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Business Support Agencies

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WEB VERSION: INTRODUCTION

The Lloyds Bank/TSB-sponsored series of small business management reports commenced in 1992, and concluded in 2009. In total, 53 reports were published over a period of 17 years.

Our target audience comprised the owner-managers of independent small businesses, typically employing fewer than 50, and based in mainland UK.

The series originated from a longitudinal study of small business management, undertaken by the Polytechnic of Central London (now University of Westminster), and culminating in: *The Management of Success in 'Growth Corridor' Small Firms*, (Stanworth, Purdy & Kirby, Small Business Research Trust, 1992).

THEMES

The themes were wide-ranging – including such as entrepreneurship, work & stress, employment strategies, and the environment – a full list is shown overleaf.

INSIGHT

In addition to asking questions and supplying the respondents with a range of answer options, the corresponding questionnaire was included as an appendix to each report so that readers would know exactly what questions had been put to respondents.

We also sought qualitative information – in the form of verbatim comments about the key theme – to help elaborate on whatever related challenges respondents felt they were facing at the time.

Finally, the findings are primarily intended to be indicative rather than definitive – partly due to the sample size, which is, on average, 111 for the 2003-09 reports.

PUBLISHING FORMAT

The reports were published in hard copy form, obtainable via subscription. Initially

by the Small Business Research Trust, and from 2003, by the Small Enterprise Research Team (SERTeam), both research charities based at the Open University.

Regrettably, SERTeam ceased operating in 2009, and so in 2010 the authors felt that the more recent reports would find wider interest if they were made freely available in Acrobat format via the Internet – especially with the UK economy set for a protracted journey out of recession, and with the government in turn refocusing on smaller businesses to aid the recovery.

It is worth mentioning that the series commenced as the UK economy emerged from the early 1990s recession.

In 2015, the earlier reports were also converted (1993 to 2003), with the full series made available at Kingston University: <http://business.kingston.ac.uk/sbrc>

SUPPORTING INFORMATION (WWW)

In later years – as the world-wide-web developed and an increasing number of sources of information became more readily available – suggestions for online sources of related material were included.

N.B. For reports 2003 onwards - where successfully validated, the web links (URLs) were enabled in 2009. And in the case of many invalid web links, an alternative was offered, but not where the organisation appeared defunct and an obvious replacement was not traced.

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University of Westminster**
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1993 (Vol.1)

- 1 Surviving The RecessionFebruary 1993
- 2 Using Your TimeJune 1993
- 3 Management Style September 1993
- 4 Financial ManagementDecember 1993

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- 1 Purchasing March 1994
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1997/8 (Vol.5)

- 1 'Europe' & Small Businesses ... March 1997
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- 4 Business Support Agencies.. January 1998

1998/9 (Vol.6)

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1999/2000 (Vol.7)

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2001/02 (Vol.9)

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- 4 Premises.....April 2002

2002 (Vol.10)

- 1 Networking in BusinessAugust 2002
- 2 The EuroDecember 2002

Lloyds TSB & Research Team
Small Business Management Report
ISSN 1478-7679

- 3 Crime Against Small Firms June 2003

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Small Enterprise Research Report
ISSN 1742-9773 No.2 (Vol.1) onwards

2003-04 (Vol.1)

- 1 Small Firms And PoliticsOctober 2003
- 2 Pensions February 2004
- 3 Work-Life Balance..... July 2004

2004-05 (Vol.2)

- 1 Education & EnterpriseOctober 2004
- 2 Made in Britain February 2005
- 3 Management & Gender Differences..... July 2005

2006 (Vol.3)

- 1 Local or Global ?.....January 2006
- 2 Managing IT May 2006
- 3 Networking in Business September 2006

2006-07 (Vol.4)

- 1 Owner-Manager Flexible Working..... December 2006
- 2 The Ageing Workforce..... April 2007
- 3 Travel & Transportation..... August 2007

2008-09 (Vol.5)

- 1 The London 2012 Olympic And Paralympic Games..... April 2008
- 2 Competition: Small Firms Under Pressure.....January 2009

WEB VERSION PUBLISHING

<http://business.kingston.ac.uk/sbrc>

Certain content needed to be re-set, e.g., the figures in the earlier editions, but the report body content is intended to be identical to that in the printed original. This web version - an Acrobat document - is derived from the original DTP text and will permit searching.

LIABILITY DISCLAIMER

The information and analysis in each report is offered in good faith. However, neither the publishers, the project sponsors, nor the authors, accept any liability for losses or damages which could arise for those who choose to act upon the information or analysis contained herein. Readers tracing web references are advised to ensure they are adequately protected against virus threats.

HIGHLIGHTS

This is the twentieth of a series of small business management reports based on surveys of a panel of small firms, mainly in manufacturing, retail/distribution and business services. The focus of this survey was on **Business Support Agencies**. The principal findings were as follows:

- **Non-use of external agencies** - Most small firms, in any two year period, **do not use external agencies** to any notable extent, be they fee-charging or free, for help and advice.
- **Areas for government support** - Only 2 activities out of 7 suggested for government funding received support from a majority of respondents. Small businesses tend towards the view that government agencies should limit their involvement in small business assistance to the provision of **Start-Up help** and **General Information**. More specialised forms of help were seen as being likely to be beyond the scope of general 'catch-all' government business support agency advisors. However, this does not rule out, under the heading of General Information, a signposting role for such agencies, in identifying more specialised sources of potential help.
- **Sector variations** - Our findings revealed some variations in attitudes toward government-sponsored support agencies. Respondents from the **Business Services** sector were more likely than their counterparts in Manufacturing and Retail/Distribution to welcome help in the fields of **Quality Accreditation/Investors in People, Diagnostic Health Checks** and **Training for Managers**, but were the sector least likely to want to see Government supported agencies providing Financial Advice.
- **Services used** - Looking at the question as to which services respondents had themselves used in the past 2 years and whether these had been free or paid-for services, those finding widespread use were general **Information Services, Financial Advice, Training for Managers** and help with **Quality Accreditation/Investors in People**. The latter 2 were predominantly paid-for whilst the former were spread across paid-for and free.
- **Services used by larger firms** - It was clear that, as firms grow larger, they become considerably more likely to use **Training for Managers** and **Quality Accreditation/Investors in People**.
- **Satisfaction with services used** - Our survey revealed mostly 'Reasonable' to 'Good' levels of satisfaction with services used. Financial Advice was best rated and nearly half of this came free. 'Free', in this context, however, probably involved respondents' banks rather than 'free' government services.
- **Improved government support** - Many respondents, despite their often critical views of small business support agencies, wished to see more money spent on them. Around one-in-three wished to see substantial increases in funding and nearly two-in-three wished to see at least some increase. The figures were less marked in the case of firms in Retail/Distribution than in Manufacturing and Business Services. However, this should be viewed against a tradition in surveys for respondents generally to support greater spending limits in specific areas of government funding, albeit sometimes against a background of desires to see overall government spending (and sometimes taxes) reduced. Analysis here displayed modest regional variations with Northern respondents most likely to favour increases in government spending on small firms support.

continued...

- **Regional emphasis** - In line with the previous highlight, it was **Northern** firms that were **least inclined to favour paying** for small business support services. Here, 43 per cent favoured services 'free of charge' compared to nearly half that level amongst the rest of the sample. The rate of £100 per half day found favour with a substantial proportion of Midlands and Southern respondents.
- **Awareness of services available** - **Northern** firms displayed particularly high awareness of what agencies have to offer them, possibly reflecting generations of special aid and regeneration schemes targeted at Northern firms. Sector-wise, Manufacturing firms were the most likely to feel they had at least a partial awareness of what various agencies had to offer.
- **Use of business support agencies** - There were differences in use patterns of business support agencies. For instance, Chambers of Commerce and Training & Enterprise Councils (TECs) were particularly favoured by our Northern respondents. Sector-wise, **Business Services** firms were strong on the use of **Chambers, TECs and Trade Associations**.
- **Encouragement of realistic attitudes** - A number of respondents felt that agency advisers should be more 'pessimistic' in the advice they gave since this was likely to result in higher levels of realism.

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The Trust acknowledges the help provided by Bannock Consulting Ltd., David Purdy, The Open University and The University of Westminster in designing the survey, processing data and analysing the results.

The Small Business Research Trust is particularly pleased to acknowledge the generous support provided by Lloyds Bank plc in sponsoring the research, analysis and presentation of this report. However, it is important to note that any opinions expressed in this publication are not necessarily those of Lloyds Bank plc.

