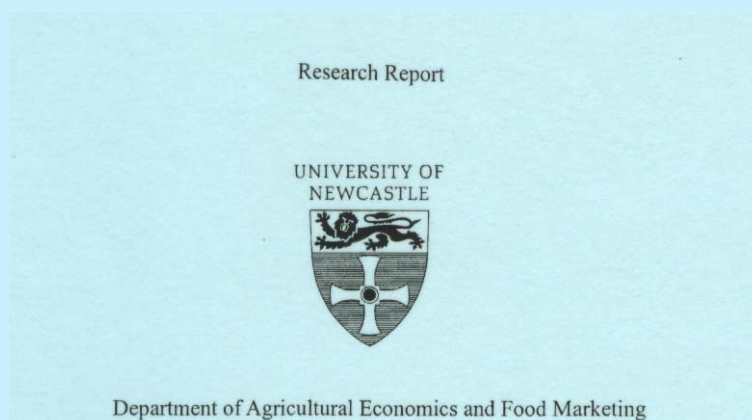


**PROVIDING ADVICE AND INFORMATION
IN SUPPORT OF
RURAL MICROBUSINESSES**

Philip Lowe

Hilary Talbot



Centre for Rural Economy

Research Report

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PREFACE

Through providing a review of business support services for rural microbusinesses this report, alongside the interim results of a major postal survey of microbusinesses *Rural Microbusinesses in North East England: A Survey*, concludes Phase II of the rural micro-businesses project in the North of England. The overall project focuses on microbusinesses, defined as those which employ fewer than 10 staff (full-time equivalents), in the rural areas of the counties of Durham, Northumberland and Tees Valley. The project's broad aims are to ascertain the nature and needs of rural microbusinesses and to understand their existing relationships with business support agencies and where these relationships could be usefully developed.

In preparing this report, we are extremely grateful to all the business support providers who gave their time to be interviewed. The work would not have been possible without the financial assistance of the Rural Development Programme, the European Regional Development Fund (Northern Uplands Objective 5b) and the University of Newcastle, and the support and co-operation of the research programme's consultative forum.

1 INTRODUCTION

This is a report from one strand of a wider project on rural microbusinesses, which also includes a major regional survey and local studies of rural microbusinesses in the North East of England. The present strand is about the advisory and information services available to such firms in the form of business support. By business support we mean that which is publicly provided or publicly funded. Business support is an aspect of small firms policy.

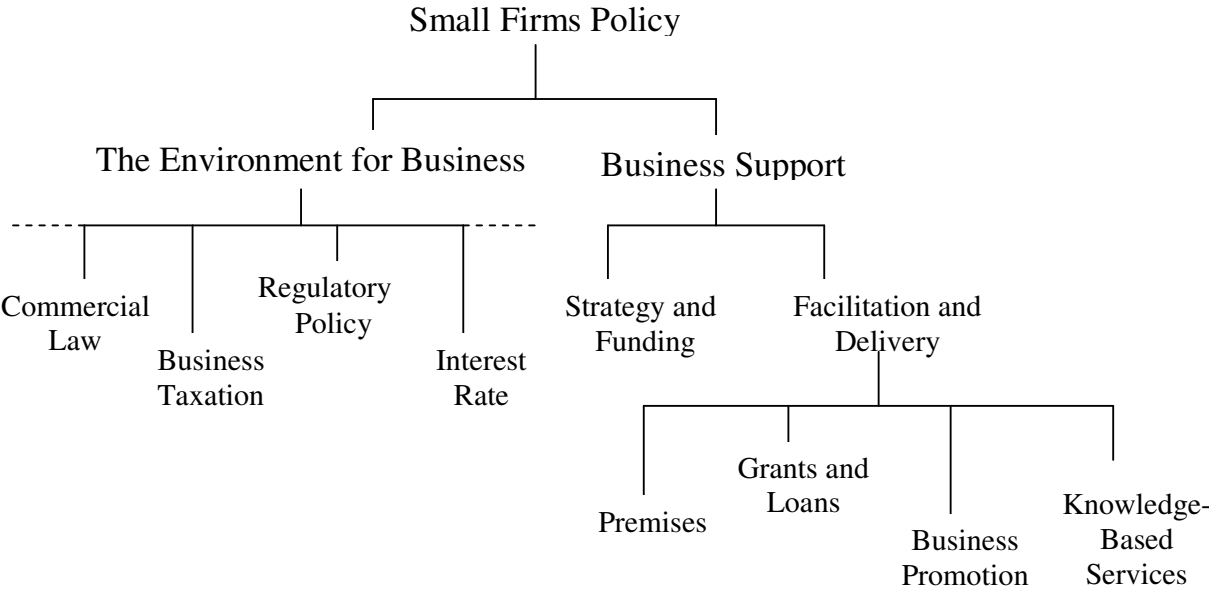
Since the shift in outlook in economic policy in the late 1970s from demand management to the supply side, small firms have been seen as a vital component of the competitiveness of the national economy. Policy has sought to provide both a supportive business environment and business support services specifically orientated towards small firms. The former is potentially very broad and includes, for example, aspects of macro-economic policy, business taxation, commercial law, regulatory policy, infrastructure provision, science policy, education and training. Business support services have a narrower compass and are intended to improve the internal workings of firms. They are targeted at individual firms or groups of firms.

This report concentrates specifically on knowledge-based services i.e. the provision of information and advice. Other services may include financial support (grants or loans), workspace provision and business promotion. Figure 1 represents diagrammatically the place of knowledge-based services both amongst the range of business support measures and within small firms policy. Clearly they are just one component of that policy. Yet their importance should not be underestimated. They are the business

support measure that is most widely available and used. Indeed, they are often the point of entry for firms to gain access to other services because a key element of business advice is to inform firms about the various support measures for which they may be eligible. In another respect business information and advice are central to small firms policy as the prime means whereby government communicates with small firms. Thereby, such firms are informed about relevant programmes, schemes and regulations. Conversely, the proposals for the Small Business Service seek to enhance its effectiveness as a conduit relaying the concerns and requirements of small firms back to central government. Finally, the effective provision of knowledge-based services to business becomes an ever more important factor in the transition to a knowledge-based economy. It is for these various reasons that information and advice are the most discussed and debated measure for business support.

Of course, government is not the only formal provider of business information and advice to small firms. A great deal is also done by banks, accountants, private consultants and trade associations (quite apart from the informal information and advice that managers of firms receive from their business and social contacts). The focus of our report is on publicly supported provision and how it could be improved. Of course, a crucial aspect of that is how public provision complements and interfaces with private provision. The distinction, though, is not as hard and fast as it would first seem because, for a variety of reasons, governments have often chosen to deliver support to business through private sector organisations or hybrid organisations (part private/part public)

Figure 1: The Place of Knowledge-Based Services in Small Firms Policy



The background work for the report involved:

- studying national and local business support policies and practices
- discussions and mutual learning sessions in the project's Consultative Forum which brought together both providers and customers of business support
- interviews with deliverers of business support (Table 1 presents the range of organisations involved in providing business support in the rural North East, and the Appendix gives details of the interviews conducted).

This work was done in 1999 and a complication was that considerable reorganisation was taking place at the time in business support structures relevant to rural microbusinesses. Regional Development Agencies were established absorbing the rural regeneration work of the Rural Development Commission. The RDC's other functions including its advisory and promotional work on rural social and economic matters, were absorbed into the new Countryside Agency. It was also announced that the Business Links network would be reconstituted as the Small Business Service. Although having therefore to aim at a moving target, the report has grasped the opportunity to address the issues raised in these far-reaching organisational changes.

The report has the following structure. The next section (Section 2) provides an analytical framework for considering business support needs and the evolution of provision to assist small rural businesses. Section 3 reports on those who provide generic business advice and how they approach their rural responsibilities. Section 4 looks at what services are offered by specialist business advisers to rural clients.

