

Boosting Businesses

A toolkit for using behavioural insights to support businesses



In partnership with



Cabinet Office



Before we begin, is this toolkit for you?

If you are trying to influence business or company behaviour, this toolkit is for you

Are you trying to...	For example...
Improve access to advice and information	<ul style="list-style-type: none">• Helplines and online support• Face-to-face advice
Encourage compliance	<ul style="list-style-type: none">• Getting businesses to pay taxes on time• Encouraging compliance with specific rules
Encourage businesses to invest in innovation	<ul style="list-style-type: none">• Take-up tax relief• Innovation grants and loans
Improve access to finance	<ul style="list-style-type: none">• Specialist credit to support businesses• Loans and grants for start-up businesses
Help businesses access new markets	<ul style="list-style-type: none">• Opening up government procurement• Export support
Improve investment in skills	<ul style="list-style-type: none">• Incentives to invest in training and skills



Introduction

A Chamber of Commerce encouraging the take-up of business advice. A council ensuring local restaurants comply with by-laws. A civil servant convincing businesses to participate in a trade mission. A member of a national tax administration prompting firms to file their accounts online.

In all of these examples, people are trying to influence the behaviour of organisations.

In this toolkit, we suggest ways behavioural insights can maximise the impact of activities that support businesses. We present tools to support business policymakers (and policydoers) find behavioural insight solutions in their work. Using evidence, case studies and our EAST framework (make it easy, attractive, social and timely) we show that behavioural insights must be a vital part of business policy.

This toolkit covers:

- 1. How businesses can behave in surprising ways;**
- 2. EAST: tools and case studies for applying behavioural insights to business policy; and**
- 3. Further resources to help you apply behavioural insights.**

We hope it is of use to people supporting businesses and helps maximise the impact of your work.

If you have any questions or would like to discuss aspects of this toolkit please contact us at info@bi.team.

Wait, what are behavioural insights?

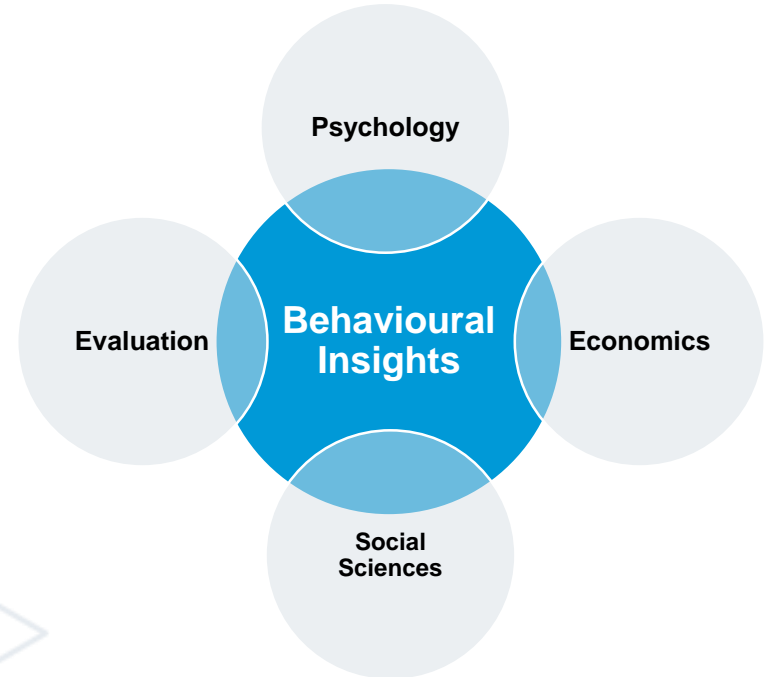
The term behavioural insights was coined when the Behavioural Insights Team was created in 2010. It draws on lessons from psychology and the social sciences on human cognition and decision-making.

The result is a common language and set of tools that allow us to **build a deep understanding of the drivers of human behaviour.**

The context of decision-making is incredibly important, which is why behavioural insights projects put a strong focus on **observing behaviours in their given environment whenever possible.**

Methods for understanding whether a behavioural insights solution *works* often take the form of **randomised controlled trials (RCTs)** – where possible and practical. This methodology, widely used in medicine and increasingly common in policy settings, allows us to determine the impact of an intervention.