MANAGEMENT ISSUES

The emphasis of our Quarterly Management Reports is on monitoring the key management problems and practices of smaller business, with an emphasis on survival and success. Accordingly, each issue of the Lloyds Bank/Small Business Research Trust Management Report addresses one or more highly topical small business management issues. In this survey we focus on ***Business Support Agencies***.

Past surveys have covered:

1993 (Vol.1)

- No.1 Surviving The Recession***
- 2 Using Your Time***
- 3 Management Style***
- 4 Financial Management***

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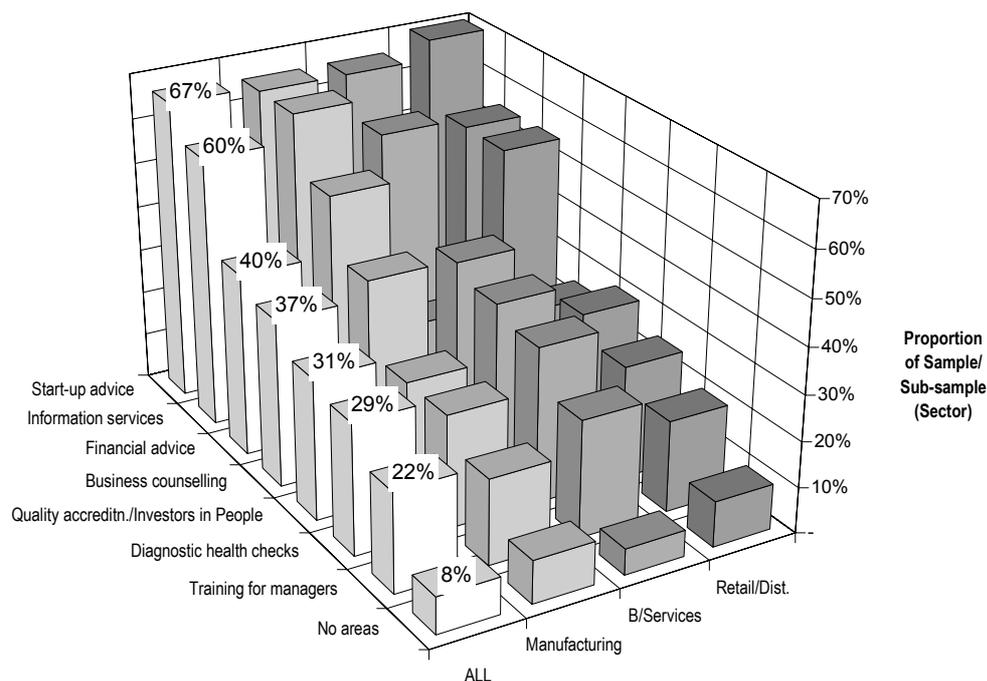
THE SAMPLE

This report is based on responses received from a panel of some 350 small businesses situated in the Northern, Midland and Southern regions of Britain. Respondents are predominantly small firms with fewer than 50 employees, drawn mainly from the manufacturing, business services, and retail/distribution sectors of the economy. Over half of the participating firms employ fewer than 10 people and over one-third of the firms are less than 5 years old.

RESULTS

The questionnaire completed by sample firms appears at the end of this report as an appendix. This survey was carried out mainly during November/December 1997.

Fig 1 - AREAS FOR GOVERNMENT SUPPORT: BY SECTOR



THE ROLE OF GOVERNMENT IN PROVIDING SMALL BUSINESS SUPPORT AGENCIES

Background

Considerable hopes have been vested by politicians in the United Kingdom, at national, regional and local level, in the potential of the small business to produce jobs and wealth. Since the publication of the seminal Bolton Report on small firms in 1971, the size of the small firm population has often been taken as a signal of the health of the wider economy generally. Further, during the 1980s and first half of the 1990s, the smaller business was singled out as the principal ideological standard bearer of the Thatcherite crusade to construct (or reconstruct) an enterprise culture in Britain. Margaret Thatcher has been quoted on this point as saying:

“Small businesses are the very embodiment of a free society - the mechanism by which the individual can turn his (sic) leadership and talents to the benefit of both himself and the nation. The freer the society,

the more small businesses there will be. And the more small businesses there are, the freer and more enterprising the society is bound to be.”

The available research evidence indicates that the absorption rate by society as a whole of the ideological baggage which Margaret Thatcher (and later John Major) vested in the notion of ‘The Enterprise Culture’ was relatively modest. However, where the Thatcher Government may have failed, large company ‘down-sizing’ and ‘out-sourcing’ have not. That is, the numbers of small businesses and self-employed have increased dramatically since 1979 (see Appendix 1 for a profile of the self-employed and information about the distribution of small, medium and large firms).

Small Business Benchmarking

The DTI, in a recent publication, *Competitiveness UK - A Benchmark for Business*, has reviewed the performance of the Smaller Firms sector, relative to other EU countries. The document observed that:

“Many of the UK’s star performers - for example in IT, biotechnology and financial services - are SMEs [small and medium-sized enterprises]. Their productivity is well in excess of the UK average and ahead of their international counterparts. Much progress could be made if the UK had more such firms.”

eventualities, however - significant growth or a need to consider drastic changes in the firm’s policy - is likely to reveal a need for certain specialist skills which are most unlikely to be found within the average firm.”

Support Agencies

Support Agencies operate generally on the basis of the Bolton Committee report’s claim that:

“The majority of small firm proprietors have no professional or other formal qualifications and only a tiny minority have specific qualifications in management. They run their business on the basis of their experience and common sense. This may be very effective so long as the scale of the firm’s activities remains small enough for one man to control them effectively, and so long as no serious crisis overwhelms their pragmatic management. Either of these

Thus, it is the intention of government or other Support Agencies to help provide those crucial specialist skills and knowledge on an intermittent, accessible and affordable basis. But problems remain. Can government bodies attract and deliver the right people to provide this help ? Does government involvement inevitably mean paperwork and bureaucracy ? Finally, do small businessmen feel uncomfortable at the prospect of being ‘told’ what to do ?

Our current Management Report sets out to explore some of these issues. Firstly, our respondents were asked which areas of help to small business should be government-funded. **Figure 1** reveals that only 2 areas received majority support for government-funding. These were ‘Start-Up Advice’ and ‘Information Services’. Figure 1 also shows some variations amongst different sectors, with Business Services

Fig 2 - BUSINESS SUPPORT SERVICES USED: FREE/PAID-FOR

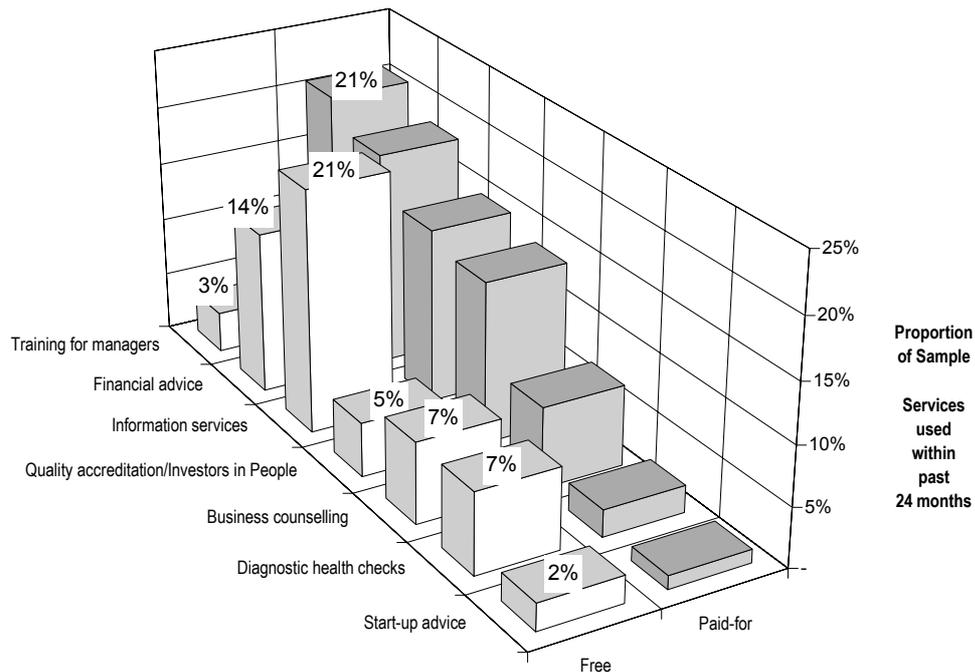
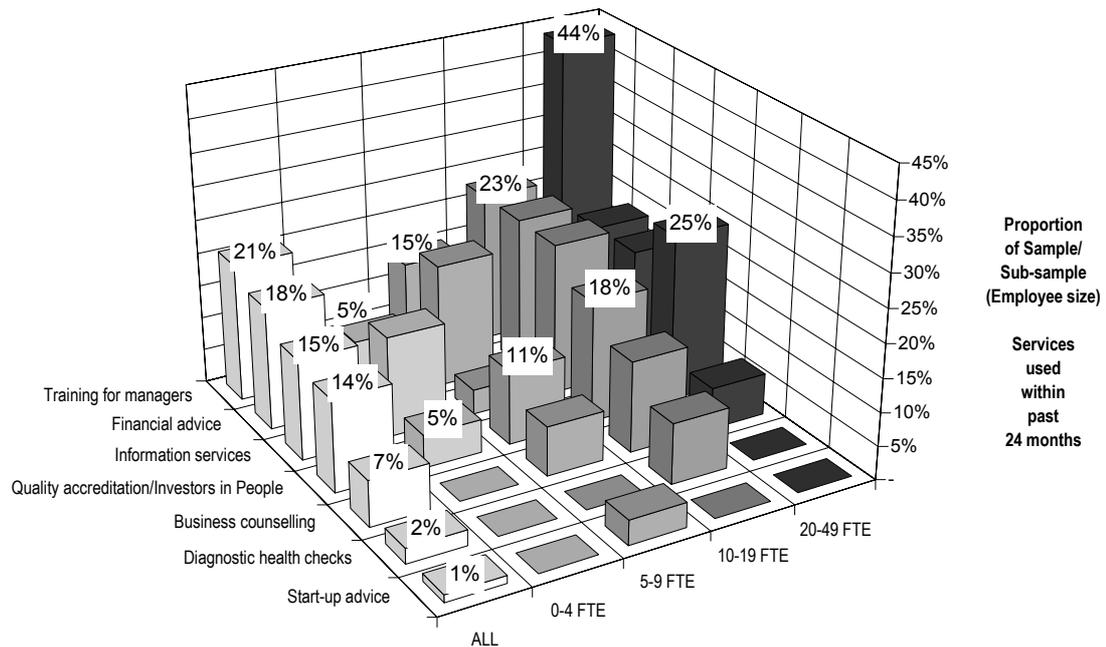


