

DG ENTR – Mission Report Form



EUROPEAN COMMISSION
ENTERPRISE AND INDUSTRY DIRECTORATE-GENERAL

Promotion of SMEs' competitiveness
SME Policy Development and Crafts

Summary of the meeting with SME stakeholders on the UK's implementation in 2010 of the Small Business Act for Europe (SBA)

European Commission Representation, London, 10 February 2011

The DG Enterprise and Industry SME stakeholder meeting on SBA implementation in the UK took place on 10 February 2011 (2-4pm) at the Commission Representation in London.

The Commission services were represented by myself and Jan Krauss (Commission Representation in London).

SMEs were represented by the following organisations: Confederation of British Industry (CBI) Enterprise and Innovation Group, British Chambers of Commerce (BCC), Federation of Small Businesses (FSB), British Association of Women Entrepreneurs.

Representatives from the Institute of Family Business, Institute of Directors and the Forum of Private Business (FPB) were unable to attend, but the latter sent a number of relevant written position papers.

The UK contact for Ecorys, the contractor preparing the SBA fact-sheets this year, also attended.

The participant list for the meetings is attached, as well as the discussion questions which structured the debate.

The following issues were covered and points made by participants.

SBA IMPLEMENTATION/OVERALL STRATEGY

SME representatives in general report that the impression is that the new UK government either does not know or cares much about SBA. There appears to be a lack of political commitment, and some complacency that "the UK is doing OK anyway".

It was felt that there was no overarching strategy re access to finance and business support throughout the lifecycle of a business (too much focus on start-ups); a roadmap for business was needed.

CHANGES IN BUSINESS SUPPORT STRUCTURES

DG ENTR – Mission Report Form

With the demise of RDAs, there was the general feeling that although the RDAs had not all been effective, their abolition had resulted in too much change for the business community and in particular risked loss of business intelligence, data, regional knowledge and specialisation. Concerning their replacements, LEPs, it was still unclear when they would be operational. The "bottom up approach" appeared to lack an overall strategy, with little clarity concerning geographical gaps or overlaps. Severe lack of certainty for the business community as to how funding would be delivered and how LEPs would ensure the right mix of skills, expertise and representation.

ACCESS TO FINANCE

There was still a fundamental breakdown in the relationship between banks and businesses business (tick-box criteria for credit, not relationship banking) – with the criticism that bank managers don't understand how businesses work & don't understand what they're selling. While there was a genuine decline in demand for credit in the UK, there was also discouraged demand through higher costs, requirements, terms – this was not being taken into account in the statistics. In general, access to finance was still the key issue for SMEs in the UK.

The "Project Merlin" deal announced between the government and leading high-street banks the previous day was received in a very subdued manner, with doubts as to the difference it would make.

Enterprise Finance Guarantee (EFG) scheme "of some use" though needs development/extension. However, "banks don't understand it" so often mis-sold.

Business organisations admitted that business also needs better business plans, mentors, support, training as well as better trained bank staff, who would understand.

EIB funding "does not seem to be getting through" – participants queried who monitors it and who could establish where the blockages are.

There appears to be a gap for funding innovation/R&D-intensive companies ("not profitable enough" for standard bank credit if they reinvest in R&D). FP7 "too research-oriented": funding gap for technical development & innovation.

Innovation vouchers for SMEs were previously delivered via the RDAs; uncertainty as to what would happen now and whether the Technology Strategy Board would take over responsibility for innovation for/in SMEs or not.

It was pointed out that supply chain finance is crucial for businesses – SMEs are part of a network involving companies of all sizes.

ACCESS TO MARKETS/HELP FOR INTERNATIONALISATION

A BCC survey of 8000 companies found that many "don't have a suitable product" for export or don't even realise they export (e.g. selling on a website to overseas

DG ENTR – Mission Report Form

customer). While all companies are “born global” as soon as they have a website, many do not use this in a proactive manner.

The trade finance package announced in Feb 2011 in connection with the White Paper on trade was “better than nothing”, but not seen as enough. The government was said to have a more restrictive interpretation of what was permitted under EU State Aid rules than other Member States, to the detriment of businesses.

UKTI was criticised on several points: it was praised for its business intelligence & offer for manufacturers, but criticised for a gap in understanding & offer (e.g. lack of understanding how new technologies can affect business size, nothing to IT companies. UKTI had had its budget slashed, so many services being cut (e.g. trade missions which were very useful for manufacturers) and prices will rise.

In general, too few businesses had heard of UKTI. In general, lack of joined-up thinking/action between different agencies (UKTI, Enterprise Europe Network, now defunct BusinessLink & RDAs). French system of “joined up agencies” & existence of OSEO for access to finance praised.