Behavioural insights draw on lessons from multiple disciplines





Behavioural insights can optimise traditional policy tools

Behavioural insights complement traditional tools, optimise their design and maximise the likelihood of creating impact

Behavioural Insights



Traditional Policy Tools



Information



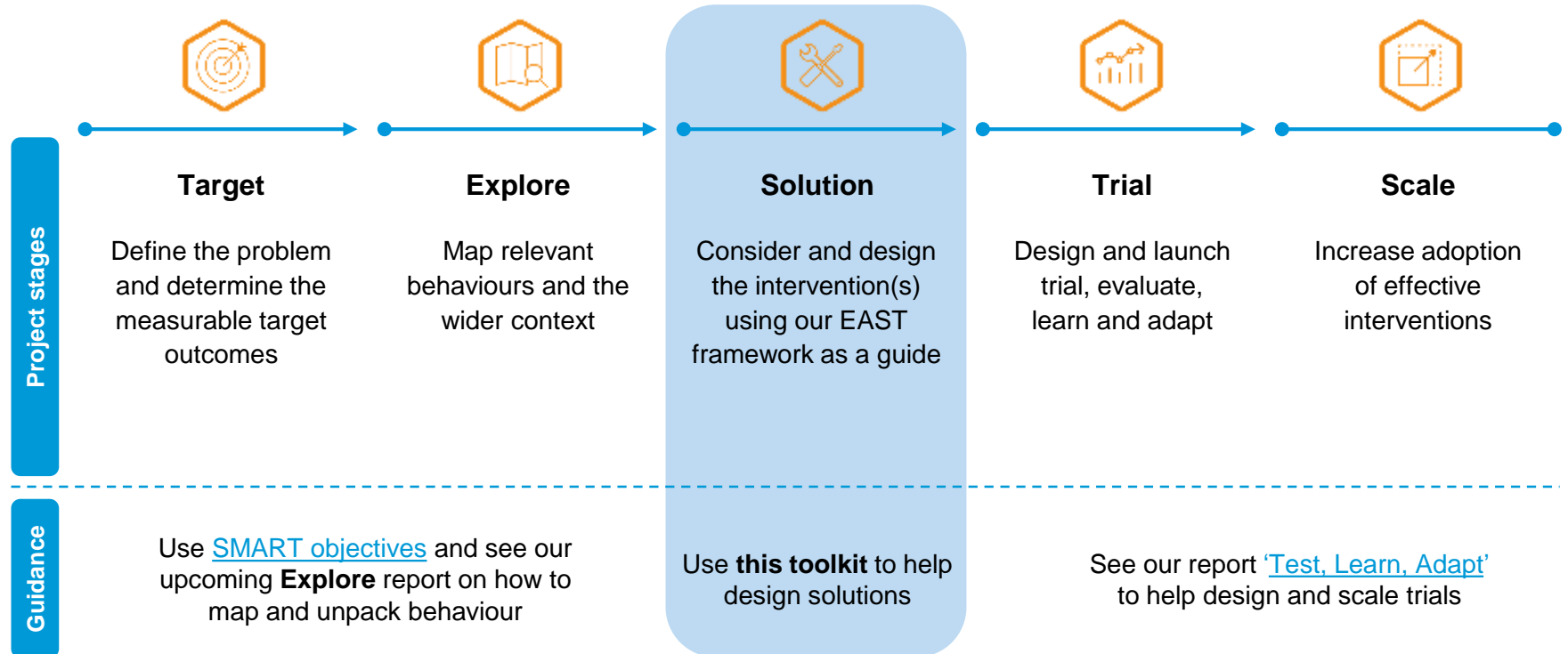
Incentives



Regulation



This toolkit helps in the 'Solution' phase of a behavioural insights project





1. Businesses can behave in surprising ways



Businesses don't always behave as theory would predict

The theory	The reality
Businesses always maximise profits	In a complex and uncertain world, it is often too difficult and time-consuming to assess the best strategy every time a business is faced with a choice. Often, businesses are satisfied with average rather than optimal profits, rely on rules of thumb rather than cost-benefit analysis and leave cost savings on the table. ¹
Businesses are primarily interested in profits	Around a third of small and medium sized enterprise (SME) owners think of growth in terms of improving their reputation, market share or employment rather than profits or turnover. ²
Businesses are well-informed about their performance and respond to competitive forces	79% of business managers believe that their firms are as productive or more productive than their peers, and business managers consistently overrate their abilities. ³