Fig 3 - PAID-FOR SUPPORT SERVICES USED: BY EMPLOYEE SIZE



most likely to welcome help in the fields of Quality Accreditation/Investors in People, Diagnostic Health Checks and Training for Managers but least likely to wish for government supporting **Financial Advice**. However, this may well be influenced by some respondents in this sector seeing this as competition for their own services. Nonetheless, over 50% of respondents in both the Manufacturing and Retail/Distribution sectors saw a need here, and this could signify a problem in delivery by the private sector at large.

Figure 2 shows responses to the question of which services respondents had themselves used in the past 2 years and whether these had been free or paid-for services. The most used were general Information Services, Financial Advice, Training for Managers and help with Quality Accreditation/Investors in People. The latter 2 were predominantly paid for whilst the former were spread across paid-for and free.

The 2 services above that were predominantly **paid-for** were used more as firm-size increased, as is depicted in **Figure**

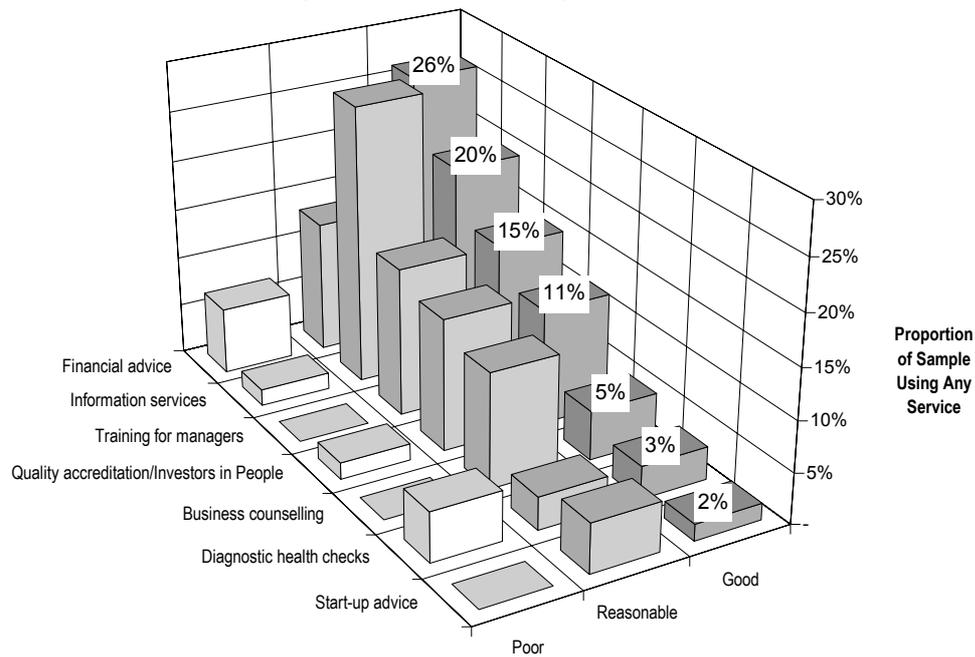
3. Here it can be seen that, in the smallest size category (0-4 employees) only 5% used paid-for services in the fields of Training for Managers and help with Quality Accreditation/Investors in People. However, amongst the largest group (20-49 employees) the figures were many times higher, having grown progressively through the four size groups.

Figure 4 shows usually 'Reasonable' to 'Good' levels of satisfaction with services used. 'Financial Advice' was best rated and nearly half of this has come free. 'Free', in this context, however, may well involve respondents' banks rather than any 'free' government services.

In order to give more flavour to our findings, we shall now use some illustrative quotations of opinions from respondents. Firstly, some of our respondents were highly sceptical concerning the value of 'free' services:

"If the people who aspire to helping others start a business were capable of setting up themselves, they would. If the people setting up businesses

**Fig 4 - QUALITY OF BUSINESS SUPPORT SERVICES USED
(FREE OR PAID-FOR)**



need to use these free services then they are likely to fail anyway. These 'free' services are full of failed consultants."

"My experience of support services is that they are a waste of time. No one understands your business as well as yourself."

"Much of the Government's business support [programme] is by way of 'advising' and 'counselling'. Perhaps more could be done for those small businesses that have benefited from the advice and would like practical help with new products and development."

"Having had contact with Business Link and local training agencies, it appears that these organisations are home for a large number of people who have failed in the mainstream. I am therefore unsure of how they are qualified to advise others on how to expand and succeed."

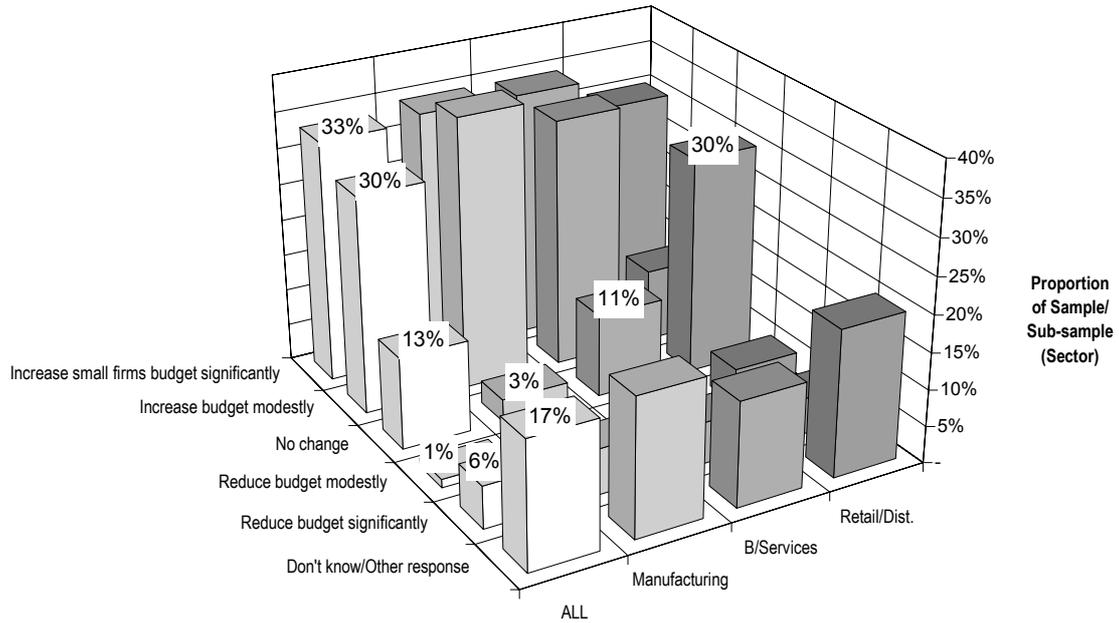
"I'm afraid we do not use any of these facilities [support agencies for smaller businesses]. Why? Maybe because we simply do not know what's available and have not got the time to find out how to 'play the system'."