Table 1 Business Support Provision Impacting on the Rural NE

(a) Organisations

Organisation			Strategy and Funding			Facilitation and Delivery			
	Interest in Rural Areas	Interest in Micro Firms	Setting Policy Direction/ Organisational Framework	Producing Area Plans/ Strategies	Direct Funding of Schemes/ Projects for Business Support	Planning and Provision of Premises	Providing Grants, Loans to Firms – startups, existing, incoming	Encouraging Local Self-help and Promotional Schemes	DELIVERING Knowledge-Based Services to Firms
EU DGVI	√√	√√	Yes						
EU DGXXIII		√	Yes						
DTI		√	Yes		Yes		Yes		Yes
DfEE		√	Yes		Yes				
MAFF	√√	√√	Yes		Yes		Yes		
Countryside Agency	√√	√√	Advice role	Advice role	Yes	Consultee			
FRCA	√√	√√	Advice role	Advice role		Consultee		Yes	
Chamber of Commerce	√	√√			Encourage take-up			Yes	Yes
NFU	√√	√√	Influencing role		Encourage take-up			Yes	Yes
CLA	√√	√√	Influencing role		Encourage take-up				Yes
ADAS	√√	√√			Encourage take-up				Yes
Consortium of Rural TECs (CORT)	√√	√√	Influencing role						
GO	√	√		Admin role	Admin role	Regional guidance	Yes		
Regional Development Agency	√	√		Yes	Yes	Consultee	Yes	Yes	
Business Link	√	√		Yes	Yes			Yes	Yes

Organisation			Strategy and Funding			Facilitation and Delivery			
	Interest in Rural Areas	Interest in Micro Firms	Setting Policy Direction/ Organisational Framework	Producing Area Plans/ Strategies	Direct Funding of Schemes/ Projects for Business Support	Planning and Provision of Premises	Providing Grants, Loans to Firms – startups, existing, incoming	Encouraging Local Self-help and Promotional Schemes	DELIVERING Knowledge-Based Services to Firms
TECs	√	√√		Yes	Yes		Yes		Yes
Local Authorities	√	√		Yes	Yes	Yes	Yes	Yes	Yes
Enterprise Agencies	√√	√√				Yes	Yes		Yes
FE Colleges	√	√			Yes				Yes
Agricultural Colleges	√√	√			Yes				Yes
LANTRA	√√	√√							Yes
Tourist Board	√	√√			Yes			Yes	Yes
Prince's Youth Trust	√	√√			Yes		Yes		Yes
Partners in the Countryside	√√	√√			Encourage take-up			Yes	
Rural Community Councils	√√	√		Influencing role	Encourage take-up			Yes	

(b) Funding Schemes

Objective 5b	√√	√		Yes	Yes		Yes	Yes	
Objective 2	√	√		Yes	Yes		Yes		
SRB	√	√			Yes				
LEADER	√√	√√			Yes			Yes	

Key

- √√ Organisation/type of organisation has a focus on this area of interest
- √ Organisation/type of organisation has a general interest in this but not a specific focus

2 FRAMEWORK FOR ANALYSING BUSINESS SUPPORT

This section sets out a framework for analysing business support. It presents first a conceptualisation of business support needs. It then rehearses the justifications for government action to support small businesses, drawing out the rural dimension. Next it sketches out the evolution of general policy for business support and small firms over the past decade. Then it looks at how support for rural businesses has been affected. Finally it outlines the history of the one major specialised support service that has existed for one category of rural firms, namely agricultural businesses.

2.1 Conceptualising Business Support Needs

A firm's relative ability to learn may be conceived as the root source of its competitive advantage. Learning is a continuous process. There will be variations - from firm to firm and by different types of management decision - in the relative dependence on internal or external information and expertise, or on informal or formal sources of advice and knowledge. Fundamentally, though, that dependence is likely to be strongly structured according to the size of the firm (Westhead and Storey, 1995).

Large firms typically have access to a much greater range of internal expertise, whereas small firms are much more dependent on their external environment for advice and information. At the same time, small firms would be expected to experience a greater level of 'external uncertainty' due to their lack of market power to modify the external environment. Typically their response is to behave adaptably, making the most of their external interactions and contacts and the informal advice and information

they can glean from them. Larger firms, in contrast, are much more likely to draw on their own internal advice and expertise and, when they choose to look outside for business support, are more likely to search out and use formal sources. They are better geared up and able to afford to do so, and therefore in turn business support services tend to be more responsive to the needs of larger firms (Devins 1996, Gorton 1999).

In keeping with the above analysis, Gibb (1996) conceptualises the small firm as a learning organisation within a stakeholder environment. The complex network of economic relationships, dependencies and mutual obligations surrounding the firm are sources of both formal and informal advice and information which shapes its learning processes. The ability of a firm to manage its inter-dependency with stakeholders (such as the family, bank, customers, suppliers, big firms) is crucial. Survival may depend on learning from stakeholders. Information from them may help the small firm to scan the wider business environment, to anticipate changing needs and requirements, and to adapt.

This is a two-way process, with the small firm also educating other stakeholders. For example it can help clients to become good customers (e.g. identifying needs accurately) and assist banks, regulators, and providers of business support in understanding the culture and requirements of the small business owner. Through the improved understanding of counterpart needs and expectations, the building up of trust and reciprocity, such learning partnerships have the potential to reduce transactions costs for both sides in dealing with each other. Small firms, by means of their holistic task structure (rather than the functional separation found in larger organisations) are well placed to participate in networks, interpret the intelligence gained, and then act upon it.

There is some empirical evidence to substantiate these generalised expectations. Case studies of 60 SMEs found the most commonly consulted sources of external information were informal sources such as customers, journals, trade associations, competitors, trade shows and contacts in the same industry (Bryson and Daniels, 1998).

The 1997 Cambridge study (Cosh and Hughes, 1998) found that micro-businesses were less likely to use external consultants for all fields of advice except tax management (perhaps because it is a statutory duty) and advertising. Table 2 shows the six sources of advice most commonly used by firms. Again micro-businesses make less use of them across the board except for business friends/relatives.

Table 2: Percentage of firms using business advice in the past three years

Source of advice	All Firms	Micro-businesses
Accountant	82.8	81.7
Solicitor	55.9	40.7
Bank	61.6	56.1
Business friend/relative	37.8	43.6
Customers	47.2	43.9
Suppliers	36.4	33.5

The disparity is reproduced when we look specifically at public sector sources of advice. Nineteen per cent of micro-firms had used Business Link services, compared with 27 per cent of firms overall. Although the pattern of use between different types of Business Link services was broadly similar (see Table 3), a modest difference in levels of satisfaction with the services used was found, with fewer micro-businesses being satisfied. It is uncertain why this is so but other studies have shown that sometimes the business advice can be too costly to implement (Devins, 1996) or is targeted more towards the needs of larger firms (Gorton, 1999).

This raises questions about the objectives and justifications of business support policy.

Table 3: Business Links services used

Advice	<i>Percentage of firms using Business Link services</i>	
	All Firms	Micro-businesses
General business information	59.7	62.1
Diagnostic assessment	22.9	18.6
Personal business adviser (PBA)	29.1	28.8
Sales and marketing advice	30.9	36.2
Export advice	23.6	14.1
Finance and accounting advice	15.9	18.6
Training/Investors in People	40.5	20.9
Product/service design advice	6.8	4.5
Innovation and technology advice	16.6	15.3
Education and university links	13.6	6.2
Grants	50.4	44.1
Any advice	57.9	59.3
Any advice or PBA	65.8	65.0
Number of respondents	573	177

Source: Cosh and Hughes, 1998, p.62

2.2 Justifications for Government Action to Support Small Business: the Rural Dimension

Business support policy has a number of objectives. At its most general it is concerned with improving the competitiveness of firms. Much business support is targeted at assisting the expansion of firms, either to boost economic growth in general or more specifically to generate employment. The latter is often the main objective of regional or local development agencies. Small firms policy may have other broader aims of a more social nature e.g. promoting a culture of self-help or support for key community services such as a village shop. These various objectives may have a

geographical focus aimed at the regeneration of particular areas. In this respect, rural areas and their economies have special requirements.

Three major strands of argument can be adduced for small business support policies. The following is a brief description of each, drawing out the rural dimension.

Neo-liberal arguments: The case for government support for small businesses is based either in market failure – particularly the tendencies towards concentration in the economy which reinforce the economic and political power of the corporate sector – or in government failure – namely that the effects of government intervention in the economy are not scale neutral. The rural dimension to these arguments arises from the fact that rural economies are overwhelmingly made up of small business and will thus tend to be disadvantaged by systems that are in some way biased against small firms.

Social economy arguments: Social networks that promote mutual trust and facilitate cooperation among business people and managers are important to the efficient functioning of markets. Small firms tend to be much more socially embedded than larger firms. Business formation and development may be a means of promoting social integration and cohesion. Some rural areas are well endowed in these respects, making them economically and socially dynamic. But in other areas, disruptive rural restructuring has led to extensive economic exclusion, and social or geographical isolation may hamper the development of broad, informal networks among entrepreneurs and managers.

Governance arguments: In a mixed economy, government relies extensively on the private sector to achieve many aspects of public policy.

In the past, this mainly focused on the corporate sector. The growing significance of small firms in the economy inevitably means that they come to share this role too. At the same time, partly as a consequence of the philosophy of 'rolling back the state' and the search for market-based solutions, the public and social responsibilities thrust upon business have grown. The rural dimension to these governance arguments resides in the fact that small firms have for long been a key instrument of the major policies for rural areas including both agricultural and rural development policies.