1. E. Frank Harrison, Monique A. Pelletier, (1997) "Managerial attitudes towards strategic decisions: maximizing versus satisficing outcomes", Management Decision, Vol. 35 Issue: 5, pp.358-364; Busenitz, Lowell W., and Jay B. Barney. "Differences between entrepreneurs and managers in large organizations: Biases and heuristics in strategic decision-making." Journal of business venturing 12.1 (1997): 9-30; Tazhitdinova, A. (2016). Income shifting and the cost of incorporation. Available at SSRN 2902834.

2. Department for Business, Energy & Industrial Strategy (2016) Business Growth Ambitions amongst SME leaders - changes over time and links to growth.

3. Be the Business (2018) Putting what works to work; Sadun, R., Bloom, N., & Reenen, J. V. (2017). Why Do we undervalue competent management?. Harvard Business Review, 120-127.

Case study: Existing beliefs matter when providing information to businesses

Background:

- Non-exporters tend to be more pessimistic about the costs and benefits of exporting compared to existing exporters
- An RCT tested the impact of sending firms information (in a brochure) about the benefits of exporting

Results:

- The brochure only had a positive effect on export sales for firms that were **already** exporting
- Non-exporters that received the brochure became more pessimistic about exporting and saw no significant change in export sales

Key takeaways:

- Existing beliefs – rather than facts or actual effort required – can impact how businesses perceive new information

17-page brochure sent to businesses



Case study: Future incentives may fail to affect business decisions

Background:

- In 2008, the UK Government introduced Entrepreneurs' Relief on capital gains tax to help entrepreneurs keep more of the proceeds of selling all or part of their business
- The policy aimed to make it more lucrative to start, invest in and grow a business

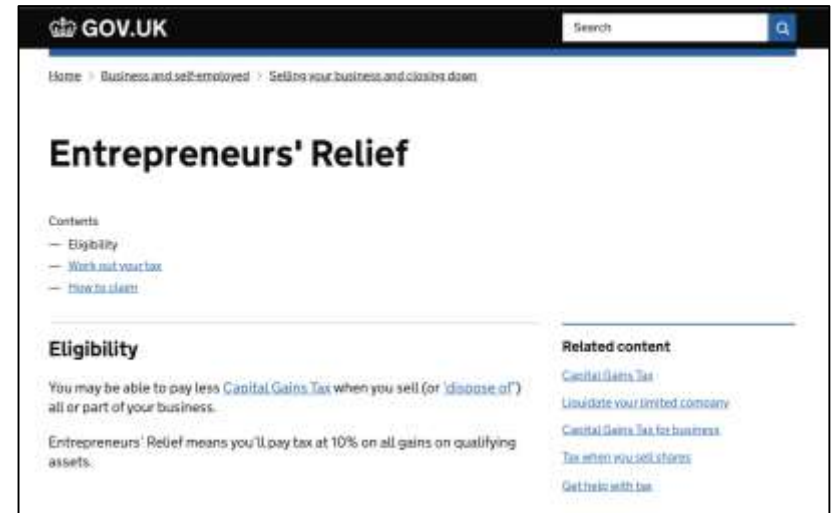
Results:

- The relief proved to be more expensive than expected but, according to surveys, rarely influenced entrepreneurs' actual business decisions. Many entrepreneurs only heard of the relief after deciding to sell
- The relief has since been reformed

Key takeaways:

- Tax benefits that lack salience or occur far in the future may not influence a major decision such as setting up a business

Government portal for Entrepreneurs' Relief



The screenshot shows the GOV.UK website page for 'Entrepreneurs' Relief'. The page title is 'Entrepreneurs' Relief'. The breadcrumb trail is 'Home > Business and self-employed > Selling your business and closing down'. The page content includes a 'Contents' section with links for 'Eligibility', 'Work out your tax', and 'How to claim'. There is an 'Eligibility' section with the text: 'You may be able to pay less Capital Gains Tax when you sell (or 'dispose of') all or part of your business. Entrepreneurs' Relief means you'll pay tax at 10% on all gains on qualifying assets.' To the right, there is a 'Related content' section with links for 'Capital Gains Tax', 'Liquidate your limited company', 'Capital Gains Tax for business', 'Tax when you sell shares', and 'Get help with tax'.

