

FEDERATION OF SMALL BUSINESSES
PRESS AND PARLIAMENTARY OFFICE
POLICY UNIT

2 CATHERINE PLACE
WESTMINSTER
LONDON SW1E 6HF

TELEPHONE 020 7592 8100 FACSIMILE 020 7233 7890
E-MAIL london.policy@fsb.org.uk WEBSITE <http://www.fsb.org.uk>



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Dear Sir/Madam,

SIMPLIFYING BUSINESS SUPPORT: A CONSULTATION

The Federation of Small Businesses (FSB) welcomes the opportunity to respond to the above named document.

The FSB is the UK's leading non-party political lobbying group of UK small businesses, existing to promote and protect the interests of all who own and manage their own businesses. With over 205,000 members, the FSB is also the largest organisation representing small and medium sized businesses in the UK.

The FSB is concerned by over simplification as this will lead to 'one size fits all' products. It is vital for the new Business Link portal to provide:

- Products which cater for the needs of small businesses.
- Business advisors to diagnose the initial needs of the small business quickly and effectively.

The FSB wants to discourage Government interference in small businesses. We support the Information, Diagnostics and Brokerage (IDB) model which Business Links currently use. The Brokerage should suggest the services that will support the needs of the business. This must include private sector provision.

The Government should only fund the provision of business support where there is no private sector provision available and when it relates to Government policy. For example, small businesses should receive a financial contribution for providing employees with basic skills training which should have been obtained whilst in school.

We would welcome a reduction in administrative costs and more funding being channelled to the delivery of business support. We would like to see a commitment from HM Treasury that in this years Comprehensive Spending Review, and subsequent Reviews, the budget for Business Support is not reduced.

The following responses to set questions are based on

- i) discussions with FSB regions across England
- ii) results from a survey of 2,700 FSB members

Q1 Do you think the business support outlined in Figure 2 and at Annex A adequately covers the key needs of business and helps achieve public policy aims outlined in this document?

The FSB feels that:

- 'Staff Management and Leadership' should be included within the 'Management, Recruitment, People Development' theme
- 'Developing Markets in the UK' should be included within the 'Sales and Marketing development' theme.
- there is no mention of franchising within the business support products and in particular 'Advice on buying a franchise' is not located within the 'Starting-up' theme.
- specific support to develop web-trading expertise would support both intra-UK growth and expansion abroad

Q2 Where do you see duplication in publicly-funded business support?

The FSB do not see duplication in delivery. We are keen to see that the services outlined under Business Themes (in Fig.2) are all delivered as a single service.

Q3 Where do you feel support is adequately provided by the private sector, thereby reducing the need for public sector support?

Government provision should only be available when there is inadequate provision in the private sector. The list of products in the consultation document should not be the final list provided by business brokers. A good business diagnostic should suggest solutions which are suitable to the needs of the business, whether public or private solutions.

In a recent business support survey of 2700 FSB members¹, the accountant, bank manager and internet were recognised as the most frequently used modes of business support amongst small businesses.

The accountant was significantly the most popular provider of business support. 62% of businesses, who responded to the survey, use their accountants. 78% of businesses were satisfied with the business support service of their accountant. Only 7% were dissatisfied.

There is also a significant reliance on the bank for business advice. In our survey, 51% used the bank. However, the level of satisfaction with the bank as a private source of business support is not as high as the accountant with 43% satisfied and 30% dissatisfied.

37% of businesses said that they have used the internet for business support purposes in the past three years. Interestingly, 77% were either satisfied or very satisfied with the service and less than a half percent (0.5%) of businesses were dissatisfied or very dissatisfied (the remaining 22.5% remaining neutral). The internet is a successful medium for public and private sector support.

Q4 What publicly-funded business support do you regard as being of the highest priority?

IDB is the key element for small businesses. Publicly-funded business support should be available to cover i) gaps in provision or ii) meeting Government policies. The Government should consider providing Grants to smaller businesses that have the greatest difficulty in funding support. Consideration should be given to providing limited Grants based on size and financial assessment.

Business start-up advice has to be free at the point of delivery. The greatest business support priorities for start-up businesses are financial matters and marketing. According to our survey, the areas in which support is most needed are: marketing support (34%) raising money (34%), keeping financial records (29%) and taxation (25%).

The results differ slightly when answering which support is most needed to keep the business profitable: Keeping financial records (19%), financial projections (11%), and taxation (17%). The shift is

¹ Business Support Survey, May 2007 –

towards greater levels of marketing (36%) and Sales support (25%).

Q5 Do the business support themes make it easier for you to know what publicly-funded support is available to meet the needs of your business? Are they the right themes?

The FSB questions whether the 'themes' make it easier to understand what is available for small businesses. Most small firms do not think in terms of themes. They have a specific problem or development need and want to know how to get help for it.

There is a danger of putting aspects of the business into separate themed areas, when everything needs to be considered holistically. For example, a company looking to grow, could successfully increase their sales turnover and profits, but as a result get into severe financial difficulties if they had not accurately calculated, and made provision for, the increased working capital requirements.