Justification for publicly funded small business support has shifted. It used to be based on an absolute notion of market failure: i.e. that tendencies towards concentration in the economy reinforced the political and economic power of the corporate sector to the detriment of small firms. The overall situation, though, has changed considerably over the past twenty years, with a spectacular increase in the number of small businesses and a remarkable revival of their role in the UK economy. The justification for state-funded small business help across the board is no longer so pressing as previously. This calls for a more targeted approach, linked to a relative notion of market failure and greater attention to government failure and wider social objectives.

2.3 The Evolution of Business Support and Small Firms Policy

The Blair Government has introduced significant changes in small firms policy but they build upon rather than overturn what the previous government established. Indeed, there was a greater disjuncture in this field between the Thatcher Governments of the 1980s and the subsequent Major Governments.

The emphasis of the Thatcher Governments was strongly on improving the business environment. The initiatives pursued with some zeal included reducing the tax and regulatory burden on business, freeing up the labour market and rolling back the state. Ministers' particular brand of supply-side economics and view of the role of government were not favourably disposed towards positive forms of business support. Indeed, there was a considerable retreat from government involvement in business decision making, including the dismantling of traditional industrial and regional policy.

The Major Government of 1993-7 saw a departure from these free market ideas, with a new emphasis on partnership between government and business, with government playing a more active and facilitatory role. The architect of these changes was Michael Heseltine, the deputy Prime Minister and President of the Board of Trade. The most significant development was the establishment of Business Links to provide a 'one-stop shop' for information and advice to small and medium sized firms. The framework for Business Links was introduced by Michael Heseltine in 1993 and the national network was completed in 1996. Each Business Link is a private-sector led partnership.

The Major Government also started a series of annual Competitiveness White Papers beginning in 1994. These recognised that policies to do with ensuring a favourable business environment were vital but might not be sufficient, because "in some cases, market imperfections limit the scope which companies have to improve their competitive position" (DTI 1996a para 2.3). That provided the justification for government to fund support services to business.

Small firms were seen as the most needy recipients of business support because of both their economic contribution and their vulnerability to market imperfections. Thus, on the one hand, small firms were seen to "develop new markets, exploit new products and services, ...exemplify the essence of enterprise and lay the foundations for many of tomorrow's medium and large companies" (DTI 1996a, para 3.4). On the other hand, the following were identified as the vulnerabilities to which small firms were particularly prone: to plan only for the short term and to under-invest in skills and management training; to be over-reliant on a small number of customers; to have problems in managing cash flow and in raising money at acceptable terms for expansion; and to suffer disproportionately from the burden of complying with regulation and of dealing with tax administration and paperwork (DTI 1996a, para 3.8).

A series of regional conferences was convened with small firms representatives "so as to involve the small business sector in generating policies to help them". These conferences identified a number of areas as priorities for Government action, mainly to do with improving the business environment for small firms, but including also the quality of business support services such as TECs and Business Links (Institute of Directors 1996). The regional conferences reported that most businesses were unaware of what was available and found the range of support confusing. Companies welcomed the Business Link promise - "all the help a business ever needs, in one place" - but felt that the Government needed to strengthen this effort by addressing the confusion, overlap and lack of customer focus in its many schemes for small firms.

In response to these criticisms, John Major announced a wide-ranging review of the design and delivery of business support schemes. The review

was critical of the fact that there were around 200 schemes in England alone, many of them addressing similar problems and customer groups. Most of them suffered from being “Whitehall-designed”, and focused on particular aspects of business performance rather than on providing a flexible response to the needs of individual business. Too many of these schemes also did not take account of the new, private-sector led infrastructure of TECs and Business Links which had been created for the delivery of business support (DTI 1996a, para 18.6).

The Government's proposals for addressing these problems in England were set out in a consultation document published in June 1996 (Cabinet Office, 1996). It proposed a new approach to business support, building on Business Link, moving away from the traditional concept of business support being delivered through a wide range of centrally designed "schemes". This would involve moving Government support much closer to the business customer, by delegating design and delivery of support wherever possible to private-sector led partnerships, primarily at a local level through Business Link. In practical terms this meant bringing together relevant Government support for small and medium sized businesses into a Local Competitiveness Budget (worth about £200 million a year). The Government would guarantee sufficient resource from this budget to ensure a consistent level of business support across the country. To ensure that the work of these local partnerships addressed the most pressing problems and allowed scope for innovation, a proportion of the budget (initially 10 per cent) would be made available on a competitiveness ("challenge") basis to the most effective partnership bids. The Government also proposed in the future "to relate its funding for business support wherever possible to genuine, quantified impacts on business practice and performance". Examples of the sort of indicators it had in mind were:

- changes leading to improved turnover, exports and productivity
- increased employment
- attainment of the Investors in People standard
- more effective supply chains
- more effective transfer of technology.

(Cabinet Office 1996 para 3.12)

These initiatives of the Major Government set a direction for small firms policy which the change of government in May 1997 did not alter. One commentator indeed remarked “what is so striking about the Blair Government’s policies towards...SMEs is the degree of continuity, in terms of rhetoric and policy, between Labour’s agenda and that of its Conservative predecessors” (Lee, 1998, p.1255). The proposals for the Small Business Service announced in 1999 did mark an advance, and these are considered in some detail below (Section 3.5).

2.4 The Evolution of Policy for Rural Business Support

Until 1996 support services for rural businesses in England were provided mainly by the Rural Development Commission. By the mid-1990s, these services, which had originated in the 1920s, included a loan fund for small rural businesses; direct provision of workspace; 38 directly employed Business Advisers and contracted specialist advisers, operated from a network of local offices; a marketing development scheme; a Sales Promotion Unit and Productivity Centre based in Salisbury; training courses in rural skills; and a redundant building grant scheme. Most of these services were concentrated on the Rural Development Areas designated by the Commission as the rural areas with the greatest economic and social needs and covering about one-third of rural England.

Increasingly, though, these services came under pressure through the broader changes in business support policy which implicitly raised questions about the need for a separate rural agency.

The Rural Development Commission's business service was one of the most distinctive and enduring features of its work. It had existed for so long - over 70 years - in part because of its distinctiveness. While, during most of this period, industrial policy had tended to be sectoral, centralised, big-firm oriented, dirigiste and urban and regionally focussed, the Commission's approach had been non-sectoral, decentralised, small-firm oriented, responsive and rural focussed. The fact that the Department of the Environment was its sponsoring department emphasised the Rural Development Commission's separateness from industrial policy. During the 1980s and the move away from the industrial policy of the post-war years, the Commission actually acquired new relevance because its approach seemed so in keeping with the new emphasis on enterprise and competitiveness, particularly as the focus of policy shifted from big to small firms.

However, as business support became more systematic and interventionist under Major and Heseltine, so the position of the Rural Development Commission was squeezed. The approach that the Government came to adopt towards business support policy - largely non-sectoral, decentralised, small-firm oriented, responsive and territorially focussed - challenged the continued rationale for a separate structure for rural business support. Pressures came from a number of directions.

First, the promotion of Business Links as 'one-stop' shops for business advice meant that the Rural Development Commission was drawn into cooperation with them. By June 1996, the Rural Development Commission had entered into joint-working arrangements with 25 Business Links in Rural Development Areas, and the Government was pressing for such joint arrangements to be extended to all the 33 Business Links that operated in the Rural Development Areas by early 1997. These arrangements included joint branding of services, secondments of staff and co-location of services (House of Commons Trade and Industry Committee, 1996).

Although the Rural Development Commission worked in conjunction with Business Links to provide rural services, its focus was wider than Business Links. The Commission had always taken a view on the need to diversify rural economies away from their dependency on agriculture, but they did not give support to farm businesses which was seen to be MAFF's domain. However they were eclectic regarding what other activities were appropriate to a rural area. An earlier orientation towards craft activities had given way in the 1970s and 1980s to a focus on manufacturing as a sector of the economy where rural areas were traditionally weak. Firms with 5-25 employees, with growth potential, were targeted. But support was also offered to other firms considered of crucial importance to the local economy, where closure would have significant effects on employment opportunities or which offered key local services such as village shops and garages.

The Rural Development Commission was sceptical of the ability of Business Links to understand the problems faced by rural firms. It specifically disputed a statement in a government consultation paper that "Business Links are increasingly focusing on the needs of rural companies"

(Cabinet Office, 1996 p.9). The Rural Development Commission retorted "Business Link performance in this regard is variable", and it urged that national guidance for Business Links should require those serving rural areas to identify the needs of smaller rural firms and provide appropriate services for them (Rural Development Commission, 1996a).