2. EAST: Tools for applying behavioural insights

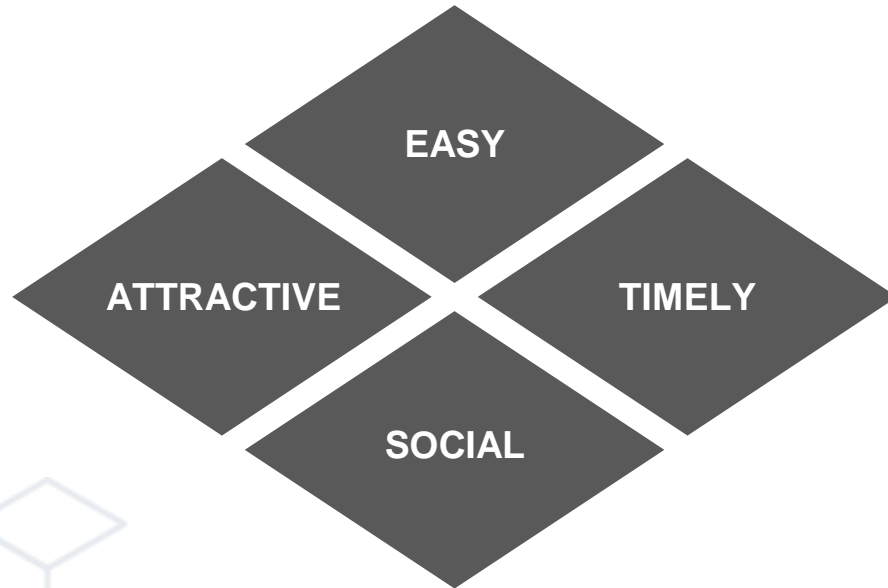


EAST: Our framework for applying behavioural insights

The following section includes practical ideas for how to apply behavioural insights to business policy.

The ideas are structured following BIT's EAST framework, which provides a simple and pragmatic structure for thinking about behaviour change based on our experience and the academic literature.

Remember, if you want to encourage a business to change behaviour, make it EAST.

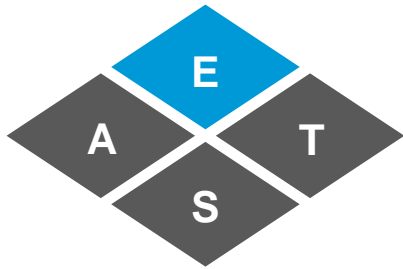


Make it Easy

Simplify the message

Provide clear next steps

Reduce friction costs

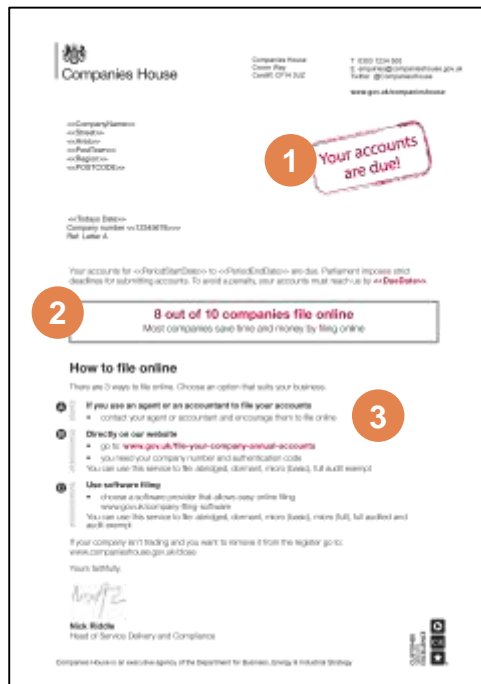


Simplify the message

Communicate simply and clearly to businesses

- **Remove jargon like *exporting*, *productivity* or *innovation*.** These words mean something for policymakers but may mean different things for businesses
- **Make information easy to understand.** Businesses have limited time – do your best not to add to their burden
- **Give a clear call to action.** Make sure businesses know exactly what you want them to do

Example of behaviourally informed letter



- 1 Clear call to action to file accounts
- 2 Behavioural message to encourage e-filing
- 3 Clear instructions for e-filing

Remove friction costs

Pre-fill your forms

Let's start by finding your company...

