

Business Support Discussion paper

This document is intended to be a guide to help you discuss Business Support, coming to conclusions about what would be helpful for businesses and how it might be paid for.

During the discussions at the SW Policy Unit, some thought it would be helpful to consider 'Business Support' within a framework. The suggested framework was:-

Sustainability – this includes both the viability of the business and the environmental and technical aspects. It also covers provision of education and training by e-learning.

Empowerment of the owner manager – any support must be offering help, advice information etc – and leaving the decision with the owner manager. To put it another way, it is about enabling the owner manager to function as an informed customer, picking the services that will benefit the owner manager.

Business life cycle – provision must reflect businesses' different needs at different stages in their development as well different types of businesses – see below.

Business start-ups (getting off the ground);

Growth potential business (likely to grow quickly);

Life-style business (not likely to achieve high growth but still requiring support to survive and providing employment?);

Community asset business (not likely to achieve high growth but essential to the community, ie corner shops, village post offices).

Please note – Comments as to other areas we should be covering are very welcome. So far, these have all fallen under what might be described as 'Education and Training. This will be our next policy topic for discussion in January.

What businesses want from 'business support'?

In considering this topic, you might find it helpful to 'brainstorm', to ensure everything is covered.

Business support can cover anything to do with a business. But as the discussion is around what 'business support' should be provided by the public sector, we need to consider this in context and the old FSB saying – 'one man's grant is another's tax increase'.

So what is business support and when or why do we need it?

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.

The 'questions list' is a list of questions about business support. It includes information about what currently happens and current FSB policy.

There are no 'right' or 'wrong' answers. The SW FSB Policy Unit wants to know what its members think about these issues, so we can get the business support our members want. If during the discussion anyone reports a very good experience, that information would be extremely useful – please include it with your comments.

Questions

The questions are [in blue](#) and relate to the information immediately before. They are neutral to encourage discussion.

'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.

Such provision is not without controversy.

The cost of building 10 units, each of 200 sq ft is much greater than the cost of building 1 unit of 2000 sq ft. The cost of management is greater. For these reasons the rent is higher.

In some areas the market rate for such spaces is charged. In other places, a lower rental is charged. The FSB has stated that it does not agree with subsidising the rent payable. It is very rare for there to be any criticism from the private rental sector, as by and large, they are not interested in the smallest end of the market.

One of the problems is determining the market rental. Scarcity and the fact that rental to small businesses is perceived as risky, often drives it higher than strict return on investment criteria would suggest.

[What do you think?](#)

[Should the public sector continue to supply small units? In what situation should the public sector supply?](#)

[In your area, what is stopping the private sector making such provision?](#)

[Should the rental be at the market rate or should it be lower?](#)

Some Enterprise Centres set the price per sq ft at the market rate for 1000 sq ft, even for units as small as 150 sq ft. This results in a lower total cost than would be expected, but

protects the small businesses from the full blast of market forces. [Is this a good idea? Or should it depend on the town and other factors?](#)

Some Enterprise Centres will agree a lower level of rent for a new business for a specified period, to enable them to get established. This is particularly helpful for businesses that have to spend a lot of money fitting a place out – such as in the food industry. Such an arrangement permits them to take a larger than strictly necessary unit and 'grow' into it, avoiding the cost and disruption of having to move within a short period of starting.

[Does this make sense to you?](#)

Some local authorities are so wedded to charging the market rate, they will allow a unit to remain empty for some considerable time, or will see a good business fold rather than negotiate a lower rental.

[What do you think about this?](#)

One area of 'hard' business support that all but the very largest businesses need, is the provision of land for employment in the planning process. The higher housing densities and the pressure to build on Brownfield land are pricing many business activities out of our cities. The planning authorities must ensure that adequate employment land is identified for all uses.

[Do you know what your local authority is doing? Is it sufficient?](#)

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. However, we are aware that 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.

[What do you think about that?](#)

[Should these sites be kept as one bloc or should they be sold off in any size to anyone wanting to move or start a business there?](#)

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.

[Do you think such facilities should be made available?](#)
[How should they be paid for?](#)

Is there any other kind of 'Business Support' which you might consider as 'hard' support, which is not mentioned here?

'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.

Are such events a good idea?

Do you know of any that have been particularly helpful, or particularly useless? Do you know what made the difference?

As such events are not available to all businesses, some would say that any help provided from the public purse is an unfair subsidy and that the businesses involved should cover their costs. Others would say that that defeats the object of the activity which is to introduce businesses to each other and promote economic activity. Another opinion is that such events need to be subsidised until they have demonstrated their commercial value, and should cover their full costs thereafter.

What do you think?

Is there anything else of this nature that would be helpful?

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.

What do you think?

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.

Have you any experience of this? Did you find it useful?
Do you think it is a good idea in general?

Should we continue to campaign for public authorities to do 10% of buying with small businesses? The classic example that is always quoted is the US government's commitment to buy 10% from small businesses. I have heard from US regeneration experts that this does not really help and has just resulted in an industry aimed at making larger businesses look small enough to get a share of the 10%. My reaction was that it must be a good idea if it has created an industry behind it!

Should we continue to campaign for this?

For many years the existence of an 'equity gap' has been recognised. The 'gap' is the difference between 'bank loan' type finance and 'equity finance' where the security is the businesses and the lender usually takes a stake in the business.

The 'gap' exists because there is a cost of doing all the checking and research before such an investment is made. Within the last 18 mths, several funds have been established which 'bridge the gap' with public funding the research cost so that equity or venture capital sums as small as £50,000 are now available.

Does this make sense to you?

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 has suggested that if a simple 'how to....' package could be developed to enable this kind of activity to meet the regulations, it would help restore a valuable source of finance.

Do you agree?

Should we be campaigning for a reduction in the regulations instead? Or as well as?

Are there any other forms of 'enabling' business support that you can think of that we need to consider or include?

'Soft' help

Anne King has been trying to work out the competencies required to run a small business. At the last count she got to 800! But we don't know what we don't know – we know things are difficult and we struggle to survive and thrive.

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.

Does this make sense?

Do you agree with it?

Should businesses pay for their own counselling?

Why?

What kind of experience and background should anyone providing such support have?

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.

Do you agree with this?

Is there anything you would add?

Anything you would remove?

Thinking about business skills training, what is important for you about the course content, its length, when and where the course is, and its cost?

What kind of experience and background should the person delivering such training have?

*** refers to limited resources. As this is paid for out of our taxes, delivery has to be managed, restricted in some way. Some say businesses in the RDA priority sectors should get priority. Others say that business with growth potential should get priority. Others say it should be rationed by time – ie will you wait the 3 weeks for an appointment?

What do you think?

Any other comments?

Vivienne Rayner

18th August 2005

Revised October 25th after the SWAPU meeting

Revised October 26th following comments from Mary Boughton