



# **SW FSB Business Support Policy**





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**This policy has been developed through an extensive serious of discussions, at Branch, Region and Area levels.**

Government Business Support polices stem from the need to ensure a healthy and growing small business economy. Such interventions have a long history, going back to the original 'Enterprise Allowance' programme. The FSB's consideration of the matter has been prompted by the transfer of Business Link to the RDA.

Business support covers several areas of activity, correcting market failure, improving access to services as well as business advice: this last attempts to replicate that advice/support available to the most successful new businesses, ie those coming from a small business background.

This policy cannot cover all types of business support as these are known by different names in different places and the range is changing the whole time. Rather, this document will set out the principles which we consider should govern business support, illustrated with examples of good and bad practice.

### **Know your market**

A basic lesson of business is to know the market the business is in. Without that knowledge the business will fail. Yet all too often public bodies spend large sums of tax payers' money on schemes which are irrelevant, inaccessible or unsuitable for the small businesses they are supposed to help. It will come as no surprise that these schemes have a low take up level. However, what is depressing is that the public funding body then goes on to blame the small business for not getting involved in the scheme or programme. When a firm fails because nobody buys their product, we rightly blame the business. As a first principle, the FSB requires public bodies providing business support to recognise and accept that scheme failure is the fault of the public body, not of their customers.

Good schemes, well planned, researched, costed and priced can and are successful. FSB members are well aware of this. Providing valued business to business goods and services are how many of them make their living.

An example of bad practice comes from the area of training. A member was running a very successful training programme. The local college wanted to bring it within their sphere of activity so asked him if he would be willing. He said he would consider it. The college wanted him to offer the same programme over a longer period at a different time of day. He warned them there would be no takers. They said they had to do it that way. They tried it and no takers.

### **'Respect' small businesses**

The attitude of public authorities to small businesses is remarkably schizophrenic. On the one hand Government has an agenda driving enterprise and innovation and initiative. On the other we have public sector staff sneering at small businesses on account of their size and assuming that we are Arthur Daley, Del boy and Open all Hours. On the one hand we have the Office of Government Commerce urging public bodies to include small businesses in their procurement processes. On the other hand we have the Audit Commission marking down those public bodies that so do!

This schizophrenia is damaging valuable government initiatives and we are all the losers as a result. As with many other forms of prejudice, it arises from ignorance and the only way to deal with ignorance is education.



In the SW, we already have a programme of small business visits for senior DTI Civil Servants. The FSB would like to see this extended to other public bodies such as schools, councils and other Government Departments.

However, educating people out of their prejudices takes time. While this process is being pursued, the FSB would therefore like to see constructive and productive engagement with small businesses given positive weight in benchmarking and assessment programmes. We would also like to see, and will assist with the provision and use of case studies to demonstrate the benefits to be gained in the process.

A classic example is the Government's 'Enterprise Agenda' for Schools. Some members proactively contacted their local school to offer assistance. We understand they met either with a total lack of comprehension or outright hostility. Yet the Sector Skills Councils recently hosted an event in Taunton at Heathfield Community School where we heard about how they welcomed, managed and made use of absolutely excellent links with local small businesses. A wonderful example of how good preparation, a system to manage the process through from initial contact to a variety of activities and a recognition on both sides of the value of the relationship really makes a difference.

The other form of prejudice experienced by small businesses is the attitude towards certain types of business. 'Lifestyle' and 'seasonal' are often used in a pejorative way. Yet the owners of such enterprises are providing goods or services that are demanded, they provide employment, they keep themselves without recourse to the public purse and they pay taxes. The businesses owners are also putting everything they own at risk, unlike the salaried employees doing the sneering.

In the case of so called 'Lifestyle' businesses, Government needs to accept the fact that not everyone all the time wants to run a go getting enterprise. They must accept and RESPECT that choice by the business owner.

In the case of 'seasonal' businesses, there is often little they can do on their own to operate all year round. Rather they need to work with other similar businesses and other providers of local facilities to extend the season and develop new markets. Thankfully this now seems to be happening.

### **Targeting and exclusion**

The FSB recognises that tax payers' money must be used efficiently and that an element of targeting is required. However, it is often the case that the form of targeting is in effect a form of exclusion and long term, works against the underlying objective of the whole programme.

