm growth programs, an extreme case was selected, i.e., a case where all the four principles are fulfilled well, and continuation therefore is the rational choice. If the program nevertheless is discontinued, then various kinds of non-rational reasoning are likely to have influenced the decision. This way an extreme case is an appropriate means to reveal factors hindering a rational choice about program continuation.

The paper proceeds the following way: First key theories are discussed, emphasizing decision theory and theory about small firm policy; this is followed by a methodology section, including a description and analysis of the selected case; then follows discussion and limitation sections, and finally a conclusion.

Theory

Decision making

Complex and volatile environments is a challenge for rational decision making which presupposes consideration of alternatives and calculation of consequences. According to Bennet and Bennet (2008) “complexity is the condition of a system, situation or organization that is integrated with some degree of order but has too many elements and relationships to understand in simple analytic or logical ways” (p. 3). A high level of complexity means that the environment consists of numerous parts and relationships, and substantial variety, resulting in information overload and confusion. In such a messy situation, decision makers are likely to try to reduce complexity, e.g. by subscribing to values or ideologies when decisions are made (Brunsson, 1985).

The influence of complexity on decision making has mainly been studied in large corporations in dynamic contexts. According to Buchanan (2004) “conventional theories of management, forged in the era of industrialization, vertically integrated companies, and relatively impermeable institutional borders, can no longer cope with the immensely complex organization that have emerged during two decades of rising globalization and decentralization (p. 71). As a consequence, complexity management has emerged as a research field which, according to Stacey et al. (2000), “undermine the reductionist, mechanistic thinking and present a more holistic perspective in which the whole is more than the parts, with both the whole and the parts following iterative, nonlinear laws (p. 17).
This line of thinking has spread to other science areas such as the strategy field (Cunha and Cunha, 2006). Compared to complex corporations, which after all are framed by a formal structure, the small business policy field seems to be even more complex. The public sector consists of many parts which collaborate and compete in complex ways, and a variety of private foundations, voluntary organizations and private firms are also involved in a loosely coordinated way. Hence it seems safe to claim that the complexity of the small business policy field is even higher than that of large corporations.

Volatility adds to the complexity of a system because elements and relationships between elements move, making uncertainty extreme (Knight, 1921). As prediction is impossible in complex and volatile systems, decision makers rely more on intuition. Intuitive decision making seems to influence performance positively in volatile environments such as those facing large corporations and policy systems nowadays (Khatti and Alvin Ng, 2000). Intuitive decision making is closely related to improvisation, which has been defined by Crossan and Sorronti (1997) as “intuition guiding action in a spontaneous way” (p. 155). Intuition itself is, according to Simon (1987), quick decisions by experts who are building on vast experience from similar situations. Such quick decisions are made without formal analysis but are not irrational. According to Crossan and Sorronti, “many spontaneous decisions are fairly routine in nature” (p. 157), which means that they have been tried before and previously may have been subject to formal analysis. However, some intuitive decisions are not routine-based and adds a creative element to the decision process (Leybourne and Sadler-Smith, 2006).

Decision makers in complex and volatile systems are likely to experience a high degree of uncertainty and even confusion. Decision making in such situations can be understood through the ‘garbage can’ model (Cohen et al., 1972). The model describes decision makers, solutions and problems as three independent streams which randomly meets when a choice situation (‘garbage can’) appear, with ‘cans’ constantly moving in and out of the scene. In such a model the traditional problem-analysis-solution sequence is no longer followed. Sometimes solutions, e.g. management concepts and political ideas, emerge and are embraced by decision makers, before an analysis is made of the relevance of this solution for an organization, a business system or the society. Decision makers are also not a fixed group as people constantly move in and out of the decision arena. As complexity and volatility in the small business policy field is growing, the anarchic traits suggested by this model become increasingly relevant.

Complexity and volatility also have a bearing on the political side of decision making, related to power struggles and special interests of individuals and groups. James March (1962) observed in his classic work that business firms, particularly the larger ones, are influenced by power struggles, interest groups and coalitions. In this view an organization is no longer understood as a purposeful, cohesive actor but rather as competing coalitions pursuing special interests and using bargaining, negotiation and side payments as part of their struggle. For the small business policy field, the importance of this political side of the decision process also seems to grow as complexity and volatility grows. As the number of actors, proposals, programs and agendas expands, new possibilities for political games between the involved parties arises.