If the point of access is through IDB then the right solutions will be identified for the business, whether through publicly-funded support or not.

Q6 To what extent will reducing the amount of branded business support make it easier to know what is available to meet the needs of your business?

The FSB feel that a reduction will make it clearer for business to access support. However, this must be matched by the ability of independent brokers (within Business Link) to provide honest brokerage, with a full business needs assessment, at the point of contact.

Q7 How can the delivery of business support be better arranged to minimise customer confusion and achieve economies of scale?

An effective IDB model should provide appropriate solutions which will limit the number of business support options offered through the brokerage service. The brokerage provided, where appropriate, must include at least one private and one public option of provision.

It is crucial for Business Link that the diagnostic service be staffed by business people with a business background in the area for

which they are providing business solutions. This will further enhance the reputation of Business Link and ensure that the advice being given is honest and business focused.

Q8 How can Business Link be further developed to meet business and government needs consistent with this policy?

From our survey, the majority of businesses opted for having an independently tailored service to meet the needs of the small business sector and so it is vital that business brokers have some history of working in a small business.

- 53% responded that there is a need to remove the existing bias towards big business from all services.
- 47% said that all information, advice and guidance services should be free of commercial influence.
- 40% want to ensure that Business Link is completely independent of both Government and commercial influence.

Business Link must only provide the Information and Diagnostic parts and maintain a list of providers for the Brokerage. It should also facilitate start-up support but not necessary deliver the service.

Section 4.3 of the consultation says:

"Business link will work proactively with partners to ensure it reaches a wider range of audiences including women entrepreneurs, black and ethnic minority businesses and social enterprises"

The FSB encourages the list to include i) the over-50 age bracket, ii) rural-based businesses, and iii) businesses run by disabled people.

Q9 How can business support services make best use of Business Link as the primary access channel for business?

To make the brokerage system successful, the services must be accessible to all types of service provision. Businesses should be able to register online provide feedback on the quality of provision to enable other businesses to judge which service to use based on their peers' opinions.

Business Link should be marketed in a similar fashion to the way the Learning & Skills Council (LSC) is now marketing Train to Gain. A slow release of national TV/radio/internet campaigns will attract

the widest audience and raise the awareness of business support services. The LSC staggered the release of campaigns aimed at employees and employers respectively. The Business Link campaign should target different sectors over a period of time i.e. small businesses, women, ethnic minorities etc.

Q10 Do you agree with the proposed strategic oversight of business support?

The FSB supports the proposed strategic oversight of business support, particularly the day to day operational management arrangements at sub-national level as it is vital that services which are underperforming are removed without hesitation. Failure to remove poor performing services could result in many businesses receiving potentially damaging advice.

Q11 Is there another option that you think we should consider and how would you justify it?

The FSB supports the proposed management of business support and would encourage the adoption of national, regional and local Champions of business support to ensure the services are responsive to regional and local needs.

Q12 If you have experience of using publicly-funded business support, what were the costs to you of finding out what was available to meet your needs?

Time spent accessing business support is a major opportunity cost for small businesses. From our survey, 24% of businesses cited time constraints as the biggest barrier to accessing publicly-funded business support. Small businesses do not have the time to sift through the mass of business support offers. Likewise, they do not have time to sit with inexperienced brokers who have a lack of understanding of what it takes to run a business.

In the past, only features of services have been promoted by Government and not the benefits of the services to small businesses. The system has made it extremely hard for business owners to identify the right services to use.

Q13 How much do you think our proposals could reduce your costs in looking for and understanding publicly-funded business support?

60% of businesses said that they would access Government funded business support in the first instance if they could be guaranteed free or low cost initial business assessments.

The FSB feel costs will be reduced, however, we are skeptical of the ability of a central "Portal" to handle a high surge of interest. We urge the Government to produce a post-implementation assessment, with a Small Firms Impact Test, as to whether the demand is being met.

Q14 How far do you agree with our initial estimates of the benefits and costs of simplifying publicly-funded business support?

The FSB is unsure as to the source of these figures and is therefore uncertain as to the validity.

A reduction in administrative costs should make it possible to direct funds to the delivery end of business support. The businesses who gain business support will be more productive and make a greater contribution to the overall UK economy.

Q15 Are there other benefits or costs to the proposals? For example, what other costs and benefits are there for the private sector, the third sector and for public, private and third sector providers of business support?

The FSB is keen to concentrate on advising Government on current measures using recent data.

Q16 How far will our proposals make it simpler for business to know what publicly-funded business support is available and how to access it?

The FSB believes that with a smaller portfolio of services businesses will encounter less confusion. In our survey, 36% of businesses were unaware of Government funded business support and 20% were confused over the service provision on offer.

We trust that you will find our comments helpful and that they may be taken into consideration. The FSB is willing for this submission to be placed in the public domain.

Yours sincerely,

Matthew Jaffa
Policy Development Officer