COUNTRY FICHE - UNITED KINGDOM

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CONTENT

EXECUTIVE SUMMARY

PURPOSE OF THE STUDY

Creating an appropriate environment for businesses to flourish is a central element in public policy for promoting entrepreneurship in Europe. Dramatic changes have taken place in the nature and the provision of business support services since their recognition as an increasingly important feature of economic policy. In some Member States of the European Union this has led to a proliferation of services. The European Charter for small businesses adopted by Member States in Santa Maria da Feira on 19/20 June 2000 calls for the creation of top class small business support easy to access and to understand and relevant to small businesses' needs. In order to find out whether existing services answer the specific needs of the smallest businesses, DG Enterprise of the European Commission has contracted the Austrian Institute for Small Business Research (IfGH) to carry out the present study on *'Support Services for Micro, Small and Sole Proprietor's Businesses'*, in the period from December 2000 to June 2002 in co-operation with members of the European Network for SME Research (ENSR) and other partner institutions from all Member States of the European Union and Norway.

The purpose of this study is threefold:

- to provide a comprehensive, descriptive and analytical overview of existing national and local support services, or integrated systems of such services, tailored to the needs of micro, small and sole proprietor's businesses (supply side analysis);
- to analyse the needs of European micro, small and sole proprietor's businesses with regard to the organisation, promotion, content and delivery of support services (demand side analysis);
- to provide comprehensive elements for the improvement of the supply of support services available to micro, small and sole proprietor's businesses in the Member States of the European Union and Norway.

DEFINITION AND METHODOLOGY APPLIED

This study applies a purposely narrow definition of the term 'support services' for the analysis of the market for support services. To this regard a support service subject to analysis in the scope of this study has to fulfil the following criteria:

- it originates in a public policy initiative,
- it is targeted at micro, small or sole proprietor's businesses either by its explicit intention or by its practical use,
- it is offered at non-commercial conditions
- a substantial part of the service is of non-financial kind.

Based on this definition, 335 support services ranging from the provision of information, advice and consultancy to SME-specific training services, have been identified and analysed, which naturally only represent a fraction of all external support available to micro, small and sole proprietor's businesses in Europe. The information for the analysis of the *supply side* has been gathered by the co-operating research institutes in each of the Member States of the European Union and Norway according to a standardised guideline and has been compiled in an electronic database ('IfGH/ENSR Support Services Database').

Findings related to the *demand side* stem from an extensive literature review and an in-depth empirical analysis of the smallest enterprises' needs and experiences concerning the use of support services. In particular, a harmonised telephone survey on the basis of a standardised closed questionnaire was carried out in October 2001. The total sample includes more than 1,200 enterprises located in the European Union and in Norway, which allows for a detailed assessment of the needs of different types of enterprises concerning size class, sector and phase of development. At country-level, the findings are based on the statistical analysis of about 75 interviews with micro, small and sole proprietor's businesses in each country. Thus, variations from EU average values at country level have to be interpreted cautiously due to the comparatively lower sample size. However, given the methodologically profound and statistically reliable background of the analysis conducted at European level, results at country level should give a good indication of the situation in each country.

MAIN FINDINGS

Participation of small businesses in support services is low

The participation rate in support services among European micro, small and sole proprietor's businesses is quite low. Only 20 % of the smallest enterprises in the European Union and Norway have utilised support services during the past five years. This share further declines with decreasing size of an enterprise, ranging from a participation rate of 15 % for sole proprietors to 35 % for small enterprises (10 - 49 employees).

Women, highly educated and growth oriented entrepreneurs make the most use of support services

Participation of enterprises in support services differs according to specific characteristics of the owner or manager of an enterprise. Female entrepreneurs, for example, seem to be more willing to make use of support services than their male counterparts. Whereas 27 % of the enterprises owned by a woman have utilised support services within the last five years, this share of enterprises amounts to only 17 % where a man owns the enterprise. Also entrepreneurs with a secondary or university education use support services more often than entrepreneurs with elementary education. Furthermore, the decision of whether to use support services or not seems to be strongly correlated with employment growth as indicated by participation rates amounting to above 30 % among enterprises that have increased their number of employees by more than 10 % during the last three years.