So, decision making in the small business policy field is increasingly chaotic, but formal rules determining what public actors can and cannot do remain. In addition, informal norms, values and routines also play a role. The policy making system is a social system and hence influenced by social interaction and social construction processes (Berger and Luckmann, 1966), which are likely to result in the emergence of informal norms and routines among the decision makers. This way decision makers can simplify complex decision situations because they then, consciously or
unconsciously, can refer to a norm, routine, procedure or role when they make choices. The logic here is different from that of rational decision making as the actors are guided by a logic of appropriateness (March and Olsen, 1989). Here decision makers evaluate their situation and role and weigh alternatives according to how appropriate they are in relation to an institution such as a norm, and then decide what is appropriate for them in that specific situation.

Taken together, increasing complexity and volatility in the small business policy field has opened the door wide open for non-rational reasoning in various forms. The growing information overload and increasingly messy decision situations promote anarchic, political and institutional decision making at the expense of rational decision making.

Small business policy

The small business policy field, which is closely related to the entrepreneurship field, has developed rapidly since 1980, and particularly since 2000 when small firm growth has attracted growing attention. Before 1980 the policy interest was mainly focused at large firms. In 1979 Birch published a volume on the importance of small firms for job creation which became a turning point for interest in small firms and small business policy (Birch, 1979, Storey, 1994). Around 1980, the entrepreneurship field also started to grow, and at an even faster speed (Kuratko, 2005, Gilbert et al., 2004, Reynolds et al., 2005, Audretsch, 2006).

Traditionally, these two research fields are regarded as related and yet divided in a relatively clear way. Entrepreneurship policy is often considered an “add-on” to small business policy (Lundström and Stevenson, 2005), with the two fields focusing on different stages of venture development: entrepreneurship policy on the stages before, during and immediately after start up, incl. early growth (Stevenson and Lundström, 2001), and small business policy on the economic, social and political context for already established small firms and ways to improve their performance (Smallbone and Welter, 2001, Gilbert et al., 2004, Storey, 2004).

However, since 2000 the growing interest in growth in both research fields has created a cross-field of small firm growth research. According to Van Stel and Storey (2004) the relationship between entrepreneurship and growth is three-fold, namely job-creating, a competitive threat to existing companies, and a way to increase idea-generation and innovation in a society, activities that are themselves known to generate economic growth. After 2000, the growth perspective became increasingly supported by empirical studies demonstrating that the proportion of high-growth and innovative entrepreneurial activity in a country positively influences national economic growth (Van Stel et al., 2005, Audretsch, 2006, Davidsson, 2006, Acs and Szerb 2007).

This shift in research interest from volume to quality had implications for small business policy. Some countries formulated a shift in their overall policy from start-up focus to priority of support to growth-oriented new and small firms (Lundström and Stevenson, 2005, Author reference). This trend was supported by calls from international bodies like the European Union and OECD for more policy focus on small firm growth (EU, 2009, OECD, 2010).

As small firm growth is affected by a variety of contextual and human factors (Achtenhagen et al., 2010), policy measures to influence small firm growth also vary. Contextual factors such as legislation, taxation and financial frameworks were prioritized when this policy field emerged, while ‘soft’ measures related to the human actors tended to be neglected. This has changed significantly over the years due to an increased focus on human factors such as intentions and competences.
In a meta-analysis, based on 13 longitudinal studies, Levie and Autio (2013) found that “collectively, the research suggests that at the individual level, entrepreneurs’ growth intentions are a consequence of individual characteristics, and more weakly affected by environmental effects. Entrepreneurs who are risk-taking, achievement-oriented and innovative are more likely to be growth-oriented” (p. 25). The importance of intention as a driver of growth is indirectly confirmed by Wiklund et al. (2003) through their large-scale, longitudinal study of small firms. Here they found that owner-manager expectations of negative consequences of growth were holding them back from engaging in growth processes. The most important hindering factors were ‘soft’ issues such as the well-being of the employees and the collaborative atmosphere of the firm.

