



Government proposals for the small business service

1. FEDA is the leading development body for post-16 education and training, focussing on post-16 policy, research and quality improvement. FEDA welcomes the Government's proposals for a dedicated, small business service (SBS) to meet the needs of small and medium-sized enterprises (SMEs). We share the Government's ambition to support a dynamic and enterprising small-business sector and to ensure that legislation and regulation do not unduly hamper this development.
2. Given FEDA's research and development function, we support measures that encourage the small-business sector in the development of their knowledge, skills and creativity to thrive in the global marketplace, and to view this development as a continuous process for employers and their workforce. The White Paper *Our competitiveness future: building the knowledge-driven economy* (1998) urges companies to form collaborative partnerships with schools and universities. While we applaud this we are concerned that the FE sector is not explicitly referred to in the White Paper – or in the SBS consultation paper.
3. We note that key roles of the SBS are proposed as being to work to improve understanding of the needs of small business, to secure coherence in support measures and to conduct research. As the country's major provider of skills development, FE-sector colleges are able to provide a vast range of learning opportunities, ranging from basic skills in the workplace to higher-level technical skills. This contribution was recently referred to by Alan Johnson, the Minister for Competitiveness, at a joint FEDA, National Training Organisations'

National Council (NTO NC) and Department of Trade and Industry (DTI) seminar *Skills and enterprise: a challenge to further education and industry* (2 September 1999). He observed:

There is a crucial role for further education in:

- *tackling intermediate level skills*
- *supporting and encouraging entrepreneurs*
- *working with businesses, particularly local small and medium-sized firms.*

4. The capacity for local delivery by the FE colleges is ideal for small businesses, where time away from the job is at a premium.

A strong voice for small business

5. We welcome the appointment of a chief executive for the SBS, to secure a strong voice for small firms at the heart of Government. Clearly, the SBS chief executive will need to relate closely to the Learning and Skills Council (LSC), to both its committees and to the regional development agencies (RDAs).
6. If the small-business sector is to develop, the skills and knowledge required to create and run a successful small business will need to be included in all provision for 14–19-year-olds, as well as specific provision for adults. As the Durham University Business School (DUBS) learning programme *Working for myself* illustrates, this provision should include life skills associated with being self employed, or working within a small firm, as well as practical and creative skills. It is vitally important for small businesses that the skills and knowledge developed in education and training provision are relevant to the needs of today and

can be quickly adapted and updated to meet the needs of tomorrow. The needs and aspirations of SMEs must be strongly articulated throughout the LSC, and in the skills analysis of the RDAs.

Coherent support

7. It is vitally important to ensure that support for small business is directly related to their needs. We recognise that this is fraught with difficulties. SMEs are not a homogeneous group – the needs of a high-tech, micro start-up business will be different from a medium-sized manufacturing firm wishing to expand, and it would be useful to segment the sector to ensure these differences are taken into account.
8. SMEs are often perplexed by the seemingly contradictory – or competing – support programmes available, each with their own complex set of rules, timetables and with outcomes that are likely not to be in tune with the needs of particular SMEs. Apparent competition between intermediaries – all eager to secure their target outcomes – is also perceived as a waste of public funding.
9. A further area for consideration is the extent to which SMEs are able to articulate their development needs and how appropriate support is subsequently fashioned. A range of support measures must be available, and imaginative delivery methods are required. Networking, telephone advice, workshadowing, open and distance learning, best-practice exemplars, and ILT solutions are required as well as formal training programmes.
10. The effect of new technology on small businesses is already being seen in terms of:
 - changes in working practice
 - the new skills required to use new technology effectively
 - the use of ILT to develop these skills.
11. Discussions at the recent FEDA, NTO NC and DTI seminar indicated that in SMEs particularly, access to computers varies across the company. Ownership and location of equipment is an important issue. ICT offers the potential for learning flexibly, but the availability and use of it will vary and a small company may not be able to free up computers for training purposes, or this use may be restricted to senior members of staff. While there are great advantages to be derived from the availability of ICT in the workplace – such as peer support and direct relationship to the workplace – other associated costs, such as telephone charges and line rental, could be a disincentive.
12. We therefore agree that a judicious mix of innovative, technology based solutions and face-to-face support

is required. Findings from a FEDA research project, *Promoting learning in SMEs* (1998), indicate that direct personal contact is the most effective method of securing the take-up of support or training by SMEs. However, once relationships are established, it is possible to use other methods successfully.