"I have never had any advice given to me by any Government scheme that wasn't already common sense."

"Although constantly bombarded by mailing and information packs, especially from Business Link, I am unaware of their full services and whether they are free or chargeable and, if chargeable, what are their charges. We do need information on loans and free services."

The conclusion which emerges from the above analysis appears to be that small businesses tend towards the view that government agencies should limit their involvement in small business assistance to the provision of start-up help and the provision of general information. The more specialised forms of additional help required are likely to be beyond the scope of general 'catch-all' advisers such as are likely to be stationed in government agency support

Fig 5 - CHANGES IN GOVERNMENT SUPPORT FOR SMALL FIRMS: BY SECTOR

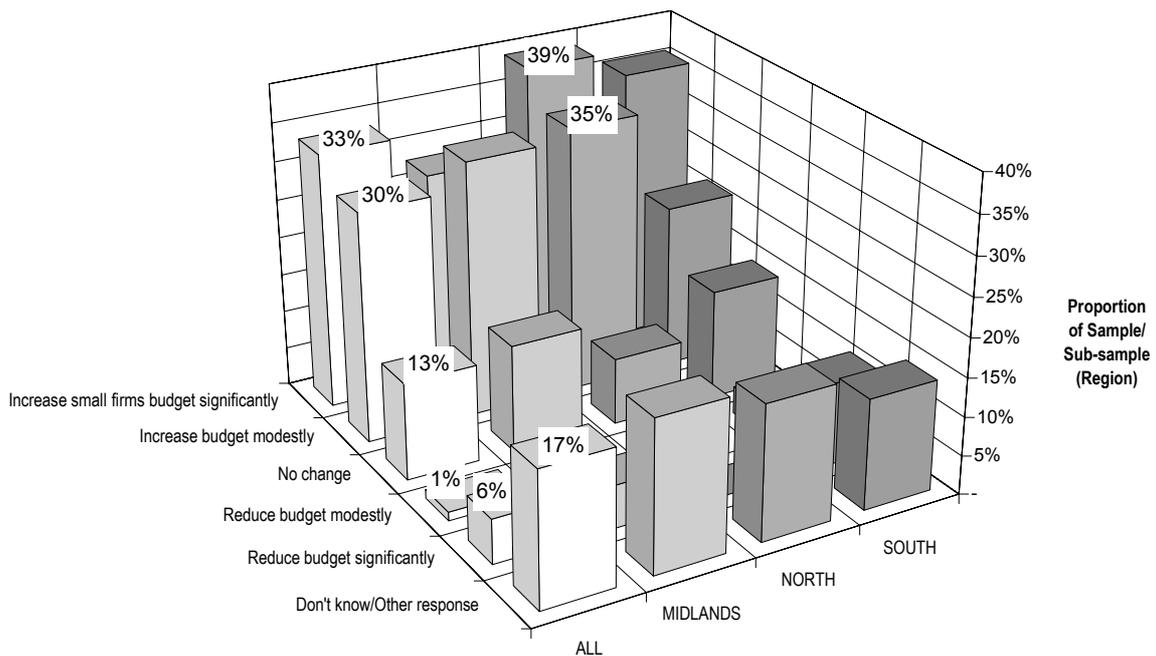


centres. This, however, does not rule out, under the heading of General Information, a signposting role for such agencies.

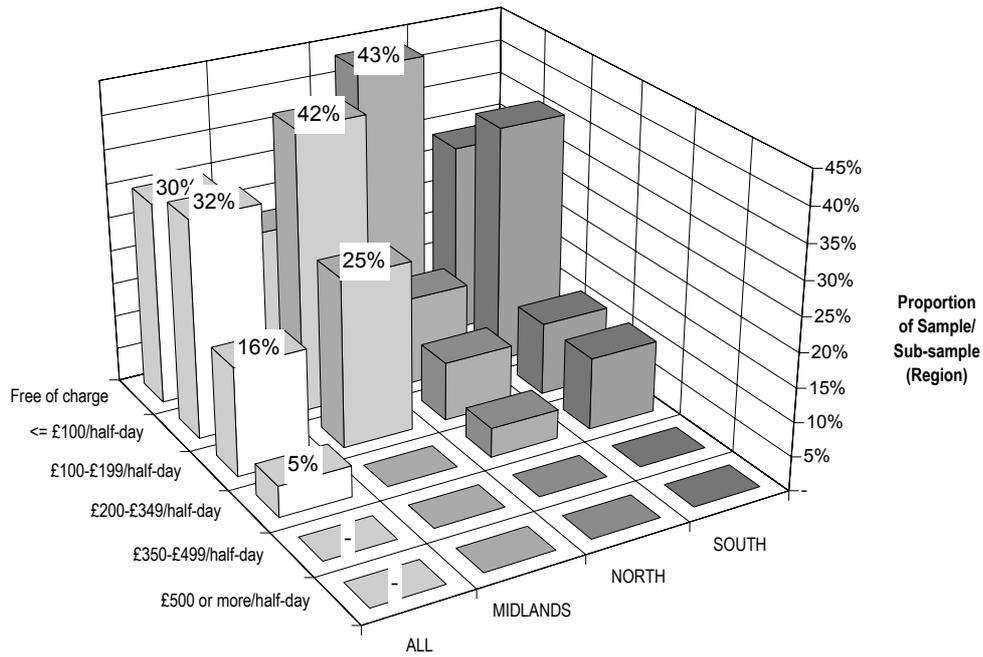
Figure 5 illustrates that many respondents, despite their often critical views of small

business support agencies, wished to see more money spent on them. Around one-in-three wished to see substantial increases in funding and nearly two-in-three wished to see at least some increase. The figures were less marked in the case of firms in

Fig 6 - CHANGES IN GOVERNMENT SUPPORT FOR SMALL FIRMS: BY REGION



**Fig 7 - REASONABLE CHARGES FOR BUSINESS SERVICES:
BY REGION**



Retail/Distribution than was the case in Manufacturing and Business services. However, this should be viewed against a tradition in surveys for respondents to generally ask for greater spending limits in

specific areas of government funding, albeit sometimes against a background of reduced overall spending or a desire to pay less taxes overall.