An excellent example is Business Links when they were first established. Their target market was businesses with 10 or more staff. This was not clear, as the service was marketed generally. We suspect that Government did not realise the numbers of smaller businesses in existence. When a small business sought help, they were turned away. And like any other consumer who has had a bad experience, small businesses have long memories and they talk! Only recently has Business Links been able to finally leave its 'anti small business' image behind.

Yet we seem about to make the same mistake again. Nationally there is a call for Business Link and other business support resources to be put behind high growth businesses. Why? Strong growth businesses have already proven they know what they want and how to get there. Business Support should surely be aimed at raising other businesses to the same level.

The FSB would be very interested to see the evidence supporting this focus on 'high growth' businesses, as we have grave concerns which continue unanswered.



There are strong feelings amongst smaller businesses that the public sector deliberately seeks to engage with strong growth businesses in order to be seen to be “associated with success”.

Viewed dispassionately, the very fact they are high growth leaves them vulnerable to overtrading. Consequently they are finance hungry. At the slightest hint of a problem, the financing bank is almost bound to pull the plug. This hunger for finance leaves them open to a take over. Where they are equity financed, their speed of growth both enables and ensures the equity partner an early profitable exit, but at what cost to the core business? And how soon do they leave the area as a result?

Considering other business issues, how likely are they to train? Or do they get the trained staff they want by paying over the odds?

We suspect they will be very focussed on their business in order to drive it forward. In which case they are not likely to be putting very much back into the local community.

So, far from assisting the local economy, such businesses may be viewed as parasites feeding off the local business environment.

So why is there this idea that ‘high growth’ is good? Possibly this is a reflection of the length of the life of a Parliament and the need to show results before the next election. It could also be a reflection of the focus of the London Stock Exchange on short pay back times for any investment. Either way, UK plc has suffered from this attitude in the past and now looks like suffering again in the future.

There is a strong argument that we need to focus on “low growth businesses with potential to become high growth businesses”. That way may lead to a far better understanding of how growth is achieved and solutions found to encourage those businesses who decide not to grow because of perceived barriers such as employment law or other forms of legislation or the need for very specialised advice etc

Thus the FSB would say that we should be focussing on developing sustainable businesses. Businesses that are well run, are efficient in their use of energy and materials, where people want to work and share the achievement and satisfaction of a good job well and profitably done. Or, as a former client of mine once said ‘It is not enough to make the best widgets. To succeed, you have to run the best business’.

### **What businesses want from ‘business support’?**

Business support can be summarised as ‘soft’ help such as information, advice, guidance, counselling, mentoring, training in business skills; as ‘hard’ help such as employment land, managed workspace, incubation units; and as ‘enabling’ such as ‘meet the buyer’ fairs, supply chain development, sectoral groupings, procurement projects, international trade and finance.

### **‘Hard’ help**

Small businesses, by virtue of their size, do not have the resources to compete with large organisations. This can mean they are ‘priced out’ of a market. Yet public policy may state that provision must be made for small businesses because they are the big businesses of the future, because big business needs them and as a way of providing sustainable employment.

This results in the provision of small workshop space and of incubator units. In some parts of the SW, such as Cheltenham, the only small units available are those provided by the local authority. Without them there would be very few small businesses within the city. In other parts of the SW, such space is provided as a



stimulus to the creation of small businesses.

Generally the FSB is against subsidy from public funds. However, we are comfortable with lower than market rents being negotiated for a specific period to meet specific business reasons, such as 'growing into a unit' and/or 'expensive fitting out of a unit'. Concerns were expressed at the poor image small businesses had in the eyes of many councillors, specifically that small businesses all had 'loads a money' and are all 'Del boys'. It was thought that this image led to a ruthless overcharging for rent in council properties in some areas, as evidenced by the high tenant turnover and low occupancy rates in those areas.

In many places, there is a shortage of business space at all sizes. This shortage is demonstrated in a shortage of small or starter units, due to a business form of 'bed blocking'. The small units are full as there are no units available at the next size up. So established businesses are cramped and constrained by being in smaller spaces than they actually need.

As we become more environmentally aware, there is an increasing need for business premises to be located near housing. However this raises 2 issues: - 'bad' neighbours and land values.

'Bad' neighbours – in a residential area, businesses can be vulnerable to claims from residents that they are causing some kind of disturbance. Without protection from spurious claims, small businesses can be reluctant to take such space. An example of such a claim was when the resident of a new housing estate on land that use to belong to a farm, took the farmer to court, because the new resident was disturbed by the noise of the cockerel crowing – and the new resident won!