The initial idea behind Business Links was that they should be the point of entry for firms seeking business advice and support where they would be signposted to specific schemes or specialist services operated by others. However, after the 1996 consultation exercise, the Government moved to make Business Links the main provider of publicly-funded business services, and to greatly simplify and rationalise business support schemes. It proposed that the Rural Development Commission contribute up to 25 per cent of its business support expenditure (totalling then about £3.8 million) to the 'challenge' element of the Local Competitiveness Budget to be reserved for bids from partnerships in Rural Development Areas. The Rural Development Commission argued strongly against the proposal because of the cuts that would be necessary to its own programmes and because the competitive approach could restrict the numbers of rural firms able to access business services (Rural Development Commission, 1996a). The Government, however, remained adamant that the 'challenge' approach would "encourage wider partnerships to develop in support of rural businesses" (DTI 1996b para 4.10). It therefore decided to implement its proposal, but "with safeguards in order to reassure rural firms that their interests will be fully met, and the expertise of the Rural Development Commission preserved under the new approach" (para 4.10). These included making the support of rural businesses an explicit objective of the new Local Competitiveness Challenge; monitoring the impact of the Local

Competitiveness Challenge on rural businesses; and involving the Rural Development Commission in assessment of the bids in each region.

The resources that the Rural Development Commission had to offer up for the Local Competitiveness Budget for 1997/8 came on top of other transfers in previous years to contribute to the new approach to business support, and coincided with a reduction in its overall budget. This meant that the Rural Development Commission had to make painful decisions to find savings of £600,000 in 1997/8 rising to £4 million in 1999/2000. In order to protect what it regarded as its core economic programmes - the Rural Development Programmes (operating in the Rural Development Areas) and Rural Challenge (a competition to allocate local economic development support introduced in 1994) - it decided to axe what remained of its business support services including its own dedicated rural Business Advisers. The only services it retained were the Redundant Building Grant Scheme; the provision of craft training courses; and support to help improve the viability of village shopkeepers.

The Rural Development Commission Chairman, Lord Shuttleworth, announcing the demise of its advisory services and marketing assistance, commented: "We have received assurances from Ministers that they will require Business Links to give adequate priority to the needs of rural businesses, particularly those which are based in the designated Rural Development Areas" (Rural Development Commission Press Release 16.1.97). The Rural Development Commission was left with an essentially advisory and monitoring role over business support. It designated a liaison officer in each of its 7 regions to work with Business Links "to ensure that they provide adequate services for rural firms and to monitor the quality of that support" (Rural Development Commission, 1997a). These regional

staff had a Rural Counselling grant that they could use to encourage business support agencies to provide advice to firms in Rural Development Areas.

At the time of the withdrawal of its own advisory services, the Rural Development Commission gained an explicit commitment from government that there would be systematic monitoring of the performance of Business Links in rural areas with published results (DTI, 1996, para 4.10). Talks took place between the Rural Development Commission and the DTI, but a national rural monitoring system was not introduced for the Business Links. In the North East region, Rural Development Commission staff used Rural Counselling grant to help the Business Links add a 'rural' code to their address databases (making some rural monitoring possible). To date, no reports have been produced in this way.

The RDC, though, was not really given an opportunity to settle into a role of guiding and monitoring the performance of Business Links in rural areas. The in-coming Labour Government moved quickly to set up Regional Development Agencies and this effectively spelt the demise of the RDC. Its rural regeneration functions and funding were divided up between the Regional Development Agencies which came into being in April 1999. The remaining country-wide functions of the RDC, including promoting the socio-economic needs of rural areas, were combined with the Countryside Commission, to create the new Countryside Agency.

2.5 The Evolution of Business Support for Farmers

Until the 1980s, British agriculture had a sophisticated and integrated business support structure. It was a key component of an expansionist and

technologically progressive production policy in which the government accepted the central role in the management of agricultural markets and the promotion of technological change and economic adjustment amongst farm businesses. Farm business support was an instrument of state intervention and was closely tied into other instruments such as capital grants, state-sponsored R&D, price policy, veterinary and phyto-sanitary regulation, and the like. In many respects it was conceived as a classic extension service assisting the farming community in systematically keeping up with innovation and best practice in pursuit of official production objectives.

Since the early 1980s, key assumptions on which farm business support had rested, such as the need for increased food production, have been overturned. Through the CAP, the UK government still has considerable formal responsibilities for the management of agricultural markets, but it no longer accepts the central role in the direction of the agricultural sector and would prefer agricultural production to be shaped by market forces and consumer demand. While some of the state structures to support agriculture still remain from the previous era (largely due to EU requirements), the business support component is greatly diminished. State intervention in the agricultural sector remains heavily governed by EU policies which severely restrict the scope for states to devise their own systems of support. This strong supranational framework tends to reinforce the entrenched sectoralism of agricultural departments.

MAFF's extension services derived from the organisational structures established during the Second World War to mobilise British agriculture. Under legislation of 1944 the Minister was obliged to provide free advice to farmers. Regionally structured and fronted by general agronomists, this was very much oriented towards the requirements of boosting production.

After reorganisation in 1971 it became - as the Agricultural Development and Advisory Service (ADAS) - more specialised in its frontline advice, concentrating on technical advice on crops, animal husbandry and land use, but also responding to new demands for conservation and business management advice.

The 1986 Agriculture Act allowed ADAS to charge for its services. By the mid-1990s it was recovering about half of its costs and the decision was taken to privatise it. It was finally sold in 1997. Those functions - including advice to government and the administration of grant schemes - that could not be privatised were retained within the new Farming and Rural Conservation Agency. The Ministry still contracts with ADAS to deliver so-called public-good advice to farmers. In 1998/99 the contract was worth about £8 million and provided for initial advisory visits to farmers on conservation and pollution control. MAFF was left providing no other significant technical advice support to farmers except on organic farming.

Key policy responses to overproduction have been the promotion of farm diversification and improved marketing. Specific programmes to encourage diversification into non-farming activities or the processing and marketing of niche products have tended to have business support measures attached to them. However, they have usually been delivered as part of agricultural policy and little thought or effort has been given to the integration of diversifying farmers (or farmers more generally) into the new generic structures and measures for the support of small businesses. The programmes for farm diversification and marketing available in recent years have been regionally focused ones operated under the Objective 5b

programme (see Section 4.4). This has meant that outside the designated 5b areas there has been no publicly provided business support.

3. GENERIC BUSINESS ADVICE AND INFORMATION SERVICES

This section looks at publicly funded providers of business support that do not have a specific sectoral orientation and provide generic business advice. It draws upon our interviews with support providers in the North East of England. The key organisations are Business Links and their partners. How these organisations approach their rural responsibilities and the funding sources that are available are examined. The section ends by considering the development of the new Small Business Service.

3.1 Business Links

The key publicly supported service for advice and information to small and medium sized firms is Business Links. Each Business Link (there are now 81 in all) is a private sector-led partnership that is sponsored by the Department of Trade and Industry. The DTI agrees an individually negotiated franchise with each one, including an agreed business plan that reflects local circumstances. They must all adhere to a common set of principles and purposes, provide certain core services, and meet DTI's monitoring and quality assurance requirements.

The December 1997 edition of the Business Link Service Guide (DTI, 1997b) identifies their purpose as "helping small firms to compete" and specifies that "the real added value that Business Link offers is to reach out proactively to smaller businesses with growth potential and help them move forward" (p11). The principles guiding Business Links are that they should provide a 'real one-stop shop', 'local access', 'a customised

service' and 'guaranteed quality', and that they should be 'a commercial and entrepreneurial operation'. The core services they offer are:

- An enquiry and information service
- Personal Business Advisers
- Help for start-up and micro businesses
- An events programme as part of management development
- Access to specialist advice and services.

The Personal Business Adviser role requires brief explanation. The House of Commons Trade and Industry Committee (1998) outlined how "Apart from co-ordinating and integrating the business support services offered by the partners in each locality, Business Links have introduced one innovative service – Personal Business Advisers (PBAs), whose tasks include identifying firms which could benefit from customised assistance, and providing that aid. PBAs were initially expected to concentrate their attention on firms employing between 10 and 200 employees." (pviii). The current specification of the PBA's role in the Service Guide (DTI, 1997b) makes no mention of the size of firms that should be targeted, stating that "their role is to develop relationships with a select number of established businesses that have the aspiration and potential to grow" (p31). The section in the Guide that describes services for microbusinesses makes the current position clear: "there is no lower limit to the size of firms which can benefit from these [PBA] services" (p86).