**Fig 8 - AWARENESS OF RANGE OF SERVICES OFFERED BY
VARIOUS SUPPORT AGENCIES: BY REGION**

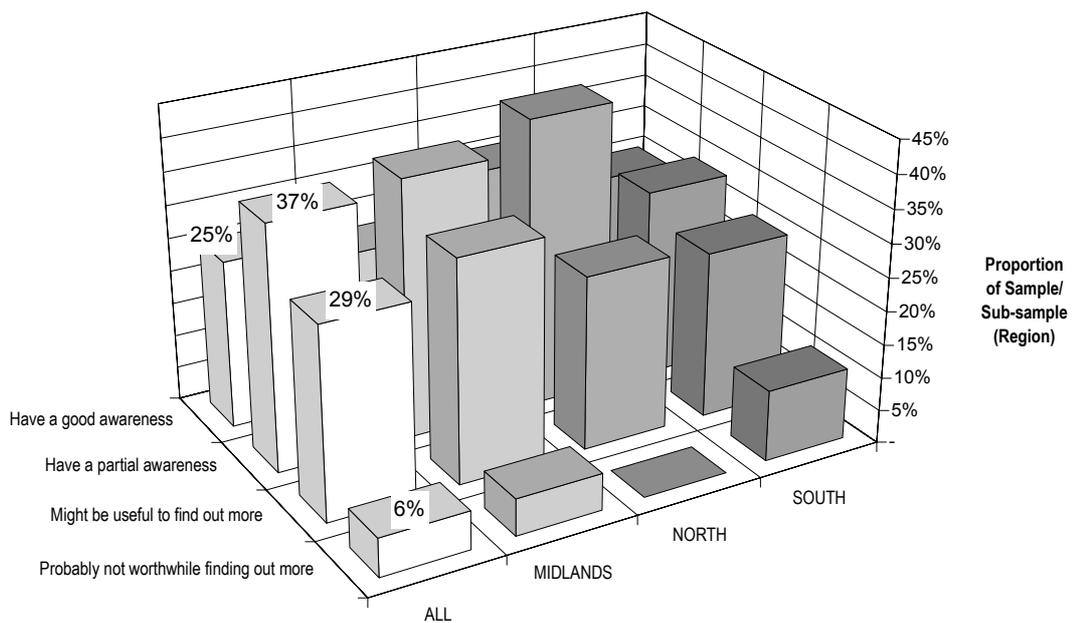


Fig 9 - AWARENESS OF RANGE OF SERVICES OFFERED BY VARIOUS SUPPORT AGENCIES: BY SECTOR

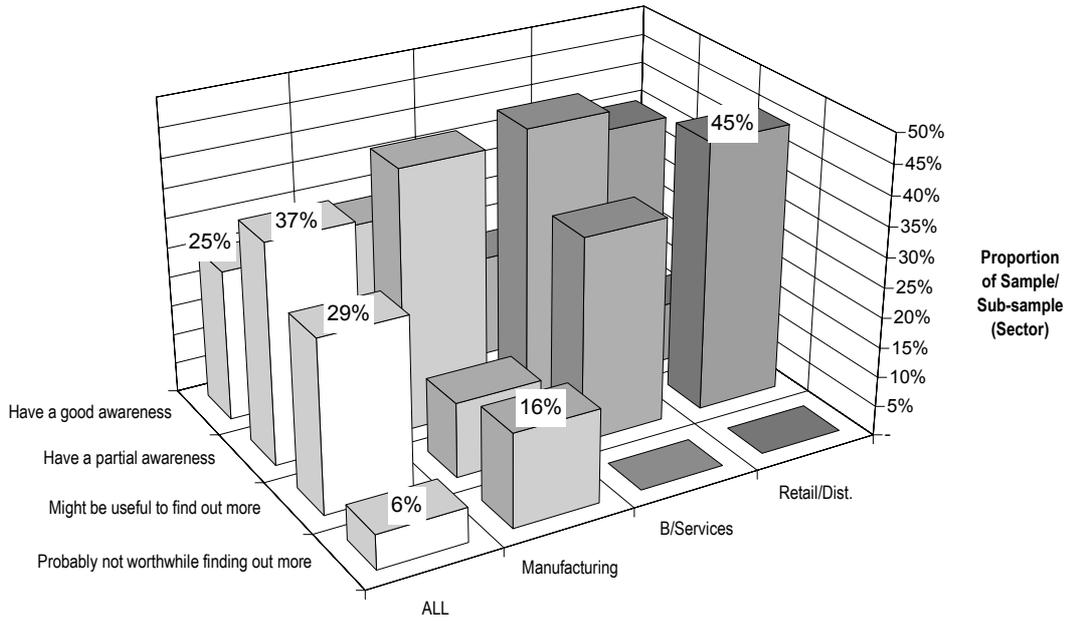


Figure 6 here displays modest regional variations with Northern respondents most likely to favour increases in government spending on small firms support.

In line with the above, it was Northern firms in Figure 7 that were least inclined to favour paying for small business support services. Here, 43 per cent favour services 'free of charge' compared to nearly half that level

Fig 10 - USE OF SUPPORT AGENCIES/BODIES: BY REGION

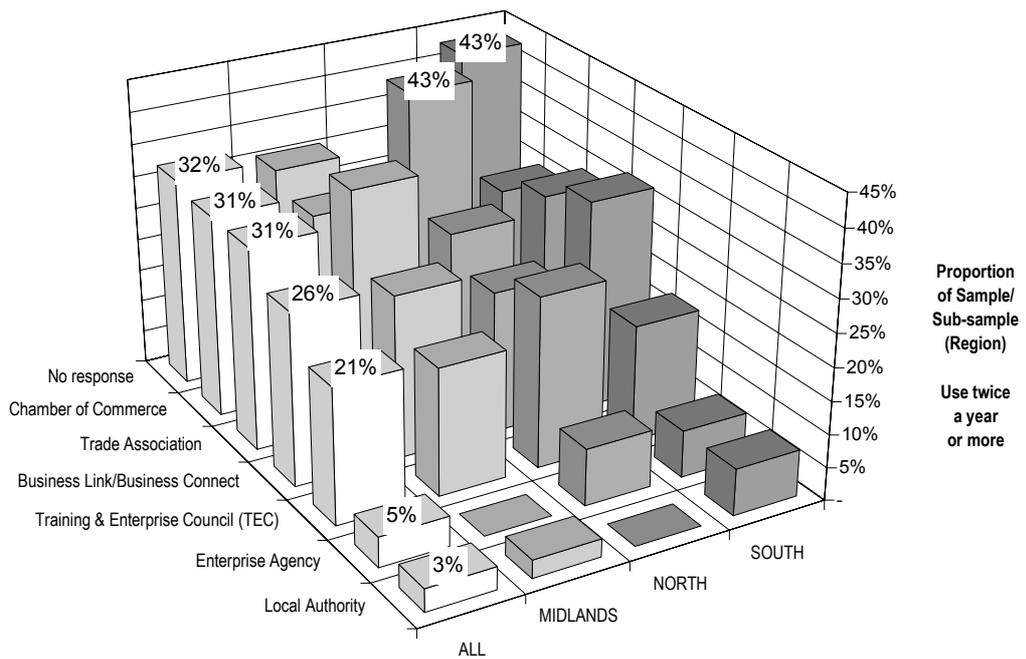
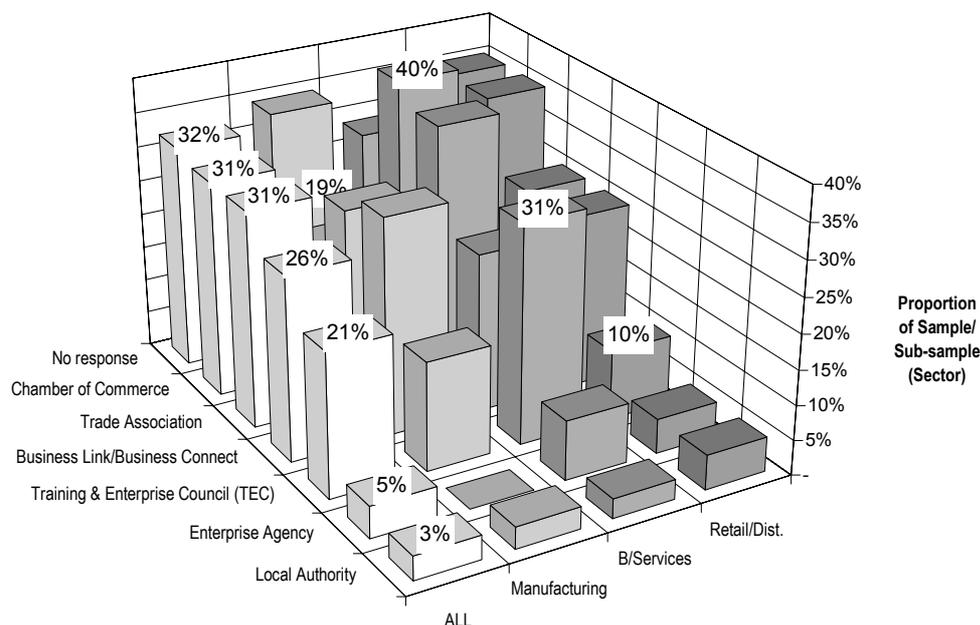


Fig 11 - USE OF SUPPORT AGENCIES/BODIES: BY SECTOR



amongst the rest of the sample. The rate of up to £100 per half day found favour with a substantial proportion of Midlands and Southern respondents.

Figures 8 and 9 present respondents' awareness levels of available services, and against some, distinct regional and sector differences emerge.

For instance, **Figure 8** shows particularly high levels of awareness amongst Northern firms, in all probability reflecting generations of special aid and regeneration schemes targeted at Northern firms. **Figure 9** highlights differences amongst sectors with Manufacturing having the highest proportion with at least a partial awareness. Also, nearly half of those in Retail/Distribution (45%), indicated that it 'might be useful to find out more', suggesting that this sector might be receptive to targeting.

Figures 10 and 11 reveal differences in use patterns of business support agencies. In **Figure 10**, Chambers of Commerce and Training & Enterprise Councils (TECs) to be particularly favoured by our Northern respondents, whilst **Figure 11** shows

Business Services firms to be strong on the use of Chambers, TECs and Trade Associations.

MORE EMPHASIS NEEDED ON POSSIBLE PITFALLS ?

Some respondents called for more 'realism' amongst advisers from government support agencies. The following quotations give the flavour of this:

"Far more emphasis should be placed on 'pitfalls' when advising on start-up."

"The motives for starting a small business are very rarely altruistic. Usually they are started in order to make the owner richer. All government advice from any source should be pessimistic, then, if it still looks good, go ahead."