The lesson for businesses and for local councils when developing 'mixed use' developments is to ensure that genuinely unsuitable businesses such as engineering are not included. Businesses then need to be protected by some form of covenant from residents who are more suited to a wholly residential environment.

Land Values – residential land is worth more than commercial land. In many areas, businesses are being forced out by the drive to develop brown field sites for housing. This is having the unintended consequence of dramatically reducing the land available for employment use. Employment land needs to be protected.

Over the last few years, the pendulum has swung away from the assembly of large 'strategic sites' by public authorities. Now the focus is on site quality.

The FSB is pleased that 'quality' is to be one of the criteria for employment land reservation. They are also keen to see quality of design and construction for commercial units, rather than the crinkly tin sheds.

However, some of these large sites remain. FSB members seeking space to expand have been told their needs are 'too small' for them to buy a section of such a site. The FSB considers this policy has become untenable. Large firms need a mix of small and large firms to support them. It is more environmentally sustainable if they can be co-located. The FSB calls for the segregation of sites according to use to cease.

Back in the eighties, many of the managed workspace units included engineering or woodworking or other expensive capital equipment. This was available to businesses based within the units and to people developing business ideas.

This provision was always expensive to run. As it belonged to the 'centre', it was frequently misused, resulting in high repair and replacement costs, as well reducing availability and hence reliability. As H&S requirements became more stringent, having qualified staff available to supervise and train, became a financial impossibility without direct subsidy. So, as the direct subsidies ceased, these facilities closed.



In some areas, the colleges and schools will allow such facilities to be used.

The FSB recognises the need for such facilities, but is also aware that there are a number of small engineering firms who have the expertise to assist in the development of such ideas. Rather than waste money duplicating provision, any funds should be used to help pay existing small businesses to work with the entrepreneur in developing their project. Indeed as a general principle, public money should only be used to address market failure, not to compete with existing businesses.

The FSB is aware that the UK lags behind provision elsewhere in Europe. For example in Sweden, a new business is provided with a mentor to advise and assist for the first 5 years. While the costs of doing business in Sweden are suspected to be higher, this approach would be welcomed in the UK.

### **'Enabling' help**

Another form of business support might be described as 'enabling', where the public authorities help businesses to do business.

In general terms this kind of help is providing an arena and bringing people together who would not otherwise meet, but there is a benefit for them in meeting. This covers the 'meet the buyer' events organised by local councils, networking events for sectoral groups and attendance at international fairs, conferences, exhibitions etc.

The FSB welcomes such events, but has concerns about the way some have been organised in the past. Examples quoted by members include a Jobs Fair where only large employers were invited to attend, even though small businesses had been desperately seeking staff. Such events must be very well publicised beforehand and to publicly accountable guidelines. Involvement must not be restricted to those paying business rates or to those who have sought help from Business Link.

The most successful events are either the long established county shows or very specific sectoral events such as food fairs, holiday exhibitions or website development. Concern has been expressed at the use of irrelevant 'paperwork' at 'meet the buyer' events which effectively exclude small businesses. ISO 9001 is an example.

Sometimes the 'enabling' takes the form of bringing something in that works well elsewhere and/or providing the interface to promote co-operation and mutual development. Supply chain development is a good example of this kind of work. In the SW, the RDA has funded staff and meeting costs to bring together major manufacturers and their suppliers to improve the way they work together.

Again, some might say that this is a poor use of public money as it is only available to certain people in certain sectors. Others say that anything which maintains our competitiveness in key sectors such as aerospace is worth doing.

At a time when local authorities are being fiscally starved into saving money by buying cheaper, it may seem somewhat radical to suggest purchasing as a type of 'enabling' business support. However, it has the potential to provide such an opportunity.

Usually there is an activity or business process government wants businesses to adopt. Examples are e-commerce, adopting an environmental strategy or an equalities strategy. The bait is selling to the local authority. The hoop that has to be jumped through is adoption of the activity.



The FSB would welcome proper consideration of NASA and its purchasing methods. It seems that they only do business with that sub contracting to a proportion of small businesses and treating them in a fair and businesslike manner.

Going back some 20 years, it was a fairly common occurrence for wealthy, older business men, particularly in country areas, to lend money to up and coming businesses. The increasing weight of financial regulation has eliminated this form of financial and mentoring support.

SW FSB suggests that a simple 'how to....' package be developed to enable this kind of activity to meet the regulations. However, there is some concern that it was actually a change in the tax laws, whereby an individual can no longer write off the tax losses of another, which was the major cause of this decline.