DTI requires Business Links to produce relevant statistics for assessing the effectiveness and impact of their activities. One set of data records the number of clients, classified by size bands. Where the service provided is in the form of the Personal Business Adviser, the Business Link must

report on the number of businesses contacted, the number advised, and the number of business diagnoses. For any “significant interventions” (DTI, 1999a) the Business Link must also produce data that show the client’s improvement in terms of output/turnover, employment, profitability, productivity and export sales.

As well as receiving funding from DTI and the partners, Business Links are also entitled to compete for funding under schemes such as Local Challenge and European Structural Funds. They are expected to charge clients for their services where it is reasonable to do so, and “by their fifth year of operations, Business Link partnerships are required to earn at least 25% of the income needed for their Business Link branded services from the businesses they assist” (DTI, 1997a).

The Business Links with responsibilities for significant rural areas in the North East are the ones for Northumberland (NBL), County Durham (DBL) and Tees Valley (TVBL). The geography and economic and business development issues of the three areas vary significantly, with the result that the Business Links have given quite different priorities to assisting rural areas and businesses. Northumberland is large and sparsely populated and sees itself fundamentally as a rural county facing real issues of remoteness and of decline in the primary sector and traditional forms of rural employment. To Northumberland Business Link, therefore, rural activities and clients have been very much mainstream business. By comparison, outside of Durham City, County Durham is a network of industrial towns and villages that have been heavily affected by the collapse of coalmining. While Durham Business Link accepts that it has a large rural geography, it is not sure that this is always the appropriate image to pursue in promoting the economic regeneration of the county.

Finally Tees Valley is dominated by the Teesside conurbation but also includes rural East Cleveland. Tees Valley Business Link is very urban focussed but recognises that it does have this rather isolated rural ‘pocket’ in its patch that requires special treatment.

3.2 Business Link Partners

To present a ‘one stop shop’, Business Links work in partnership with other providers of business advice and information, such as the Training and Enterprise Councils, Chambers of Commerce, Local Authorities and Local Enterprise Agencies (DTI, 1997a, p6). The extent and degree of involvement vary between organisations. Some are represented on the Board of the Business Link, so help steer its direction; some collaborate closely with it; some are contracted by the local Business Link to deliver its branded services; some provide resources (in cash or in kind – typically accommodation or the secondment of staff); others are more loosely associated. The main partners and their roles are outlined below in turn.

The Training and Enterprise Councils (TECs)

In the rural North East, the TECs were the organisations that ‘parented’ the Business Links. As a result, buildings and sometimes offices are shared. The main function of the TEC is the delivery of training, in particular to young people. A small proportion of its work is business support; this mainly revolves around specific programmes such as Investors in People and Modern Apprenticeships. To varying degrees these functions have been incorporated into the work of the northern Business Links. Under the proposals for the new Small Business Service, these business support functions will come under this organisation. The TECs themselves are to be reorganised as Learning and Skills Councils.

The Local Authorities

The Business Links covering the rural North East include County Councils, District Councils and Unitary Authorities. They are involved to varying degrees in encouraging business development in three main ways: through economic planning activities; through ‘secondary’ activity to help local businesses – for example, attracting tourists or maintaining local infrastructure; and through providing certain business support services. These include business promotion and attracting inward investment, the planning and provision of workspace, and the allocation of small capital grants to companies. Such services are typically provided through the economic development divisions of the local authorities. The Rural Development Programmes, which are important sources of funding for rural business support, are administered by the local authorities.

The involvement of local authorities in the delivery of business information and advice is usually in conjunction with or via the Business Links or Local Enterprise Agencies. Many produce Directories and Guides for Businesses, and lead on providing information and advice about the regulatory regimes for which they have responsibility such as the planning system and environmental health. One of the Economic Development Officers we interviewed saw his authority as the ‘provider of last resort’; delivering advice and information where there was a need that Business Link did not fulfil. At present its main activity of this sort was in running awareness-raising sessions for would-be entrepreneurs.

The Local Enterprise Agencies

Local Enterprise Agencies were set up with grant-aid under the Thatcher government to bring together local businesses and civic leaders. In the

North East region a number of them were established, with County Durham having systematic coverage of its area. The advent of the TECs and Business Links in the 1990s had varied impacts on these organisations. In Tees Valley, for example, the new TEC did not ‘incorporate’ the Local Enterprise Agencies which have since faded from the scene.

In contrast, the Durham Business Link was effectively grafted on to the existing organisations. It established a ‘hub and spoke’ system of delivery, with the eight district-based Enterprise Agencies acting as ‘spokes’ contracted to deliver Business Link-branded services in their local areas. The Business Link ‘hub’ provides the PBAs, who mainly advise the larger firms (with 10 or more employees), specialist advice on activities such as exporting, and the information service. The individual Enterprise Agencies concentrate on advising and supporting the smaller businesses. They are independent organisations, aiming to meet local business needs and exploit local opportunities, so they differ considerably in the scale and nature of their activities. Their business support activities are very dependent on opportunities for external funding. For one Local Enterprise Agency we interviewed in an area of extensive industrial decline there was a number of DTI and European schemes providing grants to firms that dwarfed the funds available from local organisations and the DBL. Its business advisory role largely entailed helping local firms secure grant aid. Another, more rural Enterprise Agency was highly reliant on DBL for funding, and the business support it offered was one-to-one counselling and training.

The Chamber of Commerce

Chambers of Commerce, which are membership organisations without public funding, are often important partners in Business Links (DTI 1997c). The North East Chamber has an Information Service for its members, with “information on a wide range of business issues ranging from sourcing suppliers, grant availability, statistics and legislation” (NE Chamber of Commerce, 1999, p21). However, it is oriented towards the larger, urban-based firms. All three Business Links in our case study area also agreed that the Chamber of Commerce was not an important player in their partnerships. It was suggested that the regionalisation of the Chamber at about the time the Business Links were introduced on a county basis contributed to the weakly developed relationship.

The Regional Development Agency – One NorthEast

The main agency responsible for rural regeneration used to be the Rural Development Commission. Its functions in this regard have been inherited by the nine Regional Development Agencies (RDAs) in the English regions. The White Paper, which spelt out the Government’s proposals for the new RDAs, declared that they would “aim to spread the benefits of economic development across and within regions and through all social groups” (DETR, 1997, p.22). Each RDA would be responsible for developing a strategy for the economic development of its region, encompassing “physical and social regeneration in urban and rural areas” (p.22).

The RDAs were formally established in April 1999. In October 1999, the Regional Economic Strategy for the North East was published. It identifies

six priorities, three of which have specific relevance to rural and microbusinesses:

- Creating wealth by building a diversified, knowledge driven economy. Under this priority, specific activities proposed include building dynamic business clusters. Two of the clusters selected for support are:
 - food and drink
 - forestry.

For each of these it is proposed to formulate cluster development programmes.

- Establishing a new entrepreneurial culture. One of the specific activities here includes creating a simple accessible business support network. This is to be based on a review of the existing business support infrastructure in the region. Another proposed activity is promoting community based enterprises.
- Accelerating the renaissance of the North East. Proposed activities include securing a rural renaissance and regenerating coalfield communities. Under the former, investments are proposed in : improving transport and ICT networks; developing rural business clusters; improving access to training and business support; regenerating towns and villages as ‘service nodes’; and enhancing the region’s natural assets.

3.3 Providing Services to Rural Microbusinesses

National monitoring statistics from DTI (1999d) show that, of the businesses using Business Links from January to March 1999, 47% had 1 to 9 employees. The Business Links in the rural North East quote higher proportions than this. The service requirements for ‘start ups and microbusinesses’ that Business Links must adhere to are set out in the Service Guide (DTI, 1997b): they should be offering an enquiry service and “access or referral to counselling, skills training and other services tailored for start up or micro businesses”. In doing so, however, “the Business Link’s special focus on growth firms should not be weakened” (p.87). This section also says that “Business Link client management systems are not required to hold data on start-up businesses or firms with fewer than ten employees”. The Business Links have discretion to provide services and staffing beyond the ‘core services’ that DTI stipulate, with additional resources coming perhaps from partner organisations or external funding. There is thus scope for local interpretation and discretion, but no stipulation about proactive counselling for microbusinesses.

Our interviews with the three Business Links in the rural North East gathered evidence about their degree of commitment to providing services to rural microbusinesses. All three told us that they never turn anyone away. But what do they offer beyond a basic enquiry and referral service?

The prime way in which Business Links are more proactive is through the Personal Business Advisers (PBAs). These advisers are charged with searching out firms that show a good growth trajectory and entering into a long term relationship with them. In principle, rural microbusinesses are not excluded from PBA services; in practice, the three Business Links

stressed other aspects of their work when talking about the services they provided to such firms.