There is a need for an outside view on small businesses' needs

The majority of micro, small and sole proprietor's businesses that have not utilised any support service within the past five years states that this was because they did not feel any need for external support. This seems to be particularly the case for sole proprietors, among which the share of enterprises not feeling any need for external help amounts to almost 60 %. This attitude might be explained by the experience that many small enterprises, because of their heavy involvement in day-to-day business, may lose the sense of perspective when assessing their own needs. This pattern seems to underline that an external identification of needs is a crucial element when offering support to small businesses.

There is a lack of awareness of support services among small businesses

More than three-quarters of enterprises lack information on the existence and availability of support for their respective enterprise. Thus, the relatively low participation in support services among European micro, small and sole proprietor's businesses might also be connected to the low level of information on support services offered. Creating awareness of the existence and availability of support services among entrepreneurs is therefore considered one of the major challenges of support policy in future.

Small businesses prefer direct contact with service providers

Entrepreneurs from small businesses would generally prefer being directly contacted by service providers or even personally visited. However, these (rather cost-intensive) promotional tools are hardly applied by providers. Support services are mainly promoted via the Internet (providers' web-pages) and in newspapers, journals and magazines or are presented at trade fairs, exhibitions and seminars.

Small enterprises may think global, but act local

Enterprises would prefer looking for support services either at local or at regional level. This effectively matches the way support services are currently organised in the European Union and Norway. Contact points of support services are decentralised and can be accessed either at regional or even at local level. However, it seems important that public authorities implement a more strategic approach to the support they provide and ensure that it is well co-ordinated with other service provision, particularly at the regional level. New stand-alone initiatives should be avoided, in order not to confuse the client and to facilitate the process of awareness creation.

The demand for specific types of services differs by the location of an enterprise

The need of enterprises for support services varies by different types of regions. The share of enterprises demanding different types of support services in Objective 1 regions, for instance, is higher than elsewhere. Whereas 75 % of the enterprises located in Objective 1 regions express a need for financial services, for example, this share amounts to only 52 % for enterprises not located in disadvantaged areas. Similarly, there is a clearly stronger demand for one-stop-shops in rural areas (with less than 50.000 inhabitants) than in urban areas. Therefore, public authorities need to ensure that enterprises can get convenient access to all the support services they need, irrespective of the geographical location of an enterprise.

Small businesses need more tailor-made support and more targeted services

The majority of enterprises express a strong demand for tailor-made support which takes account of their specific size class, phase of development or field of activity. Most of the support services offered to micro, small and sole proprietor's businesses in the Member States of the European Union and Norway, however, are targeted at SMEs in general and are hardly subject to a separate business support policy. Also services are usually targeted at all phases of the business life-cycle alike, with a particular focus only put on enterprises in the start-up and early phase of development.

Small businesses are not too satisfied with the level of understanding shown by service providers

Although the vast majority of micro, small and sole proprietor's businesses in the European Union and Norway that have made use of support services within the last five years seem quite satisfied with their latest experience, comparatively low levels of satisfaction are achieved with regard to the understanding of the business by the provider and the effect the service had on the enterprise. In this respect public authorities responsible for support service provision should ensure that support organisations have access to the necessary human and material resources they need to provide top class services. It is of high importance that organisations employ staff with the skills and competencies as well as with the practical experience needed to understand small businesses and to deliver the full range of services they need.

CONCLUSIONS

Creating awareness of support services is an important aim for support policy in future

A large proportion of micro, small and sole proprietor's businesses is deterred from participation in support services due to poor awareness of this kind of support. Consequently, creating awareness of support services among micro, small and sole proprietor's businesses seems to be the most important challenge for European support service providers in future. Consistent and effective promotion of support services needs to be undertaken among well-targeted audiences of enterprises and potential entrepreneurs in order to increase the take up by small businesses.

Support services should be specifically targeted at small enterprises needs

The majority of micro, small and sole proprietor's businesses would prefer to use support services that are specifically targeted at enterprises of their respective size and state of development. Thus, business support should take account of the differing needs of different types of small enterprises by providing distinct packages of services for the different target groups. Also, coherent support services need to be assured, so that enterprises can easily access a package of services covering all main management functions. In order to ensure that enterprises receive the support they need, service providers should develop procedures and terms of reference that determine which is the best advice available for the client.