Hence policies to influence the growth intentions of small business owners and managers seem to be the key to enhance growth. However, competences related to growth processes are also important. Managing a small firm is complicated, involving multi-tasking in constantly changing circumstances, but growing a firm is even more complicated (Davidsson et al., 2010). Engaging in a growth process implies moving the firm into unknown territory and running a higher risk. The managerial challenges associated with growth are clearly reflected in theories about firm growth phases (Churchill and Lewis, 1983; Levie and Lichtenstein, 2010).

Taken together, small business policy increasingly focuses at growth. Growth in small firms is driven by many external and internal factors, but the intentions and competences of owners and managers are particularly important.

Methodology and data

Case study methodology is appropriate for the study of decision making (Eisenhardt, 1989; Yin, 2018; Flyvbjerg, 2006). A key issue in case study research is case selection, considering criteria such as the type of case and the number of cases to be studied as well as possibilities to get access to deep knowledge. As our purpose is to discuss decision processes, deep knowledge about the reasoning and acting of decision makers is important, which suggests that the number of cases should be low. As demonstrated by Flyvbjerg (1998), one major case can be an appropriate choice for a deep study of decision processes in the public sector.

A case was therefore searched for which fulfilled the four rationality-easing principles well, but nevertheless was discontinued. The reasoning behind was that if an intervention, despite fulfillment of the four rationality-easing principles, nevertheless was discontinued, then non-rational factors such as pursuance of self-interest, institutional adaption and anarchic decision making were likely to play a role.

In our study both qualitative and quantitative methods are relevant. Qualitative methods are valuable for the study of how decision makers reason and act during decision processes, while quantitative methods are valuable for evaluation of the outcome of an intervention which is the rational foundation for discussions and decisions about continuation.

Proximity of the researcher to decision makers and processes is important in qualitative studies. The researcher was deeply involved in the selected Growth Through Management (GTM) program during 2012 to 2015, heading the collection of data, designing the control group analysis, and participating in regular meetings in the program board. Moreover, the researcher was asked to comment on two drafts for a follow-up program in 2015. However, the researcher was not involved
in the decisions made in 2015 by the regional growth centers, regional authorities and the
government agency with responsibility for business development.

A supplementary interview was therefore made in 2020 with the director of the regional growth
center of the Region of Southern Denmark who headed the GTM program during the execution
phase and was a key person in discussions between regions and the Government about a national
follow-up program during the fall of 2015. In 2016, she was appointed director of the growth center
in the Capital Region, the only region which ended up financing a follow-up training program for
small business managers.

Description of the case

The selected case was a national training program for growth-oriented small firm managers. It
aimed to enhance the growth intentions and growth competences of the managers of small firms,
well in line with the literature which suggests that manager intentions and competences are core to
growth in small firms.

In 2011 the Danish Government launched this three-year program for at least 600 growth-oriented
managers of very small firms (5-50 employees), aiming to lift more of these firms on to a growth
path through training courses, peer-to-peer interaction and consultancies. The reasoning behind the
program was that such practice-oriented training would lead to cognitive change (such as new
competences and ambitions) and behavioral change (such as spending more time on strategy and
reorganizing the firm) which eventually would result in improved growth of the firm (Figure 1).

Figure 1 about here

By the end of 2014 the program had trained more than 700 managers, who mostly were owner-
managers, facilitated by five regional business growth centers. In addition to firm size (5-50
employees) the key criteria for selection of participants was assessment of their growth ambitions
and the growth potential of the firm (Author reference).

The GTM program reached out to the entire country and all industries. It consisted of four main
phases for each manager: a screening/interview phase involving a consultant; a training phase
involving two seminars; a post-training dialogue with a consultant, and finally an optional
individual competence enhancement phase (such as personal coaching, specific advisory services,
and further training courses). The first three phases were free of charge while the firm had to cover
half of the expenses of the fourth phase.