In TVBL, Business Development Counsellors work proactively with firms with up to 10 employees (one is located in the Redcar and Cleveland Office – covering the most rural part of TVBL’s catchment); there are two Small Business Counsellors who deal with all firms of up to 3 employees, in particular providing a service to those that show potential when they complete the start-up programme of the TEC. Most of the services for microbusinesses from the DBL partnership are provided by the 8 Enterprise Agencies. DBL has also won ERDF funding for a rural adviser. NBL employs two Microbusiness Counsellors whose posts are funded through ERDF and the Single Regeneration Budget. One of these deals with the north of the county, the other with the west, giving both a predominantly rural catchment.

Some of the Business Links activity in support of rural microbusinesses is through working with groups of firms. NBL has three clusters that they promote: engineering companies; active wear; and the craft sector. The craft sector cluster is particularly rural-focused. TVBL described a scheme to encourage good engineering firms located in rural areas to grow and their intention to run a rural retail programme. Teesdale Enterprise Agency runs a Farmers Forum jointly with the District Council that attracts 70 to 80 farmers.

Business Links have collaborated with other organisations in the region in running various developmental projects with external funding. DBL, in partnership with Northumbria Tourist Board (NTB), has had a Local Challenge project to provide advice and support to rural tourism firms.

The Business Information Point project, initiated by NBL, secured funding from Objective 5b, to establish public information kiosks in rural areas that link directly with NBL to provide services via the phone, a text screen or a videolink as required. The Business Links are also involved as part of the consortia backing other externally funded projects that provide business support to rural microbusinesses (see Section 3.4).

Our interviews also asked the three Business Links about the services they provided to farmers. All three told us that if a farmer approached them, the enquiry was dealt with, either directly, or through signposting to a more appropriate information outlet. TVBL's view was that certain of the basic business support services that they provided could be applied to farms as well as to other businesses: for example, it was involved in a project with farmers to market shorthorn beef. DBL gave a similar response, but stressed the role they could play in supporting a farmer interested in diversifying into other activities, or in marketing niche agricultural products. NBL's account was somewhat different. It argued that it can legitimately deal with diversification and farm tourism, but that EU state aid rules for agriculture prevent it from providing any wider support for farmers. This understanding of the rules led it to withdraw from part funding the Objective 5b Farm Business Support Scheme.

In the interviews in the first half of 1999, the three Business Links reported that they were rarely approached by farmers; but it appears that, more recently, the level of involvement with farmers has increased somewhat. At a later interview (10.12.99), TVBL staff told us that there was increasing demand from farmers for its services, and that the Business Development Counsellor had been working on the cases of seven farmers in the previous six months. Likewise, Teesdale Enterprise Agency talked

of many contacts with farmers – through its Farmers Forum and business counselling services – and of helping with funding applications for farm diversification and developing a training programme for farmers (10.2.2000).

3.4 Funding for Generic Business Information and Advice

Apart from the funding for Business Links, from the DTI and from the BL partners, there are a number of other sources of public funding for business support. Some of these, such as Regional Selective Assistance are important sources of capital funding for businesses, but cannot be used to extend or improve the information and advice services offered. The funding sources available in the North East that are important to the delivery of generic information and advice to rural microbusinesses are as follows.

EU Structural Funds

Most of the rural North East benefited from Objective 5b status (for rural areas) or Objective 2 (areas in industrial decline) for the period 1994-99. Business information and advice services were eligible for funding, and this enabled the region to enhance the existing services.

For the period 2000-2006, there is a new Objective 2 which is to cover both rural and urban areas adversely affected by economic restructuring. Objective 5b is to disappear and there will be no agricultural development (EAGGF) funding stream in the new Objective 2 (support for farming developments and diversification will be available instead under the new Rural Development Regulation - see Section 4.4). Most of the rural (and

urban) North East has been designated under the new Objective 2. The draft Single Programming Document for the region was submitted for European Commission approval in April 2000. The following are its three priorities for job creation, each of which has specific relevance to rural and microbusinesses.

- An increase in the region's stock of SMEs and improvement in the competitiveness of existing SMEs. This priority includes measures such as business advice and finance, to assist the development of existing SMEs and to support and encourage new businesses. Particular opportunities for growth are identified in rural areas in the service sectors.
- Investment in specified areas, assets and sectors leading to an increase in the region's stock of SMEs and improvement in the competitiveness of existing SMEs. This priority includes two relevant measures: one is to promote the development of business clusters: "food and drink/agriculture" and "rural clusters" are identified as meriting early intervention. The other is to promote the natural and cultural assets of the region and the cultural and tourism product.
- Enhancing the employability of residents and their access to work in target communities. As well as areas of urban deprivation, the target communities will include the rural coalfields and the former Objective 5b area. Support will be available for improving the organisational capacity, the physical facilities and the local environment of deprived communities, as well as for setting up and developing community-based enterprises.

Local Challenge

Local Challenge was set up in 1996, and allowed Business Links to compete for additional 'project' funding on an annual basis. It was funded by DTI, DfEE, and DETR. In order to provide the resources to Local Challenge, the DETR withdrew some of its funding from the Rural Development Commission on the understanding that these were to be reserved, within the Challenge fund, for rural areas (Rural Development Commission, 1996b). In the rural North East, DBL was successful with its application for a Tourism Advisory Service. This fund was discontinued by the Labour Government.

Single Regeneration Budget

The rules of early rounds of SRB (administered in this region by GO-NE) did little to encourage rural projects. The most recent round, SRB5, for projects starting in 1999/2000, had a much clearer rural component. SRB has wide social and economic regeneration objectives, and demands a local partnership approach. While about half the SRB5 resources were targeted on large, comprehensive regeneration schemes in District Council areas scoring highly on the Index of Local Deprivation, funding was also available for other areas with significant pockets of needs, or on projects addressing priority needs and opportunities in rural areas.

In the North East a number of rural projects have been funded under SRB5. Each is locally designed and addresses local needs. Typically they cross the community/business divide. For example, Kielder's successful bid puts forward an integrated strategy that aims:

- to improve the viability and competitiveness of local businesses
- to attract new investment

- to enhance the employment prospects and skills of local people
- to increase levels of demand for community facilities.

(Bradley Research and Consulting, 1999, p2)

Schemes such as this involve a significant component of business advice and information.

Rural Project Funding

Until it was dissolved in 1999, the Rural Development Commission ran an annual Rural Challenge scheme, funding, in rural terms, major projects. The two on-going Rural Challenge projects in this region (Saltburn and West Durham) both include some resources for business information and advice. This scheme has been discontinued.

The Rural Development Commission also operated a Rural Counselling grant to stimulate the provision of business support to firms in Rural Development Areas. In the rural North East all three Business Links were given grants to improve the provision of services to rural areas. The Rural Counselling grant disappeared with the ending of the Rural Development Commission.

The Rural Development Commission had introduced and provided the core funding for Rural Development Areas. In 1999 responsibility for the funding of the relevant Rural Development Programmes passed to the Regional Development Agencies with the administration of the programmes remaining in the hands of the local authorities. During 1998/99, Rural Development Commission staff, aware that the Rural Counselling grant would soon cease, encouraged Rural Development

Programmes to give priority to business support activities. The most recent Rural Development Programmes in the North East all include 'business support', with Northumberland going into more detail with a proposal for a "network of community enterprise advisers". The Rural Development Programmes are currently under review.

Under the EU structural funds 1994-99 deprived rural areas had their own, dedicated programme and funding under Objective 5b. This funding allowed the enhancement of existing business support services. One approach was to use the funding to supplement the staffing of the Business Links: NBL, for example, used such funds to employ Microbusiness Counsellors. The other main approach was to fund 'partnership' projects in the rural region, such as the Farm Business Support and Farm Tourism Schemes. Under the new structural funds (2000-2006) rural areas are still eligible for support, but in programmes that are integrated across urban/rural areas under the new Objective 2 (outlined above).

Another EU programme of importance to rural areas, and linked to the areas designated for structural funds is the LEADER programme, the overall ethos of which is to search for innovative, mainly small-scale, community-based rural development ideas. Particularly through the area-based LEADER coordinators the programme has provided informal advice to local businesses and community enterprises.

3.5 The New Small Business Service

The White Paper

The budget of 9 March 1999 announced that the Government would be setting up a “new champion” for small business – the Small Business Service. A White Paper was issued on 30 June 1999 (DTI, 1999b), inviting views on the proposals by 30 September 1999. In terms of small firms policy this was something of a milestone for the Labour Government, being the first significant shift away from the policy and practices it had inherited in 1997 from the Conservatives.

Where Business Links were premised on the notion that the market was failing to provide effective services to individual SMEs, the White Paper sees the introduction of a far more targeted approach to the market failure arguments (including targeting certain social groups and disadvantaged areas), the aim of developing local economies rather than just individual businesses, and a broader conception of the role of business support beyond that of business competitiveness: the “Small Business Service is intended to contribute to the Government’s wider economic and social objectives, and to sustainable development more generally” (DTI, 1999b, para 5.13).