Client-orientation has to be a fundamental principle of support service provision

Quality assurance systems need to be routinely implemented, with reference to formal definitions of service standards, where appropriate. Furthermore, regular evaluations of the effectiveness and efficiency of support services have to become an integral part of the culture of support service provision. Service providers and policy makers should continuously use evaluation tools in order to improve the quality, design and cost effectiveness of support services.

COUNTRY FICHE – UNITED KINGDOM

1. INTRODUCTION

The following report is one of sixteen country fiches produced on behalf of the European Commission in the course of a research study on *'Support Services for Micro, Small and Sole Proprietor's Businesses'*. The purpose of the country fiches is to provide an in-depth analysis of both, the supply side of the (public) market for support services (see section 2) as well as of the needs of micro, small and sole proprietor's businesses with respect to external support (see section 3) for each member state of the European Union plus Norway. With respect to the information provided for the United Kingdom the Austrian Institute for Small Business Research (IfGH) co-operated with the De Montfort University (DMU) in Leicester.

The first part of each country fiche is dedicated to the analysis of the *supply side* of the market for support services targeted at micro, small and sole proprietor's businesses. In this regard, information on the organisational structure of the service providers and the main characteristics of the services offered to micro, small and sole proprietor's businesses has been gathered on a decentralised basis; i. e. co-operating research institutes in each of the Member States of the European Union plus Norway have thoroughly analysed the supply of support services in their respective countries according to a standardised guideline and reported their findings to the IfGH, which then compiled the resulting information for each of the sixteen countries in an electronic database ('IfGH Support Services Database'). The main findings for United Kingdom are presented in section 2 of this report both illustrated in Graphs (quantitative information) as well as enriched with extensive qualitative information.

The second part of each country fiche is dedicated to the analysis of the *demand side* of the market for support services targeted at micro, small and sole proprietor's businesses. About 75 enterprises in each country of the European Union plus Norway have been interviewed on their needs and experience with respect to support services and external support in general, resulting in a total sample of 1,200 enterprises. In particular, a harmonised telephone survey on the basis of a standardised closed questionnaire has been carried out in October 2001. For this purpose, stratified random samples of micro, small and sole proprietor's businesses have been drawn in each member state of the European Union and Norway and after survey completion, sample weighting to unify estimates was performed. Hence, findings presented in the report are based on data weighted by enterprises' size class and sector and are thus representing the structure of the whole population of micro, small and sole proprietor's businesses in each country. All in all enterprises of seven different sectors (namely manufacturing and construction, wholesale and retail trade, transport and communication, banking and finance, business services, repair and other services, and tourism) and three different size classes (namely small enterprises (10-49 employees), micro enterprises (1-9 employees) and sole proprietors) have been interviewed and accordingly weighted. The main findings for United Kingdom are presented in section 3 of this report.

The last part of each of the country fiches is finally dedicated to drawing the main conclusions from the research undertaken in the course of the project.

2. SUPPLY OF SUPPORT SERVICES

The SME policy support structure in the United Kingdom is currently subject of a major reorganisation for which reason it is quite difficult to describe the different situations that apply in England, Northern Ireland, Scotland and Wales. The information given in this part of the report is therefore based on the examination of the most important support services that are currently implemented.

Until very recently, support services offered by public providers had a bias towards more established businesses rather than new or micro businesses. However, this bias has been corrected under the recent restructure of April, 2000 where the supply side structure of support services for small businesses, in general, has undergone a significant overhaul in England. Scotland and Wales have, largely, kept the same structure. The situation in Northern Ireland has also remained stable for some years but a review by the Department for Enterprise, Trade and Investment (DETI) earlier in 2001 has proposed significant changes which are currently under discussion.

Regional Development Agencies were formally launched in eight *English* regions on 1 April 1999, a ninth, in London, was founded following the establishment of the Greater London Authority (GLA). They aim to co-ordinate regional economic development and regeneration, to enable the English regions to improve their relative competitiveness and to reduce the imbalances that exist within and between regions. One of the reasons for undertaking the restructuring of support services in England was to improve the co-operation and interaction between the various agencies. The Small Business Service (SBS) was formed in 2000 in the course of the restructuring in order to improve and simplify the support scheme, but also because the small firm community and its issues have been disadvantaged. At a regional level small firm support is offered through three agencies Regional Government Offices, Regional Development Agencies and a revamped set of Business Links. The previous Business Link structure of 80 organisations has now been replaced by a new structure of 45 organisations established through a competitive bidding process completed in November 2000. It should be noted that Training and Enterprise Councils have now been phased out and that a new set of organisations, Learning and Skills Councils, have taken responsibility for some business training programmes within the DfEE.