The need for the importance of realism in giving business advice has been stressed recently by Robert MacDonald in a study of small business start-ups in Teesside, where he painted a picture of struggle and crushed hopes, as the vast majority of new small

businesses folded within a fairly short period of time. His conclusion on the failure of politicians' attempts to convert 'welfare dependency culture' into 'enterprise culture' were depressing:

“The businesses they (the newly self-employed) temporarily ran, contrary to the claims of the local TEC, were not part of some new thriving, entrepreneurial culture set to rejuvenate the local economy and deserving of ministerial plaudits. It was survival self-employment developed in the face of permanently high rates of local unemployment ... Survival self-employment was part of a growing culture of new, informal and risky ways of making a living at the margins of depressed local economies.”

This news may not be what politicians and those running TECs and other support agencies wish to recognise or report to their superiors, but at least a certain proportion of our respondents felt that government support agencies should be rather more sceptical when advising either actual or (particularly) potential small businesspeople.

RESPONDENTS' COMMENTS

Respondents' comments are shown on the following pages.

MANUFACTURING

Fireplace Manufacture & Gas Fire Sales	<i>"My experience of support services are: they are a waste of time, no one understands your business as well as yourself, grants are only given to those who have money to spend and not those who need it to survive."</i>
Heat Exchangers, Water Cooling Systems	<i>"Having had contact with Business Link and local training agencies, it appears that these organisations are home for a large number of people who have failed in the mainstream. I am therefore unsure of how they are qualified to advise others on how to expand and succeed."</i>
Kitchen & Furniture Manufacturers	<i>"I have never had any advice given to me by any government scheme that wasn't already common sense. The real help needed by small business is financial and if you are outside an area designated as in need of development you are wasting your time asking. Most schemes are not run by people who have had any real business experience, or if they are, they did not succeed in their own [business]."</i>
Manufacturing and Publishing Cards/Stationery	<i>"More should be spent on improving the Business Link organisation which does not yet fully live up to expectations."</i>
Office Screen Systems	<i>"Far too much of the annual budget is given to a large number and type of support agency. All the agencies have staff, premises and overhead costs. Perhaps this why I always seem to miss out !"</i>
Publishing	<i>"None of them really and meaningfully help the 3.5 million 'micro' businesses (employing 0-9) who are the principal net job creators in our economy. Much more help [is] needed to 'back' the 'winners' from this sector.</i> <i>[Chambers of Commerce] "They always say they are interested in small firms (0-9), will even quote you numbers - but they are only interested in those who can pay the £100+ per year membership fee - when they should have a membership of 2-3 million, not around 290,000"</i> <i>[Government support] "Spend what is available much more wisely - so much wasted"</i>
Resincast Giftware	<i>"They are inefficient, overpaid. Far too general. Do not understand the specific needs of [the] small company. Most of it is political bullshit so that it appears something is being done when in reality very little is achieved except some government statistics."</i>
Staircase Manufacturer	<i>"I.T. training and funding of same is virtually non-existent. Could and should be improved !"</i>
Sub-contract Engineering Machining & Light Fabrication	<i>"With the lack of skills, especially in manufacturing, a national structured type of modern apprenticeship that small firms could plug into via their local technical colleges more tuned to the real needs of businesses. With modest help towards costs."</i>
Textile Yarns	<i>"Time is vital. Any support agency takes too much time to appraise themselves of the position and is in effect additional bureaucracy."</i>
Toys/Educational Products	<i>"The quality of support is very patchy. It is reasonable at the basic start-up stage but declines with more sophisticated situations."</i>

BUSINESS SERVICES

Accountancy, Audit, Tax & Management Consultancy	<i>"Small businesses need as much help as possible in order to survive, expand and create jobs. Support agencies can assist but they must carefully direct their efforts to those businesses in most need of assistance. This can only be achieved by direct contact with the owners of these enterprises."</i>
Analytical and Consulting Chemists (Industrial)	<i>"We don't seem to get to know about grants that are available. More easily understood information would be helpful."</i>
Consultancy & Training	<i>"Small businesses can help the economy to grow only if they are supported. Let's see some support."</i>
Food Technology & Quality Consultant	<i>"[There is a] Fundamental problem in recruiting staff who have practical focussed attitude and capable of development/promotion. Recommend promotion of in-company career from school-leaving level."</i>
Implementation & Audit of Quality Standards	<i>"[There should be a] Specific targetting of support for areas with a low and poor economy such as Cornwall and parts of Devon."</i>
Insolvency Services & Advice	<i>"Far more emphasis should be placed on 'pitfalls' when advising on start-up."</i>
Office Space Planning and Supply of Furniture	<i>"Direct funding for expansion should be available for companies that have proved they are profitable and re-invested 100% profits each year, instead of a ludicrously expensive DTI 'chicken and egg' scheme that wastes more money than it invests."</i>
Provision of Contract & Temporary Labour	<i>"There is a need for a crisis centre - where small businesses in difficulty can turn for support and advice in confidence with only their interests at heart. This would stop a good many businesses failing."</i>
Survey & Design for Construction	<i>"Support should be directed/focussed in a better way and information regarding available support should be clearer. The 'One Stop Shop' does not seem to be doing this."</i>
Telephone Marketing and Telephone Sales Company	<i>"Although constantly bombarded by mailings and information packs, especially from Business Link, I am unaware of their full services and whether it's free or chargeable, and if chargeable, what are their charges. [We] Do need information on loans and free services."</i>
Textile Marketing	<p><i>"We are not able to make much contribution to you questions this time as we have never used any of the organisations you mention... but we would make these points in addition.</i></p> <ol style="list-style-type: none"> <i>1. We have possibly not used them because we have not needed to.</i> <i>2. ... we have no idea what most of them actually do, although we have heard of them, hence our suggestion that they need to tell us about what services they offer, perhaps through leafleting with tax or VAT returns, if not by direct mail.</i> <i>3. In our view government is best advised to provide support, but not try to tell us how to run our business for obvious reasons.</i> <i>4. We would expect to pay a commercial rate for the use of specific services, but information should be free and plentiful."</i>

RETAIL AND DISTRIBUTION

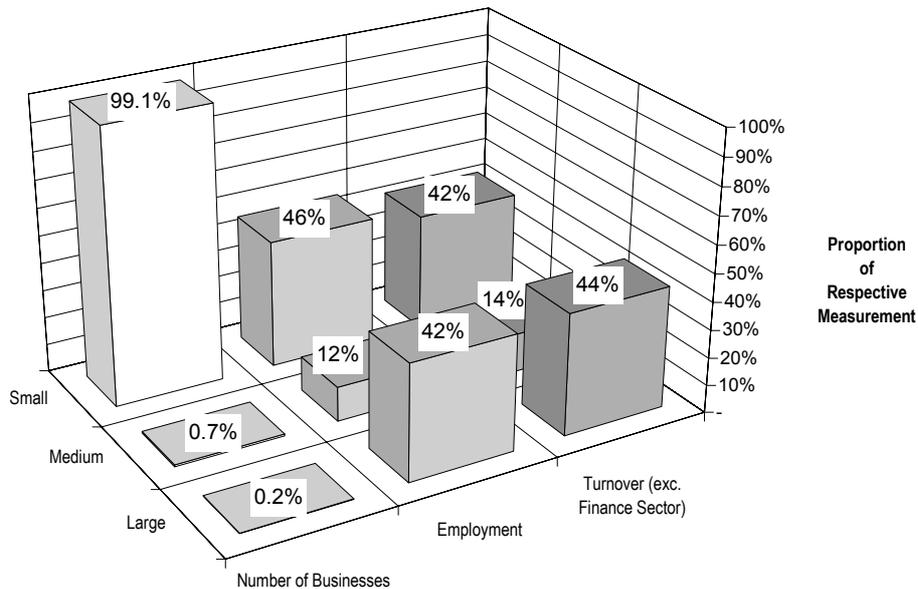
Hardware and Pet Store	<i>"The motives for starting a small business are very rarely altruistic, usually they are started to make the owner richer ! All advice from any source should be pessimistic, then if it still looks good, go ahead. Government should neither hinder nor help. The market place will decide success or failure. Politicians today have no experience of our real world. Their advice can never have much relevance to us at base level (ditto, CBI, TUC, etc. !)."</i>
Holiday Park	<i>"I'm afraid we do not use any of these facilities [support agencies for smaller businesses]. Why, maybe because we simply do not know what's available and have not got the time to find out how to 'play the system'."</i>
Performance Motor Parts	<i>"[We] Have found the majority [of support agencies for smaller businesses] to be of little help."</i>
Retail Newsagent, Groceries	<i>"The term 'small business' would seem not to apply to shops/factories etc. with less than a million [pounds] turnover therefore very little help appears to be useful to the corner shop."</i>
Retailing of Motor Accessories and Spares	<i>"Many small business firms are not aware of the facilities available such as Business Link services. Increase/better communication recommended."</i>
Specialist Suppliers of Computer Systems to the Security Industry	<i>"Much of the government's business support is by way of 'advising' and 'counselling'. Perhaps more could be done for those small businesses who have benefitted from the advice and would like practical help with new products and developments. [Government Support] Re-target the area of business support towards innovation"</i>
Supplier of Computer Systems for Business	<i>"If the people, who aspire to helping others start a business, were capable of setting up themselves they would. If the people setting up businesses need to use these free services then they are likely to fail anyway - these 'free' services are full of failed consultants."</i>
Tool Plant & Equipment Hire, Sales & Repair Service	<i>"My business has had no support over 18 years except from our bank. Guidance obtained from ... [local chamber of commerce] and Hire Association Europe."</i>
Training of Engineering Skills	<i>"Certain areas affecting small businesses are not always appreciated by Government or those employed by support agencies - most staff are ex-heavy industry or commerce and do not always understand the types of pressures experienced by smaller and self-employed businessmen."</i>

APPENDIX 1- WHO ARE THE SELF-EMPLOYED ?