By pulling data from the Office of National Statistics and Companies House, we can compare your productivity levels with over 48,000 businesses across the UK.

Company name

BEHAVIOURAL INSIGHTS LTD 08567792 NICKY KERR, 4 Matthew Parker Street, London, England, SW1H 9NP
BEHAVIOURAL INSIGHTS TEAM SOLUTIONS LTD 10605272 20 Birch Green, Wickford, United Kingdom, SS12 9AD
BEHAVIOURAL INSIGHTS TRUSTEE COMPANY LTD 08866967 4 Matthew Parker Street, London, England, SW1H 9NP
BEHAVIOURAL INSIGHTS VENTURES LTD 09768791 4 Matthew Parker Street, London, England, SW1H 9NP

Use APIs and open data to pre-fill forms

The Step Challenge

What is the fewest number of steps (or clicks) you can create that still helps the business achieve your desired action?

1. Challenge your team to create the fewest number of steps (e.g. information requested, number of mouse clicks to fill in a form) possible for their form or process – even if this feels hard to do
2. With the revised form or process, consider whether any significant details were lost from using the step challenge
3. If not, keep your revised form as the final version



Case study: Simple and honest information can increase exporting

Background:

- In 2017, Turkey did not spend a large proportion of its budget set aside to help businesses break into new export markets
- Reasons included lack of awareness, offer complexity, and time and capacity constraints
- We partnered with the Ministry of Economy to test four new email messages: a **'simple'** message introducing the subsidies; an **'honest'** message that outlined the challenges of the application process and provided a step-by-step guide; an email from the **Minister**; and an email containing a peer endorsement

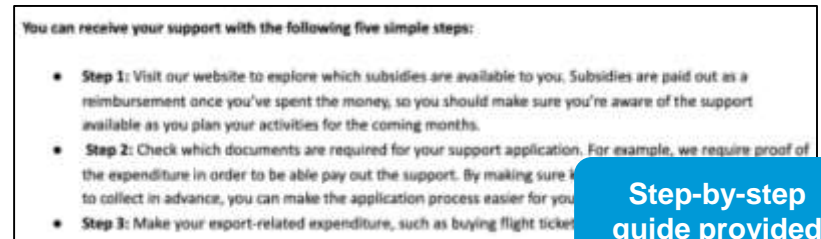
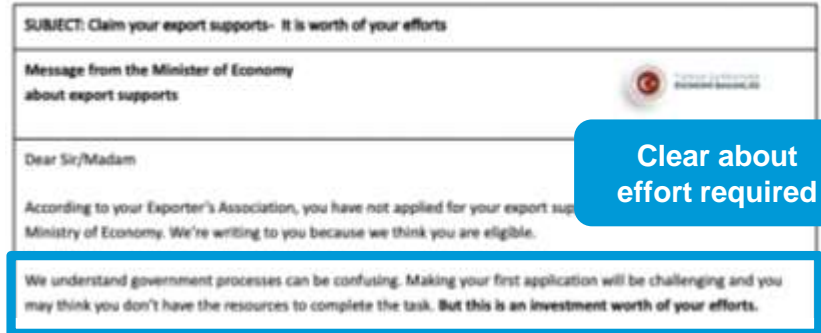
Results:

- The emails led to an 18% increase in the number of businesses who applied for the programme. The 'Honest' message was the most successful

Key takeaway:

- Acknowledging the difficulty of processes and providing step-by-step guidance can increase programme uptake