The program had a comprehensive evaluation component built into it, with a combination of
internal and external evaluators. The program was completed end 2014 and a final, internal
evaluation report elaborated in March 2015 (Center for Vaekstanalyse, 2015). This evaluation
report builds on the answers of 179 managers who were interviewed when they entered the program
and re-interviewed in 2014 at the final stage of the program. The report demonstrates substantial
success of the program in terms of high participant satisfaction with program activities, improved
managerial competences (perceived), enhanced growth ambitions (measured by estimated turnover
in the coming years), and a significant shift in the way the participants prioritized their work hours.
The work hours spent on development, strategy and innovation tasks, i.e. future oriented tasks, increased from 16% of all work hours at the entering stage to 33% at the closing stage. This shift can be understood as a transformation from short-term operational orientation to long-term strategic choice orientation (Child, 1997).

A group of researchers from the University xxxxxxxxx followed the program closely and had unlimited access to the data generated. In addition to the internal data, the researchers collected data from a control group of similar firms in two stages (mid 2013 and early 2015). Control group design is needed to achieve solid program evaluation (Storey, 2000; Greene, 2009). According to Storey (2000), the traditional one-sided evaluation of firms involved in a program is problematic, because evaluation is kept at a monitoring level (as opposed to real evaluation). Many program evaluations only apply evaluation of activities and participant satisfaction which do not assess the true impact for the treated firms (Westhead and Storey, 1996; Rigby and Ramlogan, 2013, Storey, 2002). However, control group design is never perfect because of self-selection of participants to programs (Author reference).

In 2013 the researchers selected a control group of similar small firms the following way: First, a total of 1,500 firms were randomly selected from a pool of 19,333 firms matching the firm size criteria of the GTM program (5-50 employees). The managers of these firms were identified through a national data base (NN Markedsdata). This data base contains financial, ownership, and organizational information for all Danish VAT-registered companies and subsidiaries. The researchers contacted the selected 1,500 firms by telephone and either mailed a questionnaire or conducted a telephone interview by reading the questionnaire to the respondent. Interviews were only completed with managers who initially answered that they aimed for growth of their firm and personally would be willing to participate in a training program like GTM. After this screening, 228 full telephone interviews were completed, and 119 questionnaires were answered by e-mail (response rate 23%). As five managers in the control group also were participants in the GTM program, they were excluded from the control group. Moreover, some interviews were incomplete, so in the end the control group was 292 cases. In early 2015 this control group was interviewed again and asked the same questions as the GTM participants who participated in the final evaluation.

In addition, and quite unusual for such programs, a post-program evaluation was executed in 2016 for both groups, about 1½ years after program termination. GTM participants and the control group were re-interviewed and economic performance data collected for the two groups through the same data base, covering the years 2012, 2013, 2014 and 2015. At this stage 332 interviews with GTM participants, out of 560 identified firms (response rate 59%) and 127 interviews with the control group, out of 249 identified firms (response rate 51%) were completed.

This evaluation confirmed the high participant satisfaction with the GTM program as well as improvement of perceived managerial competences (average score of 3.18 on a 5-point scale) and perceived growth ambitions (average score of 4.13 on a 5-point scale) (Author reference). Moreover, regression analysis, paired with matching technique, demonstrated more learning for GTM participants than the control group in terms of more shifts in strategic orientation during the training period (Author reference). Finally, comparison of performance data for the treated firms and the control group firms, based on approved accounts of the firms, demonstrated higher growth of profit (before tax) in the GTM group than the control group for the 2012 to 2015 period (GTM firms increased from index 100 (2012) to index 130 (2015), while the control group only increased to index 116.
Independent of these internal and external evaluations, a Government agency collected performance data in 2016 for the same period (2012 to 2015) for the GTM program and a number of other programs in order to measure growth in the number of employees and turnover for treated firms compared to a statistically selected control group of similar firms, using data provided by Statistics Denmark (Erhvervsstyrelsen, 2016a). This analysis demonstrated higher job creation and turnover in the treated GTM firms compared to the non-treated. With index 100 as basis in 2012, the number of employees increased to index 114 for the GTM group compared to 100 in the control group, and turnover increased to index 120 for the GTM group compared to 103 for the control group.