Three key tasks are envisaged for the Small Business Service:

- *A strong voice for small business*

The main means of providing a strong voice for small business is through setting up a *central* government agency – the Small Business Service – with a Chief Executive who will have “direct access to Ministers across

Government” (executive summary, para 3(a)). The Chief Executive will be consulted on government legislation and proposals that affect small businesses, and will have responsibility to ensure that the interests, needs and concerns of small businesses are taken into account. He/she will be supported in this by an independent advisory body, the ‘Small Business Council’. The Small Business Service will also be empowered to undertake research and organise events to improve the understanding of small business needs.

- *Improving the coherence and quality of government support for small businesses*

The Small Business Service will “provide a single gateway for access to services directed primarily or mainly at small businesses” (executive summary para 5). The client base will include start-ups, the self-employed and firms employing up to 250 people. The SBS Chief Executive will have responsibility for ensuring that high quality services are provided through local gateways, building on or replacing the current Business Links, and reflecting local priorities. The range of services provided will be somewhat wider than Business Links’ current responsibilities.

- *Providing a strong voice for small business at the heart of Government*

“The Government wants to do more to help small firms through the regulatory maze” (executive summary, para 7). The SBS will liaise with those in government developing new regulations to ensure that the particular problems of small firms are recognised. It will provide small firms with co-ordinated information on their regulatory obligations, and give practical help with payroll administration.

Since the White Paper

Guidance on how the local franchises for the SBS will be allocated were issued in November 1999 (DTI, 1999). The DTI received over 700 responses to the White Paper and published its response (DTI, 2000) in January. The new agency came into being on 1 April 2000 with David Irwin, formerly Director of Project North East, as Chief Executive.

The Guidance for Proposals gave greater details on the nature of the franchises and the bidding process (DTI, 1999c). In the first instance, only existing Business Link organisations would be invited to bid; if their submissions were deemed unacceptable, then open bidding would be allowed. The negotiation process involved several stages, not least because aspects of the SBS had not been finalised (including its overall budget). It was DTI's aim "to have identified the potential franchisee in each area by the Spring of 2000 enabling us then to further develop our relationship with them as the outstanding issues are resolved" (DTI, 1999c, p34).

The Guidance for Proposals also provided an update on the thinking since the White Paper. In general, it was a more tightly written document which cleared up a number of ambiguities. The Government's response to the consultation replies was necessarily a less structured document, but it also clarified some of the Government's thinking.

The Government's response (DTI, 2000) formulated the following mission and aims for the SBS:

Mission:

To help build an enterprise society in which small firms of all kinds thrive and achieve their potential.

Overarching Aims:

- helping all small and medium sized businesses overcome the barriers to their success;
- enhancing the performance of small and medium-sized businesses with high growth potential;
- helping promote enterprise across society and particularly in disadvantaged communities. (para 33)

A few themes seem notable for their development since the White Paper: that local outlets must address the needs of disadvantaged areas; that the Regional Economic Strategies (and therefore the Regional Development Agencies) have assumed a central role in determining how the local outlets prioritise the services they provide; and that emphasis has been placed on improving the efficiency and effectiveness of the franchisees.

The Small Business Service and Rural Microbusinesses

The Small Business Service's potential clientele is going to be inclusive of the range of firms that can be classed as SMEs: "The SBS's customers are SMEs (below 250 employees), including micro and start-up businesses, the self employed and those thinking of forming their own businesses" (DTI, 1999c, p5).

The White Paper makes no specific mention of rural businesses as a focus for activity, and its examples and the choice of wording for the "hard-to-

reach customers” (DTI, 1999b, p4) are socially defined groups, not geographically marginalised groups. The Government’s response to the consultation (DTI, 2000) makes two mentions of rural areas, but does little to clarify the position. First, it notes that “various respondents wanted the SBS also to cover the particular needs of rural businesses” (para 145). Second, under the heading Links to Social and Other Policies, it responds that “The SBS should have a clear focus on assisting SMEs and should promote the interests of all small businesses. This includes businesses run by women, ethnic minority businesses and businesses in deprived communities as well as businesses in more remote rural areas”. Notably none of the SBS documents (DTI, 1999b; 1999c; 2000) makes any mention of farmers.

The Guidance Notes for franchisees (DTI, 1999c) make it clear that the “principal focus of the local network will be to enhance the performance of firms with growth and high growth potential” (p5), qualified by the need also to reflect the local and regional priorities in the regional economic strategy. The fact that “the plans of each franchisee will need to take account of the regional economic development strategies of the RDAs” (DTI, 2000, para 156) is significant for the rural North East. ONE NorthEast’s strategy gives prominence to rural development as a means of boosting regional economic activity (see Section 3.2).

The SBS Franchises in the North East

The boundaries for the four local franchises in the North East have been set as covering Northumberland, County Durham, Tees Valley, and Tyne and Wear (DTI, 1999e). These boundaries map directly onto the existing Business Link boundaries (except in the case of Tyne and Wear which

brings together Tyneside and Sunderland Business Links). These organisations were invited to bid for the SBS franchises which will start in April 2001.

The bids from Northumberland and Tyne and Wear proved successful; those from County Durham and Tees Valley failed. Northumberland's proposal - now being worked up into a business plan - promised better coverage of start-ups, the self-employed, microbusinesses and agricultural holdings, and greater attention to the delivery of services to small firms, even in isolated areas. It was submitted on behalf of the Northumberland Strategic Partnership, a grouping of local authorities, statutory bodies and representative county organisations, formed to oversee the implementation of the Regional Economic Strategy in the county. The SBS franchise will be operated by a company set up by the Partnership under a board with a majority of private sector members. The County Durham bid failed because it was too local authority dominated, and the Tees Valley bid because it was insufficiently innovative. These two franchises have now been thrown open to wider competition.

4. SPECIALIST ADVICE ORGANISATIONS

Many sector-specific organisations exist that provide information and advice to businesses. Of these, a few receive substantial public funding to carry out their work. In a rural microbusiness context, the key, publicly supported advisers focus on tourism, the cultural sector, rural retailing and agriculture. The role of each of these in the provision of business support is investigated in turn.

4.1 Tourism

As a regional tourist board, Northumbria Tourist Board (NTB) receives its funding from the English Tourism Council (an agency of the Department of Culture, Media and Sport), local authorities, the private sector and European regional grants. One of NTB's key functions is marketing the region within the UK and overseas as an attractive destination, and as part of this it needs to ensure continuity and quality in the services offered. A NTB survey found that the tourism businesses were typically very small scale, and that most 'stand alone' visitor attractions were reliant on some public (or charitable) funding. Tourism firms do not have to register with the NTB – it functions as a membership organisation for the industry. This is defined quite widely, and includes those that supply accommodation businesses and attractions. Members are subject to some quality control, and are also encouraged by NTB to collaborate and market each other's services.

NTB also provides information and advice. Until 1997 it had some 'core' funding for advisory work, but this was withdrawn and transferred to the Local Challenge fund. Hence to continue to be proactive in providing

advice it has had to win project funding. Currently it receives more money from Brussels than the English Tourism Council.

The NTB officer interviewed (21.10.99) was clear that there was a role for NTB and for Business Links, and that each should play to its strengths. Business Links should provide generic business advice on aspects such as tax, finances and business processes. NTB is able to give specialist advice regarding the tourism market, customer needs and the policies, grants and regulations of which tourism businesses ought to be aware. Ideally the two organisations should play complementary roles, with, say, a new business receiving advice from NTB on local market circumstances and opportunities and Business Link helping to produce a sound business plan.

There have been problems, however, in the tourism sector's use of Business Links. In the NTB officer's view this has two aspects. Some of the enterprises see themselves as falling outside the scope of business support because of their small scale or service sector status. Many are not aware of Business Link services, or are under the impression that Business Links deal only with larger firms. On the other hand, Business Links do not always regard tourism enterprises as 'real' businesses, and are not well informed of their needs. NTB sees a role for itself in improving the mutual understanding between the tourism industry and Business Links.

At present NTB have two main rural projects underway. The Tourism Advisory Service is funded under Local Challenge as a DBL project supporting rural and tourism SMEs. It allows NTB to provide tourism consultants free of charge, and to develop information packs for individual businesses and for Business Link staff to help marry their generic business advice with sector-specific information. The other rural project is the Farm

Tourism project, set up with a primary objective of enabling people to stay on the land through the exploitation of a farm's tourism potential. It is funded from Objective 5b EAGGF funds, matched by a wide partnership of local organisations. It offers support to existing farm tourism businesses that want to expand, and to farmers wishing to diversify into tourism. The support available includes free advice, subsidised consultancy, training, marketing and capital grants.