'Honest' email excerpts

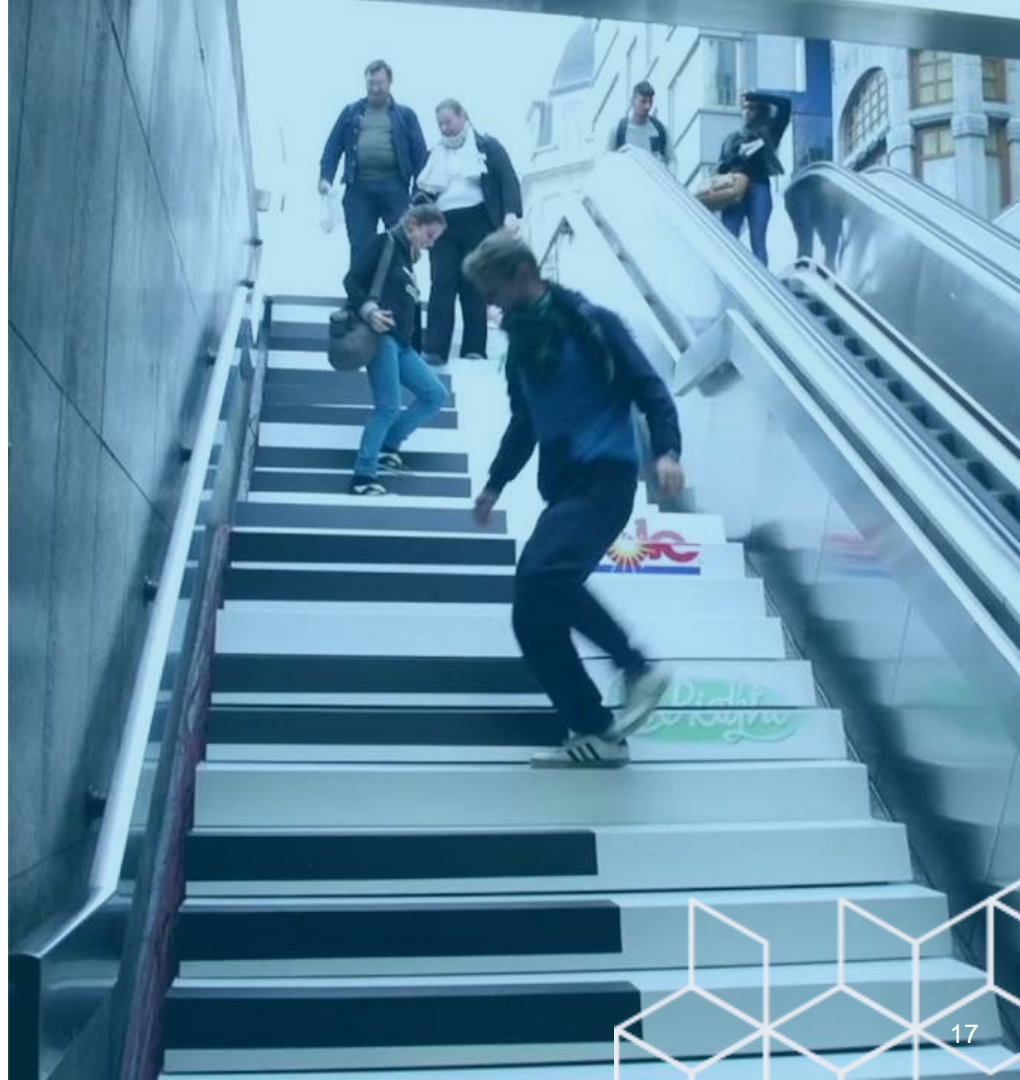
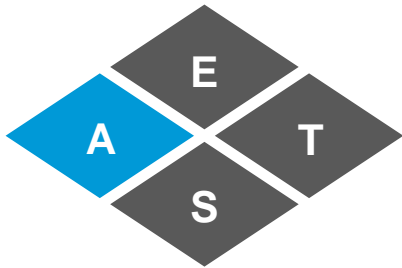


Make it Attractive

Show that your policy is relevant

Send to the decision maker

Sometimes, make it formal and official



Show how your policy is relevant and send to the decision maker



Show why your policy is relevant to the business

- **Make it clear that the business has been selected to receive the information** (rather than it being a generic message sent to everyone)
- **Use data to tailor the information you send to businesses.** Businesses are more likely to respond to a personalised message
- **Clearly signpost to additional information about any eligibility criteria.** Businesses may follow through if they know they are actually eligible
- **Target messages at the person responsible** whether the CEO, CFO or Head of HR. When you don't know, ask or request they pass it to the most relevant person

Example email: you have been chosen can attract attention

Hello Subscriber,

You have been chosen to receive information about Growth Vouchers as we think you may be eligible for this scheme.