13. The proposal to provide support at each key stage of the firm's development is also useful and often networking or mentorship, particularly for business start-ups, is more likely to be helpful than formal, training measures.
14. We would therefore urge a partnership approach on a local basis, that is informed by a clear understanding of local needs, coordinates existing sources of support and supplements this with additional measures.
15. The need to ensure that all learning programmes are accessible through a single SBS gateway is of particular importance. Programmes such as Modern Apprenticeships and National Traineeships need to be as relevant to small business as to large firms. Here again, FE colleges could play an important role in providing off-the-job training and ensuring that trainees have broader experience and training than may be available in a small firm, perhaps in association with NTOs.

Knowledge transfer and competitiveness

16. Activities to promote knowledge transfer or to improve competitiveness in particular sectors may also be best provided by partnership arrangement between NTOs and FE colleges, particularly in view of the NTOs' remit to articulate the skills and competencies required in their respective sectors.
17. There is also an untapped potential for quick and inexpensive action research provided for local businesses by their local FE college, and for the development of test centres that could be of significant support to particular sectors, such as the print or textiles industries. FEDA is supporting the development of a research function in colleges, and there are many instances where local or sector-related colleges could undertake research for small firms.
18. Many colleges have centres of excellence, usually in association with other providers and companies.

For example, a partnership approach to technological excellence in Cumbria developed from discussions at a college–employer liaison committee. In a county where 70% of companies employ 1–10 people, the problems of a widely dispersed SME base and difficulties of securing access to training were exacerbated by a lack of new technology within

the companies. Employers led the development of the partnership, with all other partners making a contribution to overcoming the infrastructure challenges. The partnership aims to improve the skill base of the county – and thereby increase employment – and to pursue a long-term strategy to change perceptions about careers in engineering. Collaborative bids for funding have since been successful, and a technology learning centre and centre of excellence have been developed. Among the many benefits to businesses in the area is the facility to undertake on-line training needs analysis and, subsequently, training at 40 in-company centres.

19. Such developments are not uncommon, and the role that the FE colleges could play in initiating and sustaining them should be capitalised upon by the SBS.
20. Some knowledge-based micro businesses are already networking to cascade knowledge and expertise from training programmes or initiative development. These partnership arrangements could be extended with shared resources contributing to economies of scale and rapid knowledge transfer in learning companies.
21. The responsibility of large companies for the development of their supplies chain also needs to be strengthened. The brokerage role of the SBS will be important here.

Advice and information

22. FEDA welcomes the proposal for a website, especially if this is updated regularly to ensure that information is up to date and accurate and has direct links with other relevant sites. A question-and-answer facility would also be useful for solving problems and providing information, as well as for networking and exchange of good practice.
23. Learning Direct should already be providing advice and guidance on learning opportunities for SMEs. This model should be extended and initial advice and guidance through a call centre should provide dedicated advice and guidance for SMEs. There is, however, a difficulty in ensuring that information is sufficiently detailed and local to meet the needs of small business. Concerns that the information held on databases is accurate and up to date and that operators understand the need of small business, would need to be addressed.

Links to social, and other, policies

24. FEDA agrees that the SBS could play a vital role in promoting legitimate entrepreneurial activity in deprived communities, and among disadvantaged groups. This would engage individuals and communities in developing solutions to local deprivation

and disadvantage. The importance of recognising the role of education in local strategies for economic regeneration must not be overlooked.