The SBS is operating across all government departments and has suggested the need for greater coherence and clarity in the support provision. One way this might be achieved is by reducing the number of entry points for small business support services in the future. The level at which support schemes should be managed - national, regional, or local - shall also be based more upon the notion of efficiency. For example, the diagnostic services offered to small businesses can only, sensibly, be managed locally; whereas an information and advisory call centre can take advantage of one central source of government information rather than a number of regional or local databases.

The *Scottish* Executive, through the Enterprise Networks and Tourism Division of the Enterprise and Lifelong Learning Department, sponsors Scottish Enterprise (SEn) and Highlands and Islands Enterprise (HIE), which are the government's main vehicles for economic development in Scotland. Most of the services which SEn and HIE are in charge of, are delivered through the 22 Local Enterprise Companies (LECs). SEn and HIE are responsible for contracting with, supervising and monitoring the performance of the LECs, which are constituted as companies limited by guarantee. The Minister for Enterprise and Lifelong Learning has announced a review of enterprise networks to examine responsiveness, effectiveness and appropriateness for the challenges the Scottish Economy will face in the 21st Century. This is an integral part of the development of a Framework for Economic Development in Scotland and will be completed in the near future.

The portfolio of the Economic Development Committee for the National Assembly of *Wales* (NAW) embraces, among other issues, regional development, industrial policy and business support, and regeneration. One of the aims of the department is to build an advanced, competitive and more diverse economy, with a dynamic small and medium enterprise sector. With this in mind the National assembly of Wales is also currently reviewing small firm support. The Welsh Development Agency is one of the public bodies covered by the Economic Development Committee and they also have ultimate responsibility for Business Connect Wales Ltd.

The *Northern Ireland* Executive is the government of Northern Ireland devolved from Westminster in July, 2000. It has a structure of departments including the Department of Enterprise, Trade and Investment (DETI) that is responsible for providing an appropriate framework for strengthening economic development in Northern Ireland. The principal agencies within DETI are: the Industrial Development Board (IDB), which is an 'executive arm' of the Department; the Local Enterprise Development Unit (LEDU); the Industrial Research and Technology Unit (IRTU), which has been a 'Next Steps' Agency since 1995; and the Company Development Programme (CDP).

After the June, 2001 general election there has also been some discussion on which government departments should be responsible for those charged with business support at a regional level. The decision to place the business support element of the RDAs with the Department of Trade and Industry (DTI) should provide a more cohesive and integrated structure. In Scotland, Wales and Northern Ireland, it is not clear whether the current reviews will change the described format, but proposals to the Northern Ireland Executive suggest that some restructuring is likely in the near future.

Given these recent developments in business support policy in the United Kingdom it is the purpose of this section of the report to systematically analyse the supply side of the market for support services targeted at *micro, small and sole proprietor's businesses* in the United Kingdom, by presenting information on the organisational structure of the service providers and the main characteristics of the services offered to micro, small and sole proprietor's businesses with respect to targeting, content, quality and promotion as well as to the main objectives addressed.

In order to provide for a detailed and comprehensive assessment of the specific characteristics of the services offered, a comparatively strict definition has been applied to the term 'support services' in this part of the analysis: A support service that qualified for being selected for further assessment had to fulfil the following criteria:

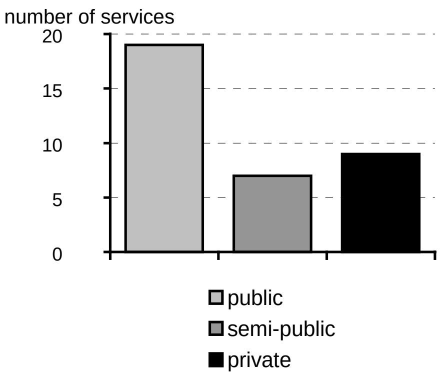
- The service originates in a public policy initiative and the provider of the service is public or, if private, is acting in line with agreed public policies (provider based criteria).
- The service is targeted at micro, small and sole proprietor's businesses either by its explicit intention or by its practical use and is targeted directly at enterprises and entrepreneurs (user based criteria).
- The service is offered at non-commercial conditions. It involves the provision of information, advice or training, or includes business services that are provided on a non-commercial basis. A substantial part of the service is of non-financial kind (content based criteria).