4.2 The Cultural Sector

Northern Arts is one of 10 regional arts boards in England, funded mainly from the Arts Council (an agency of the Department of Culture, Media and Sport). Its remit is arts development, and a recently established and expanding part of this work focuses on the creative industries and cultural businesses, i.e. those employed commercially or professionally in such fields as arts, crafts, the media, entertainment and heritage. Northern Arts claims that over 90% of the cultural businesses in the region are microbusinesses, and that they are a very important regional sector (interview, 9.9.99).

Results of a survey undertaken by Northern Arts (with Tyneside TEC) showed that the creative industries had surprisingly high survival rates, but that they were not well-served by the existing business support services such as Business Links, who, Northern Arts thought, dismissed them as lifestyle businesses, lacking sustained commitment or prospects of employment growth (interview, 9.9.99). The survey identified that most of the business support needs were for basic business training - bookkeeping, business planning, marketing and the like - rather than technical 'trade'

advice. Most of the businesses were run by specialists who were well qualified in their particular fields.

Having digested the findings of the survey, the main action by Northern Arts was to develop a business support project - the Cultural Business Venture. This is funded through ERDF and the Princes Trust; initially only (old) Objective 2 areas were covered, but in 1999 Objective 5b funding also came on stream. The project provides grants of between £1,000 and £10,000 and business support to new, existing, or in-coming businesses. Applicants have to develop a business plan, and show that they have already contacted a business support agency, to be eligible. The scheme has been strongly taken up, attracting a preponderance of very young and relatively old applicants.

This scheme was developed primarily to fill the business support gap identified by the survey. But it was also used by Northern Arts as a development tool. The project allowed a practical engagement between Northern Arts and Business Links (who were partners in the project), and between Business Links and cultural businesses. The aim was to make Business Links better informed and more sympathetic towards the creative industries. The project has also obliged applicant businesses to make contact with the 'mainstream' business support organisations, so raising the awareness of cultural businesses of the services on offer. Northern Arts' aim is to add value to the existing services rather than duplicating them. It is clear that its own strength would lie in providing the specialised sector-specific support, and is looking at ways to do this. At the same time it is working to improve the access for cultural business to the existing services provided by other organisations such as Business Links.

4.3 Rural Retailing

The Countryside Agency runs a Village Shop Development Scheme which the Rural Development Commission had established in 1997 to counter the decline in village shops. Under the scheme, which is jointly funded by the Agency and local partners (mainly local authorities), rural shopkeepers are given grants to help maintain and, wherever possible, improve the performance of their businesses. The aim is to increase the competitiveness and viability of village shops. The scheme is open to the sole village shop in settlements of under 3000 people that is selling an adequate range of groceries. To obtain a grant, potential applicants must be assessed by a retail consultant retained by the regional office of the Countryside Agency. The consultant works up an agreed action plan with the proprietor which forms the basis of the grant applications. Grants of up to £5000 are offered for up to 50% of the costs of investment items. Eligible items fall under a number of categories, including introducing a new service, providing essential equipment, modernising the business, meeting the requirements of legislation, marketing and improving the shop's access, layout, security or external appearance.

The retail consultant advises shopkeepers on their applications and on general business problems. This might include issues to do with account keeping, stock control, hygiene regulations, opening hours, shelving and display, or advertising. The knowledge and expertise of the consultant is particularly important in judging which shops could benefit from the scheme and then drawing up an action plan with the shopkeeper to improve the shop's commercial viability. This will usually involve identifying potential new lines, new services or new custom. For three years after the grant has been awarded, the shopkeeper must agree to report progress on

the turnover and profitability of the business, on increases in the range of goods and services provided and on the maintenance or extension of opening hours. Part of this monitoring will involve revisits by the retail consultant.

Thus, although shopkeepers may be attracted to the scheme by the grant aid it offers to improve their premises, central to the rationale of this scheme is the provision of expert advice and knowledge to assist them to improve their performance and develop their business. The scheme was devised following evidence that many village shops were poorly run and that the shopkeepers often did not recognise their own needs for professional advice. A pilot scheme had also revealed that rural shopkeepers were often unable to act on the advice given by a retail consultant because of the costs involved in, say, providing chilled storage facilities or improving the display or the size of sales areas (Rural Development Commission, 1997b).

4.4 Agriculture

As we have seen, by the late 1990s business support for agriculture had greatly shrunk from what it had been. The move away, during the previous 15 years, from farm policies oriented to the expansion of production had been accompanied by remorseless cuts in funding of support services for farmers. ADAS had been privatised, and the only publicly funded technical support for farmers that remained generally available was for conservation, pollution control and organic farming.

It may have been quite logical to wind down support for production activities in this way. However, a key policy message to farmers was to

diversify. What remained unclear was to whom they should turn for relevant advice. For although business support for small firms has been given prominence since the Business Links were established in 1993, the eligibility of farmers to have access to these services has never been clearly specified. In recent years the only publicly funded business support specifically for farmers has been that provided by local and regional projects supported under Objective 5b programmes.

The EU's structural funds, particularly the EAGGF, have been an important source of public funding for agricultural development in those regions that have achieved Objective 5b status. In the Northern Uplands, key projects over the 1994/99 programme have been the farm business support scheme, the farm diversification scheme and the farm tourism scheme. Each contains a business advice element plus resources for training or capital development of the farm.

The new Objective 2 areas and programmes for 2000 to 2006 are beginning to take shape. Although 'declining rural areas' is one of the four strands of the new Objective 2 support, projects will only be funded by ERDF and ESF (and not by EAGGF). Farmers will not be ruled out from applying to Objective 2 because they are farmers, but their schemes would need to be relevant to the priorities and measures of the Single Programming Document (see Section 3.4).

Support for farming developments and diversification will be specifically available under the new Rural Development Regulation (EC1257/99) established by the EU's Agenda 2000, which opens up new opportunities for integrated approaches to agricultural, environmental and rural development. The measures under the Regulation are subject to a mixture

of regional and country-wide programming within the England Rural Development Plan 2000-2006 whose preparation was co-ordinated by MAFF (there are separate plans for Scotland, Wales and Northern Ireland). The measures available include support for training related to diversification or environmental management and for the processing and marketing of agricultural products. They are jointly funded by the EU and the member states. To expand the resources to implement the Rural Development Regulation, the UK has taken up the option to transfer a modest percentage of farmers' production subsidies (initially 2.5%, but rising to 4.5%) to the Regulation, committing the UK government at the same time to providing match funding. This will more than double the original amount available under the Rural Development Regulation. Although there is no specific business support measure, significant resources will be released for locally targeted assistance for training activities in support of the plan.

5. CONCLUSION

Some preliminary conclusions can be drawn from this review of business support services for rural microbusinesses.

First, there is a bewildering array of schemes, measures and funding sources. Second, policy and machinery are undergoing a major transition. The justifications for intervention are changing and there is a definite move away from dedicated forms of agricultural or rural support. Third, it is not clear whether or not agricultural and rural firms and areas will lose out or gain from this transition. Much depends upon how their needs are reflected and integrated in regional economic strategies; and how support mechanisms are adjusted or tailored to their specific circumstances and requirements. Fourth, there is an amount of past experience, both positive and negative, to draw on in considering appropriate means of delivery. What has been lacking is any overall strategy or rationale relating business support provision to rural or regional development objectives.

It is important that rural microbusiness support should be part of an explicit strategy with clear objectives. The following are certain guiding principles suggested by our study:

- rural and microbusinesses are important to the local economy, the community and governance;
- because of their importance, rural and microbusinesses warrant support in as coherent and planned a way as other firms;

- some of their support needs may differ from larger or more urban companies, but many are generic needs where different means of delivery may be required;
- with limited resources, prioritisations about which rural microbusinesses to support will have to be made; these should be based on the extent to which the firms contribute to broad public policy objectives;
- the delivery of present services to numerous small and scattered firms is problematic; there needs to be a fundamental and innovative rethink of delivery mechanisms.

APPENDIX: INTERVIEWS CONDUCTED ON BUSINESS SUPPORT

Specific interviews have been conducted with:

	No. of interviews
Business Links	6
TECS	1
MAFF - national	2
FRCA - national	1
Rural Development Commission - national	1
Local Development Agencies	2
District Councils	2
FRCA - regional	1
LANTRA - regional	1
Regional Development Agency	4
Northumbria Tourist Board	1
Northern Arts	1
Farm Diversification Scheme - regional	1
Farm Business Support Scheme - regional	1
Countryside Agency - regional	1

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