Using *Labour Force Survey* data to construct a profile of the characteristics of the self-employed in the UK, we can address such questions as: who are the self-employed, where they work, what kind of work do they do, and what factors influence the propensity of various members of the workforce to become self-employed. By doing this, we find that:

- The self-employed are an extremely heterogeneous group embracing high level professionals through to low-skilled manual workers.
- Men are around three times as likely as women to be self-employed.
- The self-employed are less likely to work part-time than their employee counterparts, reflecting the under-representation of women.
- The propensity to be self-employed appears to increase with age and is particularly high amongst those beyond normal retirement age. This reflects the fact that the self-employed do not have to retire at a specific age, but may also mean that some self-employed are unable to retire due to lack of adequate pension provision.
- Self-employment is much more likely amongst married than single people. In the event of separation, the male partner appears more likely to inherit the business than the female.
- Compared with the ethnic majority Anglo-Saxon population, Asian members of the workforce are considerably more likely to be self-employed, and Afro-Caribbeans much less so.
- Amongst men, there is a weak negative relationship between qualifications and self-employment rates though certain qualifications (graduate, professional and craft qualifications) are associated with higher than average male self-employment rates.
- Amongst women, these specific professional and craft qualifications are again associated with high likelihood of self-employment. Thereafter, however, there appears to be an overall positive relationship between level of qualifications and self-employment propensity (the opposite of the case for men). Some of the highest self-employment rates amongst women occur amongst those with graduate or equivalent qualifications. One possible explanation offered for this gender difference is difficulties faced by well-qualified women in achieving career advancement within employing organisations.
- The concentration of self-employment varies greatly with sector, with high rates of self-employment in agriculture, construction and the private service sectors, ployment have low self-employment rates, suggesting that unemployment as a stimulus towards self-employment is outweighed in the longer term by the fact that the areas involved tend to provide the poorest economic climate for the survival of new enterprises.
- Propensities for self-employment are strongly influenced by a tradition of self-employment within families.
- Consistent with the popular stereotype of the 'workaholic' small business owner, the self-employed appear to work considerably longer hours than their employee counterparts.
- It appears that some time after an increase in the number of new entrants to self-employment, the number leaving self-employment also increases.
- Women and young people formed a disproportionately large part of the inflow into self-employment during the 1980s. By the second half of the 1980s, they were also found in increasing proportions amongst those leaving self-employment. There was also some tendency for the new self-employed to be better qualified than their predecessors.

Fig 12 - DISTRIBUTION OF UK BUSINESSES (1996)



Source: Labour Market Trends, October 1997

SIZE PROFILE OF FIRMS IN THE UK

One of the most notable features of the changing labour market scene during the 1980s and 1990s has been the sheer growth in the numbers of self-employed. Of 3.7 million enterprises in the UK at the beginning of 1996, only 32,000 had 50 or more employees and 2.5 million were run by self-employed people without employees. *Labour Force Survey* data shows an actual decline in the number of small businesses with employees in recent years and a massive growth of those without.

EU definitions of small, medium-sized and large and suggest that, at the beginning of 1996, small firms employing up to 50 people (including those without employees) accounted for 99 per cent of businesses, 46 per cent of non-government employment and 42 per cent of financial turnover. By way of contrast, the largest 7,000 businesses (approximately 1 in every 500) still accounted for 42 per cent of employment and 44 per cent of financial turnover (see **Figure 12**).

Construction accounted for the largest number of firms without employees,

embracing almost 29 per cent of such businesses. This was followed by real estate, renting and business activities with 16 per cent and wholesale, retail and repairs with 11 per cent. Size class zero enterprises accounted for between 20 and 30 per cent of turnover in agriculture, construction and education. More detailed sector statistics show employment to be particularly reliant on small firms in areas as varied as real estate, recycling, computing plus the manufacture of wood and wood products. By way of contrast, some sectors are still very much dominated by large businesses - gas and water supply, mining and quarrying, financial intermediation and manufacturing, for instance.

APPENDIX 2 - ADDITIONAL INFORMATION

As an aid to the interpretation of the various figures (histograms), we have included some further information about the firms responding to this survey. The analyses involve key variables, and **industry sector**, **region** and **employee size** are those most frequently used as they are reasonably reliable indicators and less prone to misinterpretation.

Industrial sectors - based on the descriptions supplied by respondents, each firm is coded according to the Standard Industrial Classification (SIC 1980). Firms are then grouped into manufacturing, business services, retail/distribution. From 1996 onwards, firms falling outside these 3 bands - previously classified as 'other' - are now allocated to the foregoing sector which offers the closest match.

Regions - firms are also classified according to their physical location, namely, North, Midlands and the South.

Employee size - finally, firms are placed in

bands according to the number of employees. Each part-time employee is assumed to be equivalent to 40 per cent of a full-time employee ('FTE' = full-time equivalent). All of the surveys to date have received only a small number of responses from firms with 50 or more FTE employees. These responses have been **included** in the breakdowns for the sectoral and regional analyses, but have been **excluded** as a '50+FTE' band in the **employee-size** analyses (the 'All' band in each histogram includes all usable responses regardless). This is because a percentage breakdown band based on just two or three firms may not be representative of this size of business.

DISTRIBUTION OF FIRMS

The highest concentration is in business services (40%), closely followed by manufacturing, see **Figure 13**.

The sub-sample in the **Midlands** for this survey has 41% of the smallest businesses (see **Figure 14**).