Considering matters from the other side, it would be helpful to have some kind of 'how to...package for the small business that needs funding – what to do and what to look out for.

### **'Soft' help**

Research shows that people from a business or self employment background are much more likely to succeed when they start their own business.

Publicly funded provision of information, advice, and guidance, counselling, mentoring and training in business skills is a reflection of this research, attempting to replicate the informal support network of someone from a small business background.

The FSB considers that a key part of small business start up assistance should be a skills and aptitude package designed to weed out those who are not suitable and establish what support others need. Such a package needs to be in the most basic language and meet 'fit for purpose' standards, bearing in mind that the skills needed to successfully clean windows self employed, without staff, are different from those required for more complicated businesses, perhaps employing staff.

Contrary to popular thought, the FSB does not expect business support to be free. Indeed, we feel it is more valued if there is a cost. However, the FSB considers that any variation in cost should depend on the support offered, or the business itself and NOT be connected to membership of any other organisation. Suggestions for payment include a sliding scale which varies according to profitability to turnover, or to agreed targets. Another possibility is that support be given in return for support to someone else, such as taking on an apprentice or providing work experience for a youngster.

The FSB is firmly convinced that for anyone to provide business support, they must first have run their own business successfully and profitably.

The SW FSB's current policy on 'Business Skills Training' is:-

Small business need courses that:-

1. Are delivered as Half or One-day courses, ideally out of business hours or by interactive distance learning.
2. Are delivered by people either with personal small business experience or a proper appreciation of small businesses. Sadly many salaried trainers seem to think SMEs are either Arthur Daley, Richard Branson or Derek Trotter!
3. Are run regularly, year round, and not cancelled at the last minute.
4. Are affordable.



5. Cover new business generation, diversification, strategies for competing with the large chains, marketing and presentation skills, delegation and time management, as well as finance, bookkeeping, H&S, employing staff etc.
6. Include the 'how' as well as the 'what', and with practice sessions to reinforce learning and raise confidence.
7. Are developed as a 'progression' so that business owners can develop their skills as required by their business, when required by the business and not before. For example start up businesses need to know at what stage they have to register for VAT and where to get help when the time comes, similarly with all the information on employing staff. Telling them too much too soon just turns them off.
8. Provide active encouragement and support, ideally from other business owners.
9. Use feedback to improve courses
10. These principles apply equally to programmes intended to improve the 'widget- making' side of the business.

Small businesses don't know what they don't know. 20% of SMEs not training don't know what would help their business. The FSB welcomes the development of the 'Business Brokerage' (BB) between the SW Learning and Skills Councils and the SW Business Links. The objective of the BB is to analyse training needs from the Business Plan, and then signpost on to appropriate training.

\*\*\*However resources dictate that such a service will only ever be available to a limited proportion of SMEs. Therefore the FSB would like to see an effective 'self diagnostic' tool developed and widely distributed, alongside a comprehensive directory of courses and trainers (including private providers).

Many organisations run courses aimed at small businesses and complain about poor take up. The courses may be failing because they don't meet the needs of small businesses, but are aimed at gaining funding. They may also be failing because of poor marketing. More than 25% of SMEs don't use Business Link because they don't know what they do!

Reach small businesses by:-

1. Describing what they will be able to do as a result of the course
2. Describing the course in business terms.
3. Promoting it through places where businesses need to go to carry out their business, such as banks.
4. Providing the first session free as a marketing tool and as a reassurance of quality and that 'it does what it says on the tin'.
5. When the feedback shows the courses are right, make it easy for small businesses to recommend them.

\*\*\* refers to limited resources. The FSB recognises that funds are limited and that a strategy needs to be developed to ensure such funds are put to best use. As detailed earlier on, concentrating funding on 'high growth' businesses, is not, the FSB believes, the most productive route.

As suggested earlier, businesses could pay 'in kind' for business support. In addition to providing work experience, they might be asked to provide some kind of mentoring assistance, pro bono advice work in their own line of business, share capital resources on a pay as you go basis.

Another more radical suggestion was a 'triage' application of business support. Those that would succeed anyway would not get any help, unless they paid. Those who were considered likely to fail would not get any help. It is suggested that help should be focussed on those businesses where it would make a difference; either to success instead of failure or in helping them move up the next step.

### **Vivienne Rayner**

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The discussion was based on a 'Business Support Discussion document' which includes background information.