

# Can Online Services Improve Business Performance?



## Impact Evaluation Summary

Management efficiency is critical to growth and survival rate of businesses. Better business practices are associated with better firm performance. Yet many of them, particularly small and medium-sized enterprises (SMEs) in developing countries find constraints to improve business performance. The Brazilian Micro and Small Business Support Service (SEBRAE) in Paraná State developed an innovative electronic platform called *Clube do Empreendedor* (CE) that will allow thousands of firms to interact, share experiences and access SEBRAE's consultants. The purpose of this impact evaluation is to use the platform to inform small firms on a set of good business practices and detect whether that can improve the take-up and performance. It will do so by addressing two questions: the first one concerns the manager perception on the benefits of good business practices, whereas the second analyzes whether the access to technical information on management practices has an impact on performance and the adoption of better practices.

## Policy Issue

SMEs constitute the vast majority of existing businesses and often represent a large proportion of national employment and income creation. A large amount of resources are allocated in programs to support them but only a few rigorous studies have been dedicated to evaluate their impact on business' performance and job creation. Most existing studies also find that low take-up rates can be due to misperceptions, and often dismiss factors like inspiration, motivation or implementation.

CE is an innovative approach that reduces costs to convey knowledge on tools and business practices to entrepreneurs using an electronic

platform. Ultimately if the intervention approach displays its value in terms of firm survival, job creation, income and firm productivity, this kind of instrument can become an effective policy that can be easily replicated in other countries or scaled-up to a national level. One policy implication would be that provision of information about the benefits of improved businesses practices can be a powerful tool to increase adoption of good practices and improve firms' performance.

## Context

Budgetary constraints and economic crisis in Brazil, make it paramount for SEBRAE to find innovative and cost-effective instruments to assist small businesses in improving their performance. For the past 44 years, SEBRAE has offered face-to-face consulting services which vary from diagnosis and assessments to technological consulting services that may last for a few months. However, operating these services can be





costly and thus limit the number of firms it can serve. SEBRAE designed CE with the purpose of spreading basic information on good business practices and expanding the number of beneficiaries for a lower cost.

## Intervention

The team designed an intervention that, in addition to lack of knowledge, examines two other potential constraints to adopting better business practices: incorrect expectations about the benefits of improved management practices and lack of motivation. The intervention applies a questionnaire among firms registered in the electronic platform to measure their expectations on adopting good business practices and the categorization of the main managerial constraints. Firms are then allocated randomly to one of four experimental groups. The control group will receive only “placebo” information related to innovation, while the other three groups will receive one of the following interventions: (i) information on the benefits of good business practices; (ii) technical content related to business practices and (iii) both interventions.

## Evaluation Methodology

To understand which of the three interventions leads to the greatest improvement in business outcomes, the research team conducts a randomized controlled trial. First a questionnaire on managerial practices is applied to all companies registered in SEBRAE’s database (100,000 firms) from which 20,000 are expected to return the responses. Firms are randomly allocated to three different treatment groups and a control group of 5,000 firms each, and then receive one of the above mentioned interventions.

The research team evaluates the impact of the interventions on four variables related to firms’ performance: survival rate, employees, sales and

productivity. The set of secondary outcomes to measure are the take-up rate and the adopted business practices. Once it is completed, the design will allow to measure whether simply providing information about returns to business practices is enough to make firms change these practices and to have them obtain the information through their own ways.

## Results

The results of the study aim to shed light on whether the impact of providing knowledge services online can be enhanced when combined with information about the benefits of shared management practices. On completion of the impact evaluation, the team will conduct policy briefs and dissemination events to relevant stakeholders in Brazil with the expectation of a similar electronic platform to be adopted at a national level. The large scale of the intervention suggests that the findings of this evaluation will very likely apply to thousands of other micro and small firms operating in same sectors across the country.

## Policy Lessons

*In Progress*

### Information Box

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**Country:** Brazil

**Theme:** Trade & Competitiveness

**Topics:** Adoption of good business practices, employment, sales, labor productivity, and survival rate.

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