This analysis of the Government agency opens for an estimation of the pay back of the public investment in comparison with increased taxes rooted in additional firm growth. Initially, the Government had supported the program with DKK 63 million (about EUR 8.4 million) and the European Union contributed DKK 41 million (about EUR 5.5 million). In terms of job creation, the analysis of the Government agency showed that the GTM program had created 778 jobs more than the control group of similar firms during the 2012 to 2015 period, and turnover had increased DKK 650 million more than the control group. More jobs, higher turnover and higher profit result in higher tax revenues. Usually the income level in a new job is higher than in the previous job/position, resulting in higher income tax being paid. And higher turnover result in higher VAT payment. With the Danish VAT rate fixed at 25%, an additional turnover of DKK 650 million is likely to result in higher revenues than the initial Government investment of DKK 63 million. Higher profit is also likely to result in higher tax payments. Taken together the GTM program therefore seems to have resulted in a positive pay back of public spending in the short run, and this impact is likely to continue for a longer span of years if the increased firm sizes are at least maintained.

At the closing seminar of the GTM program in May 2015 the consultants from the five regional business growth centers seemed very satisfied with the outcome of the program and saw it as a solid platform for future growth-oriented activities. These centers, which had been established through Government initiative in 2007 with the explicit ambition to promote growth in startups and small firms, had in the past years experienced many difficulties related to defining, identifying and assisting potential growth-oriented entrepreneurs and small firms. At the closing seminar one of the consultants said that “now we finally know how to approach these new and small firms and how to improve their performance”. At this meeting a national follow-up program following the same program design was proposed and backed by the consultants and the participating national business associations.

The Ministry acknowledged the positive results achieved and the need for a follow-up program, but it wanted regional authorities to take responsibility and finance a potential new nation-wide phase of the program. The regional authorities were reluctant to do so. The overall roles of the two parties at that time were that the Government should monitor the field and initiate country wide experiments in key areas while the regional authorities were responsible for regional programs to support growth-oriented entrepreneurs and small firms. However, the regional authorities pursued different overall strategies which complicated collaboration across the regions. Some regions, and particularly the Region of Southern Denmark, pursued a focused strategy aiming to channel all its investments to a few industrial clusters. Such a cluster strategy is not aligned well with a program like GTM which reaches out to all industries. Other regions pursued a more general strategy for growth in all sectors. When the GTM program ended in 2015, the growth center of the Region of Southern Denmark pushed for a joint follow-up program for all five regions as this was the only
way they could hope to persuade their regional authority to support a follow-up program. Drafts of a follow-up program were made and discussed, but the growth centers could not agree.

To get closer to the decision process an interview was made with Liselotte Hohwy Stockholm (26.03.2020), who in 2015 was director of the regional growth center in the Southern Denmark Region and had been responsible for the national GTM program since 2012. In 2016 she became director of the growth center in the Capital Region and responsible for the follow-up program which had been agreed for that region after the failure to establish a national program. She explains the following about the failed attempt to launch a national follow-up program:

“ A national follow-up program for GTM was not implemented. The special EU supported set-up for GTM could not be extended and the Danish Government was not interested in a follow-up program financed primarily by the Government. It encouraged the five regional authorities to take the financial and administrative burden on their shoulders, but they were reluctant to accept such top-down interference. Moreover, establishment of a cross-regional program was very difficult due to variation in regional strategies and lack of tradition for cross-regional collaboration” (interview with Liselotte Hohwy Stockholm, 26.03.2020).

The dialogue between the Government and regions about a national follow-up program, both across the five regions and within each region, resulted in the decision in the Capital Region to finance its own a follow-up program like GTM while the other regions did not approve follow-up programs. These decisions were all made in 2015, i.e., before performance evaluations were completed in 2016.

Liselotte Hohwy Stockholm was also asked whether she, based on her long experience in the Danish business support system, knew of any long-term program for small firms. She responded:

“ I can only think of one program, the Early Warning program for small firms in financial difficulties, which has been continued under the same name since 2007 in different set-ups. Generally, the business authorities demand a new name and new content for all business development grants” (interview with Liselotte Hohwy Stockholm, 26.03.2020).