25. A majority of minority-owned businesses do not seek mainstream business support mainly because existing support arrangements do not recognise the existence of racial, and sectoral differences that exist in the minority-business community. In a recent FEDA survey in North London, it was observed that 25% of small businesses did not use any support services in any one year, and the majority of these businesses were owned by minorities. The SBS should be able to encourage and support the development of a holistic minority-business strategy, as well as the establishment of minority-led financial institutions to support it. This could help solve the current problem minority businesses face regarding output-driven initiatives without sustained programmes aimed at improving on the existing business infrastructure.
26. The SBS may also help improve on networking amongst minority entrepreneurs as a strategy for improving small-business performance. In addition, the real potential of self-employment for people with physical disabilities is an area that could be further explored.

A simple gateway

27. FEDA welcomes the single local outlet for all Government services to small business and recognises the key role of the chief executive in ensuring that this is achieved. There will be a need for extensive knowledge at local level to ensure signposting is impartial and informed. Definitions of 'local' are important. While ICT has diminished the importance of place, the time involved in travelling to sources of support is still important to small businesses, as is sustained personal support on a face-to-face basis. There could be an important role for colleges – operating locally as satellites and access points for SBS. While the link with the proposed local learning and skills councils makes sense, it will be important to ensure that the geographical area served by the local SBS is not too large. Sector-based developments will also be required, and these will cross regional boundaries.
28. The call for a consistent and coherent approach across Government departments is compelling – the use of public funds to support business requires transparency and careful stewardship. However, we would caution against the view that total coordination should be the ultimate goal. In a relatively free market there will invariably be 'free range' activity. Many of the essential support areas for SMEs, particularly in the finance and legal sectors, are in the private sector. Many small-

business owner/managers are suspicious of anything smacking of officialdom. A persuasive and collaborative approach is therefore required.

Legislation

29. It is important to ensure that legislation and regulation concerning qualifications and access to public funding for training takes into account the needs of small businesses, to ensure that:
 - qualifications are available to accredit smaller chunks of knowledge at all levels
 - subsidies towards the cost of training, and for qualifications where these are seen to be relevant, are available to small firms and employees in SMEs.
30. We would hope that the SBS would also exert influence in simplifying regulations for EU support measures, and ensuring that the categories for support are more flexible and reflect real needs. FEDA has identified major concerns with, for example, the ADAPT programme, both in the complexity of the regulations and the inflexibility of the eligible support that the fund provides. There are significant difficulties associated with securing matched funding, particularly from the public sector, and in meeting the targets for numbers of SME beneficiaries. Even though the support provided is free of charge, the cost of releasing staff to take part is a barrier to access. A further inhibiting factor is the sometimes inexact match between the support provided and the perceived needs of the SME.
31. There is a real danger that providers will be reluctant to be involved in such projects in the future, because of the likelihood of losing money.
32. We welcome the proposals for small-scale equity finance alongside loan guarantee and venture capital funds. The short-termism that is a feature of many small businesses, and the emphasis on rapid returns on investment, can reduce the concentration on both product and human-resources (HR) development. We would urge that a condition of allocation of financial support is that Business Plans should include targets for product and HR development.

Support for micro businesses

33. FEDA welcomes initiatives aimed at micro businesses to secure growth and innovation. We recognise the need to target support and that resources are limited, but would hope that intervention is complementary or supplementary to other sources of support to ensure equitable coverage across this diverse customer base.
34. FEDA has recently undertaken a project that piloted a local partnership approach to the provision of support for micro businesses. The partnerships reviewed sources of support available locally for:
 - business planning
 - financial advice
 - training and development.The partnerships included training providers from the public and private sector, TECs, Business Links and Chambers of Commerce.
35. The key findings from this project were:
 - a strategic and systematic approach to provision of support for SMEs is required
 - the various intermediaries need to be aware of their respective roles and contributions
 - support for micro businesses should be coherent and coordinated to avoid confusion and duplication of effort
 - all support should start from the premise of providing business solutions
 - the language used by intermediaries needs to reflect this premise
 - businesses that are linked into their Chamber of Commerce or small-business club are more likely to seek support.

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