Growth Vouchers cover half the cost of getting professional advice.

[Click here to apply.](#)

- Growth Vouchers is a government scheme to help business like yours get strategic business advice.
- Businesses can get a grant of up to £2,000 towards the cost of this advice.
- It will take you only a few minutes to register.
- These vouchers are only for businesses with fewer than 50 employees (FTE).

The vouchers can be used for strategic business advice in areas from finance and cash flow to management skills to even making the most of digital technology. [Click here to find out more and apply.](#)

Sometimes, make it formal and official

When your policy or support is....

- Unexpected
- Related to compliance
- A new and / or unfamiliar service

...consider taking a formal approach



Include your government letterhead



Use a formal tone



Test! Evidence is still emerging on the best times to use a formal approach

This is an **emerging** finding. Care is required in application (see our report for more information) and more testing needed

Case study: Sometimes, give it an official look and a formal tone

Background:

- BIT worked with the City of Albuquerque in the US to encourage local, minority-owned, and women-owned businesses to register with the cities procurement programme
- We tested two versions of the letter. One had an official look and a formal tone. The other used behavioural insights such as personalisation, a clear call to action and making it easy to understand next steps

Results

- In this case the official letter worked better – 21.9% more businesses who were sent the official letter self-certified

Key takeaways:

- An official look and a formal tone may be useful when communications are unexpected or recipients have concerns about its legitimacy
- Even if you're using an official tone for your communications still make sure the call to action is clear and easy

Successful official letter vs. behavioural approach

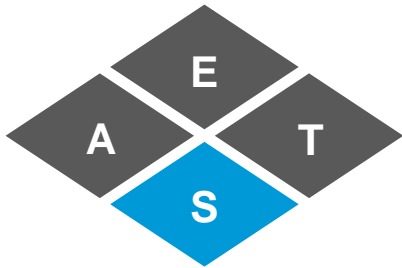


Make it Social

Show that other businesses are performing the desired behaviour

Find the right messenger

Leverage the power of personal and professional networks to enhance learning



Help businesses connect with each other

- **Draw attention to how other businesses are using your support or policy.** Businesses can be influenced by benchmarks of business performance.
- **Send your communications from a trusted messenger.** Businesses will trust some messengers more than others.
- **Connect businesses to share experiences and practices.** Connections are useful for learning but be careful not to match businesses in direct competition with each other.

“The majority of businesses file their accounts online”

“I am a business in your area, and I file my taxes online”

“Want to talk to another business about the software providers they’ve used to help them pay taxes online?”





Case study: Tell businesses what similar businesses are doing

Background:

- BIT helped the City of Denver, USA to get more firms to use its business tax portal
- To drive take-up, we tested two variants of a letter against the original. This included **loss aversion**, emphasising the time businesses lost when not filing online, and **social norms**, emphasising that the majority of their peers already had an online account.

Results:

- The 'social norm' letter was twice as effective as the original letter in encouraging businesses to register and 67% more effective in encouraging them to pay online

Key takeaway:

- Showing that other businesses are already performing the desired behaviour can encourage further take-up (and the more relevant the comparison, the better)

'Social norm' letter used in Denver

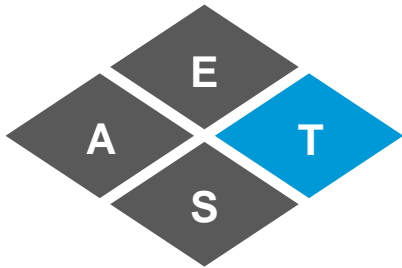


“The majority of businesses in Denver have an eBiz account to file their taxes online. Join this growing community of businesses saving time and effort.”

Make it Timely

Be timely and harness moments of change

Help businesses to follow through on their goals





Help businesses to follow through on their goals

Be timely and send reminders

- **Send communications when businesses are likely to be most receptive.** Avoid times when businesses may be busy and target moments – such as regulatory change – when they may be open to change.
- **Send reminders.** Don't expect that businesses will act on your first (or only) message.