Demanding a new name and a new content for all new business development grants is not appropriate for continuation of successful policy program. This discontinuation demand from the granting system is likely to be reflected in an informal norm among decision makers at all levels.

An additional complicating factor for long-term decisions by the involved decision makers was plans for a fundamental reform of the entire business support system. A neutral evaluation of the system observed in 2015, when the GTM program ended, that the system "is characterized by many actors and facilitator organizations and complex framework conditions set by policy makers at three levels: the local, regional and national level", which creates “a need for stronger coordination to improve visibility, mutual collaboration and avoid overlaps” (Irisgroup/KL, 2015: 13). The regional growth centers are in this report suggested to be the central actor in such coordination. However, in 2017 the Government decided not to follow this recommendation and established instead a so-called ‘simplification committee’ with the mandate to propose ways to simplify the system. It again observed that “the business support system is characterized by too many facilitator organizations and too many overlapping activities” (Forenklingsudvalget, 2018: 5) and ended up suggesting a
complete stop for regional funding to business development and dissolution of the regional growth centers. The Government followed this recommendation, so in 2018 the five regional growth centers were dissolved.

Case analysis

In hindsight, the GTM program was very successful. In addition to actually resulting in higher growth in the treated firms compared to similar non-treated firms and a positive pay back to tax-payers, it succeeded in enhancing the growth ambitions and managerial competences of the participating managers more than would have happened without the intervention.

In terms of ‘need’, the program had so far only reached out to a small share of potential program participants among the small firms. The random selection in 2013 of control group participants, about halfway through the program, only included 5 GTM firms out of approximately 300 similar firms in the control group, i.e. about 2%. Moreover, the managerial competences of small firm managers are quite limited. About half of the GTM participants had virtually no management training (37 % had none and 12 % less than one week) (Author reference).

In terms of ’substitution’, private training and consultancy firms were not keen to deliver a similar training offer on a commercial basis because of an expected low demand for small firm training programs. Small firm managers are difficult to persuade to enroll in training programs because of time pressure in their work situation and skepticism about the likely outcome of training (Webster et al., 2005; Author reference).

Rational reasoning would therefore clearly suggest that the program should be continued at the national level. However, in 2015 decision makers did not have solid performance studies to lean on. They knew, based on the final evaluation, that participants were highly satisfied with the program and that cognitive and behavioral change was likely to have taken place, based on self-assessments. But ambiguity about performance and additionality persisted. This opened for non-rational reasoning in the decision processes.

Pursuance of special interests of the involved parties was clearly an important element (March, 1962; Author reference). The five regions could not agree on a joint follow-up program due to special interests pursued by the regional authorities, rooted in variation in their overall strategies. At the end a follow-up program was established in the Capital Region, but a national follow-up program was not. The pursuance of special interests and political games between the involved parties was eased by a the complex and fluid business support system, structured in national, regional and municipal levels, which is very far from a situation with “a unitary actor with adequate control over all required action resources and a single-minded concern for the public interest” (Scharpf, 1997, p. 11).

Rational reasoning was also challenged by institutional influence, pushing decision makers to follow rules and norms. The rules and strategies of the regional authorities framed their possibilities for joining a national follow-up programs, as already mentioned. Moreover, an informal short-term norm seems to have dominated the decision arena. New grants were conditioned by a demand for new content compared to previous programs so policy makers who argue for continuation of a program are likely to meet resistance. In a situation with a constant inflow of new, competing program proposals, it is hard to ‘win’ a continuation decision.
The inflow of new ideas, projects and programs to the business support system was fast. The Government agency, which assessed the outcome of the GTM program, also assessed 17 other regional training programs initiated in the same year (Erhvervsstyrelsen, 2016b, p. 8). And training programs were just a fraction of all regional business support programs. Such fast inflow of new ideas and programs is likely to result in confusion and ‘garbage can’ situations where rational reasoning about alternatives and consequences is pushed to the background. In ‘garbage can’ decisions the flow of decision arenas, decision makers, problems and solutions can be random, e.g. with solutions being presented before problems (Cohen et al., 1972). With many ideas and program proposals at the agenda, and many actors pushing for their favorites, the risk of random decision outcomes is high, particularly if solid performance studies are missing.