Fig 13 - INDUSTRIAL SECTOR: BY REGION

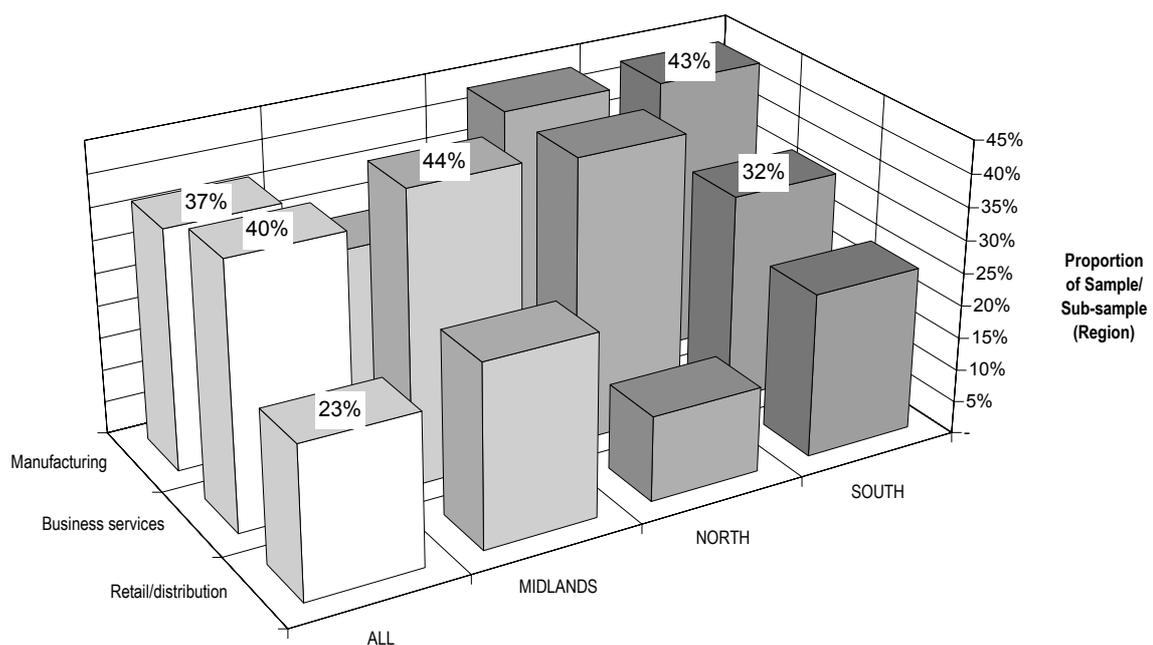
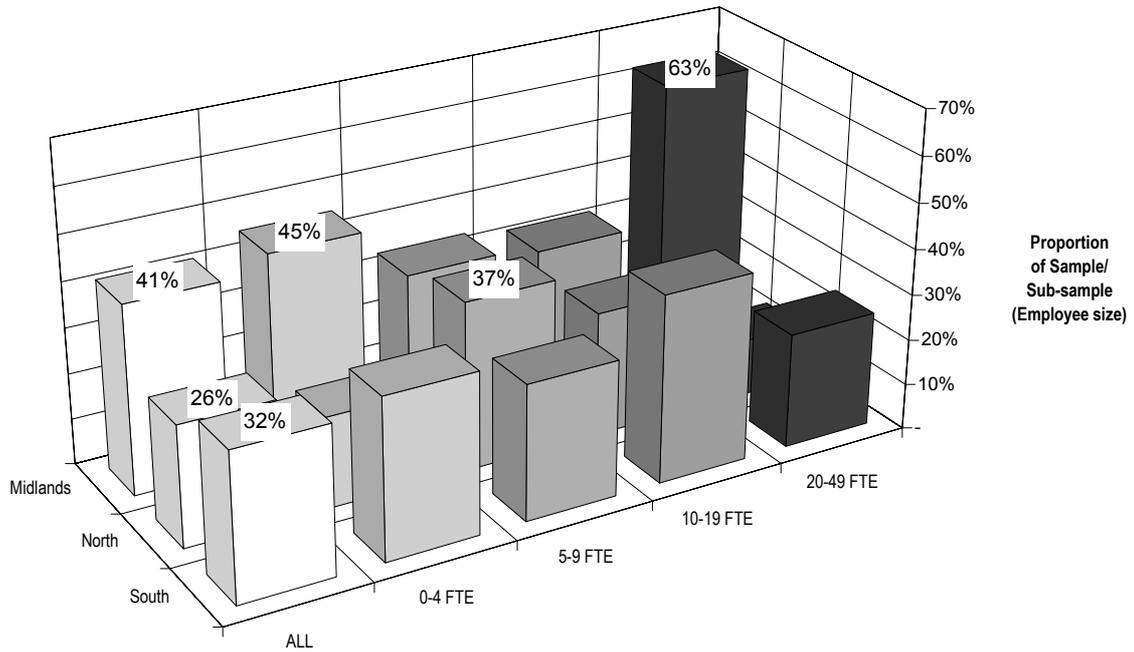
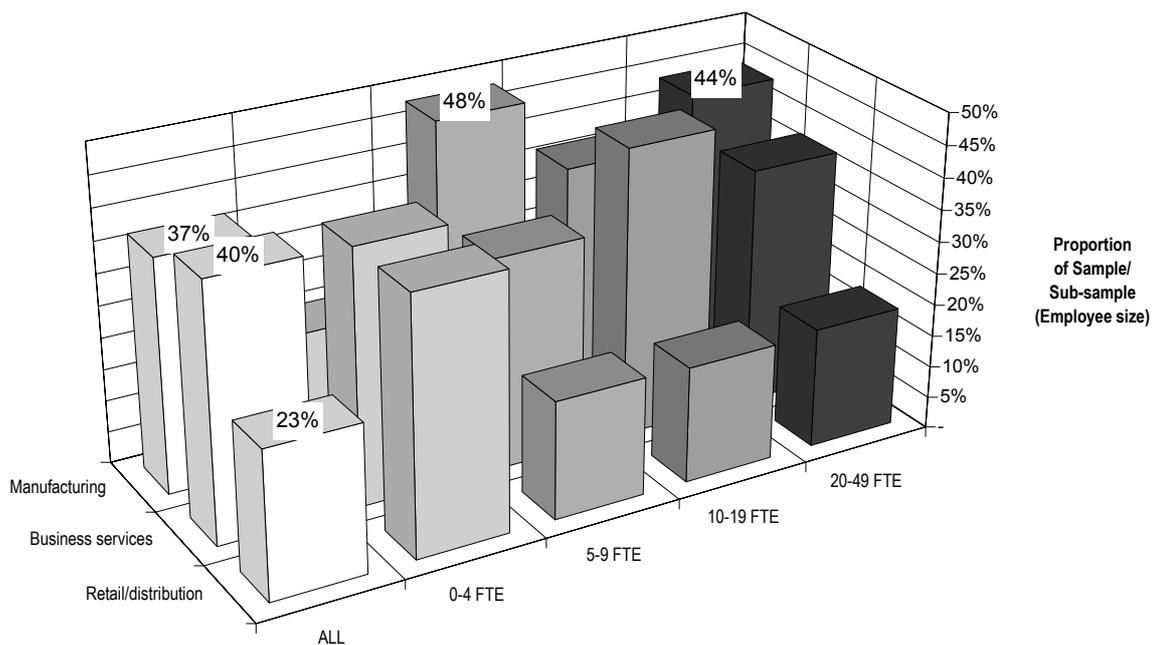


Fig 14 - REGION: BY EMPLOYEE SIZE



The **manufacturing and business services** firms in the sample tend to be larger, in terms of employees, whereas the firms in retailing/distribution tend to have fewer full-time equivalent employees (**Figure 15**).

Fig 15 - INDUSTRIAL SECTOR: BY EMPLOYEE SIZE





Lloyds Bank/Small Business Research Trust
**Quarterly Small Business
 Management Report - No.20**

This questionnaire will take approximately 5-10 minutes to complete - most answers require only a single tick. All information received will be treated in complete confidence. **PLEASE DESPATCH AS SOON AS POSSIBLE.**

MANAGEMENT ISSUE: Business Support Agencies

1 Please indicate the number of people working in your business (including yourself):

Full-time : _____ A

Part-time (16 hours/wk or less) : _____ B

2 Government support for smaller businesses - Which of the following areas do you think should be government-funded:

✓ Against all which apply

Start-up advice A

Training for managers B

Accreditation for quality/Investors in People C

Diagnostic health checks D

Information services E

Business counselling F

Financial advice G

No areas - the government should play no role. H

3 Business support services used - Which of the following has your business used in the past 24 months, indicating whether they were free, or paid for:

✓ Against all which apply

Free Paid For

Start-up advice A

Training for managers B

Accreditation for quality/Investors in People C

Diagnostic health checks D

Information services E

Business counselling F

Financial advice G

1 2

4 Quality of business support services - For those used, noted in Q3, please rate the quality of the service provided:

Just ONE ✓ for each support service used

SERVICE QUALITY
Poor Reasonable Good

Start-up advice A

Training for managers B

Accreditation for quality/Investors in People C

Diagnostic health checks D

Information services E

Business counselling F

Financial advice G

1 2 3

5 **Cost of business support services - Generally speaking, for those services shown in Q3, what do you think is a reasonable daily rate:** **Just ONE ✓ only**

Nothing - they should be provided free of charge ... A

No more than £100/half-day..... B

Between £100-£199/half-day C

£200-£349/half-day D

£350-£499/half-day E

£500 or more/half-day F

Other (please state): _____ G

6 **Business support agencies used - Which of the following agencies does your business use on a regular basis (twice a year or more):** **✓ Against all which apply**

Business Link/Business Connect A

Chamber of Commerce..... B

Enterprise Agency..... C

Training & Enterprise Council (TEC)..... D

Local Authority E

Trade Association F

7 **Services on offer - For the support agencies in Q6, above, would you say that you are aware of the range of services that each has to offer ?** **Just ONE ✓ only**

Yes - I have a **good** awareness, overall A

Yes - I have a **partial** awareness..... B

No - It might be useful to find out more C

No - I doubt whether finding out more is worthwhile D

8 **Government support - An appreciable annual budget is spent on small firms support, with contributions from business taxation. Which ONE of the following approaches would you prefer:** **Just ONE ✓ only**

Increase the Government budget for small firms support **significantly**..... A

Increase the small firms budget **modestly** B

No change..... C

Reduce the small firms budget **modestly**..... D

Reduce the small firms budget **significantly**..... E

Don't know F

9 **Support agencies for smaller businesses - If you have any strong views about the topic, especially if you feel that any aspect is not fully appreciated by important sections of the business community (such as the government help agencies or the financial services sector), then please comment**

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