Help businesses plan

Apply for the new Growth Voucher

Your business stood out to us, so we want to know when you're planning on applying

Email address

Your answer

Your name

Your answer

Tell us when you'll start your Growth Voucher application

Date

dd/mm/yyyy

Never submit passwords through Google Forms

Give people the option of setting a date to do an action and then follow-up with a reminder

Case study: Timely reminders help businesses pay taxes on time

Background:

- BIT collaborated with partners in Mexico to encourage formalised businesses to declare revenues on time and pay their taxes
- Businesses received one of three text messages before the tax deadline (the control group did not get a text): **'deterrence'** highlighted the fine for not declaring, **'easy'** provided a web link and phone number and **'reciprocity'** highlighted subsidies from the Government

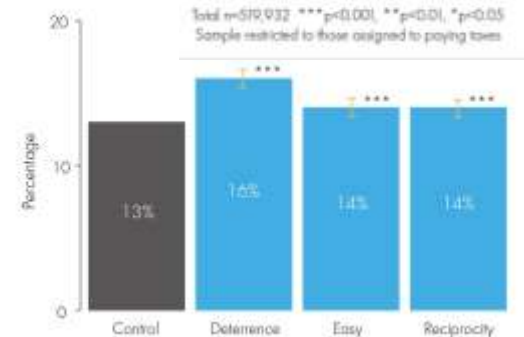
Results:

- All of the messages increased the number of timely payments. The messages cost 1.2 pesos and had a a 400% return on investment

Key takeaways:

- Timely reminders are a simple and often inexpensive tool that policymakers can use to prompt businesses

Messages and their effect on payment rates



Summary: Checklist for using behavioural insights in business policy



Make it...	Behavioural insight	Actions to consider ¹
Easy	Simplify the message	<ul style="list-style-type: none"> Remove jargon (like exporting, productivity or innovation) Make information easy to digest
	Provide clear next steps	<ul style="list-style-type: none"> Give a clear call to action
	Reduce friction costs	<ul style="list-style-type: none"> Pre-fill forms Create a 'step challenge' to reduce processes (see slide 15 for details)
Attractive	Show that your policy is relevant	<ul style="list-style-type: none"> Make it clear that the business has been selected to receive the information Use data to tailor the information you send to businesses Clearly signpost to additional information about any eligibility criteria
	Send to the decision maker	<ul style="list-style-type: none"> Contact the person who is responsible for the action you want them to take. If you don't know, ask
	Sometimes, make it official and formal	<ul style="list-style-type: none"> Sometimes, use a government letterhead and a formal tone (see slide 19 for details)
Social	Show that other businesses are performing the desired behaviour	<ul style="list-style-type: none"> Draw attention to how other businesses are using your support or policy
	Find the right messenger	<ul style="list-style-type: none"> Send your communications from a trusted messenger
	Leverage the power of personal and professional networks	<ul style="list-style-type: none"> Connect businesses with each other to share information
Timely	Be timely and harness moments of change	<ul style="list-style-type: none"> Send communications when businesses are likely to be most receptive Send reminders (and follow-up)
	Help businesses follow through on goals	<ul style="list-style-type: none"> Give people the option of setting a date to do an action and follow up with a reminder

1. An initial list only. We suggest teams use behavioural insights and the EAST framework to create new actions as well

3. Other resources for using behavioural sciences in your work

Want to know more?



[Read our report](#)



[Read others' reports on
applying behavioural
insights to business policy](#)



[Get in contact –
info@bi.team](mailto:info@bi.team)

Conclusion

Conclusion



In this toolkit we explored how our EAST framework can help design better business support.

We hope it provides practical guidance for developing behaviourally-informed solutions for people in the businesses of influencing business. We note it should be a starting point, rather than an end. Policymakers (and policydoers) should identify (and test) solutions they think apply to their own unique context and environment.

In our full report (available [here](#)), we discuss more ambitious approaches to business policy such as market reform, the diffusion of innovation and the use of behavioural insights in mainstream economic policy.

We look forward to hearing from you about how you are applying behavioural insights to business policy.

Thank you for your interest in this toolkit. If you have any stories, insights, trials or would like to discuss our findings in more detail – please get in contact – info@bi.team