Finally, intuition and improvisation may have influenced the decision process. However, this does not seem to be decisive here although decision-makers are likely to have experienced time-pressure. It seems more likely that the decision processes primarily followed the routine of closing programs after the initial phase.

Discussion

In an evolutionary perspective, policy making in the small firm growth area is characterized by a high capability for variation through experiments and a low capability for selection and retention of valuable high-performance programs (Aldrich, 1999). After two decades of intense experimentation with small firm growth programs in many countries, long-term growth programs for small firms hardly exist.

The main reason for this is hardly that no candidates for long-term intervention exist but rather that the policy system and decision-making processes needs to be reformed, a point resonating well with the growing skepticism of many established scholars in the small firm policy field. Thus Bridge et al. (2009) find that “much intervention has not worked and has not had any significant effect on its overall targets such as levels of entrepreneurship or of business performance” (preface, xv); Acs et al. (2016) find that “most Western World policies do not greatly reduce or solve any market failures but instead waste taxpayers money” (p. 35); Fotopoulos and Storey (2019) published a regional policy study called “another program failing to deliver” (p. 189); and Wallcott and Wapshott (2020) published a comprehensive historical analysis of enterprise policy in the UK, observing that this policy area is facing “continuous criticisms for its use, value and relevance” (p.1.).

The reason for this situation is hardly that policy makers ignore rational reasoning. Policy makers are generally intendedly rational but may well be confronted by an overload of information and a web of dilemmas which make rational decisions difficult. This is particularly so in complex and volatile policy environments such as the prevailing business support system.

This paper has, by means of an extreme case, attempted to highlight the reasoning and dilemmas confronting decision makers which led to discontinuation of the successful growth training program for small firm managers despite acknowledgement from all involved parties of the high value of the program for the treated firms as well as a need for further growth training of new cohorts of managers.

The case suggests that five core factors are important when decisions are made about continuation or discontinuation of successful small firm growth programs:
First, timing is clearly an important issue as solid performance evaluation are not finished when continuation decisions are made just after program termination. This implies that decision makers mainly rely on interview data about participant satisfaction and other self-assessed estimates of outcomes. Lacking solid performance information is a serious weakness if rational decisions are to be achieved. Moreover, performance measurement is of little value if it only become available once decisions have been made and continuation de facto has been ruled out.

Second, a unitary decision body does not exist. Public funding and execution of large programs is often involving three or more administrative levels: The Government, regions and municipalities (and in Europe often a fourth level, as the EU co-sponsor many national and regional programs). This complexity encourages political games between the parties about financial matters and the distribution of responsibilities. In the selected case, the regional authorities and the Government could not agree on a financial and organizational model for a countrywide continuation program.

Third, the inflow of new policy proposals is high and many public, private and voluntary actors are involved. This encourages coalitions between actors to put pressure on the decision makers to sponsor favorite programs, and it also encourages ‘trading’ between actors. In such a complex situation, a decision maker is likely to experience an overload of information, time pressure, and some confusion about the myriad of proposals and actors. This is clearly not conducive for rational decision making based on solid data and analysis of alternatives and consequences.

Forth, a short-term norm seems to prevail among decision-makers and in the granting system, making it difficult to decide follow-up programs for completed, successful programs. The business support system seems strong in short-term experimentation and weak in long-term continuation of successful and needed programs. This is a serious weakness. The blossoming of experiments is valuable, but it ought to lead to selection and retainment of those experiments which are clearly successful and needed in the longer run, either as a new intervention phase or as a permanent intervention. It is commonly acknowledged that access to cheap or free advisory services for novice entrepreneurs needs permanent intervention as well as entrepreneurship training in the educational system. One could also argue that management training for growth-oriented small firm managers is a permanent need as many new firms are established every year of which some has the potential to grow if managers are trained to lead the process.