Re public procurement, Supply2gov is not seen as the solution for SMEs – e.g. the search function doesn’t match small businesses’ needs for contracts. PP for innovative companies “hardly works” – often brand names are mentioned in specifications. SPRI, however, was praised, and more outcome-based tenders requested.

THINK SMALL FIRST PRINCIPLE

BCC claims that in 2009 only 14% of IAs in the UK included quantified effects on SMEs; 2010 figures not yet published but were judged unlikely to be much better. While this is good compared to other MS, this is not considered good enough by the business community. Nevertheless, the quality of IAs has been improving.

The SME Test/TSF is not seen to be a government priority, since they are focusing on “one in one out” and on avoiding “gold plating”. Business organisations pointed out that administrations do not yet know how to implement either of these policies in practice. In addition, there is the opinion that admin burden reduction is no longer necessary since previous targets have been reached.

Following the change in government, there have been the abolition of some bodies in relation to better regulation/TSF and the creation of new ones, but it is still not clear who does what yet & what will be delivered (“lots of talk, not much action”). In particular, after the departure of “enterprise Czar” Lord Young, it is unclear who will follow-up his many tasks in the area of cutting red tape.

There had been no stakeholder meetings since June 2010. In general all participants agreed that businesses feel that new policies (including taxes) introduced by the new government have hit them very hard, that they are powerless to influence policy/legislation, that there is still too much paperwork, and that it is especially

DG ENTR – Mission Report Form

difficult to recruit new staff. This is supported by the Institute of Directors' "regulation reckoner" published Feb 2011¹.

PROMOTING ENTREPRENEURSHIP

Particularly in the area of promoting women's entrepreneurship, there is a need for evaluation and better focus – lots of initiatives have finished or run out of money but here is no information on what their impact has been (success rates, drivers for start-ups: entrepreneurship or lifestyle decision etc). Women entrepreneurs need a better skills base, peer-to-peer support, business intelligence, and to get beyond microcredit and lifestyle companies. It was stressed that when talking about women's entrepreneurship, the language of disadvantage ("barriers", "problems") should not be reinforced.

PRIORITIES FOR THE FUTURE

There is a need for a clear business communication strategy: what exactly is the "big society" in this context?

Better information provision for accessing new markets (PP, exporters).

Actually implement the 3 SBA priorities, with access to finance as the top one.

Broadband access for the whole country: a key issue for many small businesses in rural areas, particularly with the move to e-government (e-invoicing, e-VAT, online information services) and on-line sales; criticism of the lack of government plan for ensuring more complete coverage.

Signature

(signed)
Alison Imrie
28/02/2011

¹ http://www.iod.com/mainwebsite/resources/document/regulation_reckoner_2011.pdf

DG ENTR – Mission Report Form

Annex

DISCUSSION QUESTIONS FOR SME STAKEHOLDER MEETING

1. How do you assess the UK government's overall performance and progress in implementing the SBA over the past year, and particularly since the formation of the coalition government? Has a general strategy to implement the SBA been adopted, and if so, how is it being implemented?

2. How have the priorities of the SBA Action Plan (decided by the Member States in December 2008 for implementation in 2009-2010, focussing on the three priorities Access to Finance, Access to Markets and Think Small First) been reflected in the UK's national implementation? How has progress in 2010 compared with that of previous years?

2 a) In the area of Access to Finance, have any new financing programmes for SMEs been introduced or existing ones adapted in 2010? Have any other means been used to facilitate bank lending to SMEs? Do the available measures address the needs of SMEs?

2 b) In the area of Access to Markets, what do you consider to be the main bottlenecks/barriers for accessing external markets for UK SMEs? What services are provided for SMEs in this context (e.g. training, trade missions, information on rules and regulation, identifying potential business partners, matchmaking events, IPR, business advice etc...)? Are these services appropriate and how successful are they?

2 c) In the area of Think Small First, how is the SME Test, as defined in the SBA, working at the national level? Are there any differences within the Devolved Administrations? Do you feel that you have the opportunity to influence regulatory proposals? Do the procedures in place for the SME Test and/or SME consultations adequately address all the potential impacts of new legislation on SMEs? If not, what can be further improved?

3. Which areas of SBA implementation underwent the most significant changes in 2010? In particular, how is the abolition of the RDAs and creation of Local Enterprise Partnerships impacting on business support to SMEs?

4. Are there any areas of SBA implementation where, in your opinion, little – or no – progress was made in 2010? How is this impacting on SMEs?

5. In the area of promoting entrepreneurship, have any specific measures for the promotion of women entrepreneurs been developed and how effective have they been?

6. Where, in your opinion, should the emphasis of SBA implementation measures in 2011, and beyond, lie?

DG ENTR – Mission Report Form