Fifth, the business support system is fluid. This applies to the entire system as well as specific intervention areas such as the advisory system for entrepreneurs and small businesses. In fact, ongoing reforms seems to be typical for the entire system and its subsystems, with leaders acting as ‘reformers’, just as in large organizations (Brunsson and Olsen, 2018). This induces strategic thinking about “the next reform” at all levels, both the individual, organizational and system levels. When the GTM program was terminated in 2015, a major reform of the entire business support system was underway which made it difficult to take long-term decisions. The
likely consequence of such system and subsystem fluidity is short-term orientation and increased influence of special interests on decision outcomes.

Limitations

The author followed the selected GTM program closely as it unfolded during 2012 to 2015 but was only limitedly involved in the discussions among national and regional authorities about continuation of the program at the national level. An interview in March 2020 with the director of the growth centers in two regions during 2012 to 2018 to some degree compensate for this weakness. The interview demonstrated financial disagreement between key parties at national and regional level as well as existence of a demand in the funding system for a new name and new content for all new business support grants.

Another limitation is the reliance on just one case study as small firm policy environments vary across countries and regions, although similarities and cross-fertilization also can be observed, e.g. initiation of accelerator and scaling programs in many countries since 2000. However, the case was not selected because it claims to be typical, but because it is rather extreme by being so comprehensively evaluated and so successful on all parameters.

Conclusion

The paper departed from four principles which are conducive for a rational program continuation choice: ‘additionality’, ‘substitution’, ‘need’ and ‘success’. It argued that if these principles are fulfilled, the rational choice would be to continue the program. It then identified a successful growth training program for the managers of small firms which, despite clear fulfillment of the four principles, was not continued. This paradox can be explained by influence of non-rational elements in the decision process which seem to blossom in the contemporary complex and volatile policy environment, characterized by many public and private actors, numerous competing programs and proposals, several decision levels, and many financial sources.

This study has four key contributions the literature.

- First, it has highlighted a neglected topic: continuation versus discontinuation of completed policy programs.
- Second, it has highlighted four rationality-easing principles: ‘additionality’, ‘need’, ‘substitution’ and ‘success’. When fulfilled, the probability of a rational decision outcome is maximized and when lacking non-rational reasoning is likely to influence the decision-process, particularly pursuance of special interests by the parties.
- Third, it has highlighted the importance of timing. Continuation decisions are usually made just after program termination. As the impact of a program on small firm growth takes at least one year to become manifest and measurable, solid performance studies are not available at this early stage. This is clearly not conducive for rational decision making.
- Forth, it has pointed to a system weakness in contemporary policy systems in that long-term support is virtually impossible to achieve. Even when a successful program has a) demonstrated
a need for continued support, b) resulted in improved performance and growth in the treated firms compared to similar firms, and c) resulted in a positive pay back of tax-payers’ money, it is not likely to be continued due to an institutionalized discontinuation norm in the granting system and among decision makers. The policy system prioritizes new programs over existing ones and demands a new name and a new content if an existing intervention is to continue. This system demand for something new might be justified in most cases but is not a rational solution if the task basically is to disseminate a well-functioning program to more recipients. Dissemination of an existing program to more recipients is also likely to be more cost-efficient than development and execution of a new program.

A reform of the existing granting and decision-making system seems therefore to be needed. Such reform could consist of the following three key elements:

- At program termination, discussion of continuation of a program would benefit from being systematically linked to the four rationality-easing principles, i.e., ‘additionality’, ‘substitution’, ‘need’ and ‘success’.
- The granting system would benefit from opening for dispensation from the overall demand for a new name and a new content for grants to those programs which have been very successful and where a need for continued intervention exists.
- Decisions on continuation of existing programs ought not to be taken just after program termination but rather 1-2 years later when solid performance studies might have been completed. However, a decision to reserve some funds for a continuation phase might be appropriate just after program termination if the preliminary evaluation data, such as participant satisfaction data and self-assessment data, clearly suggest that the program was a success and that more small firms are likely to benefit from a continuation phase.
References


Author references


Figure 1: The reasoning behind the GTM program