In the United Kingdom 35 support services have been identified according to the above criteria.([1]) However, it has to be noted that due to the comparatively strict definition, the selected services represent only a fraction of all external support available to micro, small and sole proprietor's businesses in the United Kingdom. Particularly, services that mainly offer financial support, such as loans, guarantees, or all kinds of subsidies as well as tax relief for small businesses are excluded from the analysis.

[1] A list of support services considered in section 2 is given in the appendix.

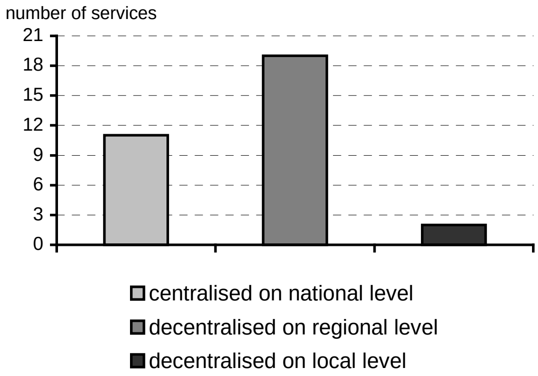
2.1 ORGANISATION OF SUPPORT SERVICES IDENTIFIED

Graph 1: Status of the leading organisations of services identified



Source: IfGH/ENSR Support Services Database, 2001

Graph 2: Organisation of the contact points of services identified



Source: IfGH/ENSR Support Services Database, 2001

As can be seen from Graph 1, public providers of support services for micro, small and sole proprietor's businesses dominate the market. The situation has been different before the reorganisation, when semi-public and private providers of support services have been relatively more important. As to this regard, the United Kingdom is a rare example within the European Union Member States: unlike other countries where a strong tendency towards outsourcing support services into semi-public and private organisations is seen a strong effort to integrate and harmonise the support system has been necessary in the United Kingdom. Private providers are still slightly more important in the market than semi-public providers as it has always been the case in the United Kingdom that a wide range of agencies offers support to small businesses. Nevertheless, for small enterprises, especially for sole proprietor's and for micro enterprises, the public network (including public service suppliers and private service suppliers that receive public funding) is more important than private agencies.

At the central government level, small firm affairs ultimately rest with the Department of Trade and Industry (DTI), but the Department for Education and Employment is still an important public provider of support services relating to certain training initiatives. At country level, the Small Business Service (SBS) in England, the National Assembly of Wales, the Scottish Executive and the Northern Ireland Office are the most important public providers of support services.

Local Enterprise Agencies (LEAs) are a very important public-private partnership, originated in the early 1980s, as a mutual response from the business sector and local councils to the high levels of unemployment and to the demise of large sections of manufacturing, particularly in the industrial Midlands and the North. The LEAs directly or indirectly provide advice and information, counselling and training on a comprehensive range of business issues. They are also involved in all kind of small businesses, including pre-starts, start-ups, sole traders, partnerships, co-operatives, and limited companies. In England, the LEAs have now sought to become an integral component in the new SBS.

The role of the private sector outside of these agencies is more diverse. Public funds are made available to specific organisations to assist certain sectors, minority groups and disadvantaged areas, but this support has been far less structured, co-ordinated or integrated into the general support measures. It should also be noted that banks, accountants, lawyers and chambers of commerce have some input into small business support and the first meeting with these professionals is often free of charge.

Contact points of support services for micro, small and sole proprietor's businesses in the United Kingdom are mostly decentralised at regional level (respectively decentralised within the country/province). Nevertheless, as can be seen from Graph 2, certain support services are also centrally offered at national level (of either the whole United Kingdom or the whole country/province). Among the support services centrally offered are phone-in services, mostly providing general advice or direct experience, and professional information services on research and innovation. Also, some SME-specific training is provided at national level. External advice and consultancy on business planning, strategy and finance as well as mentoring is often provided through contact points at local levels.

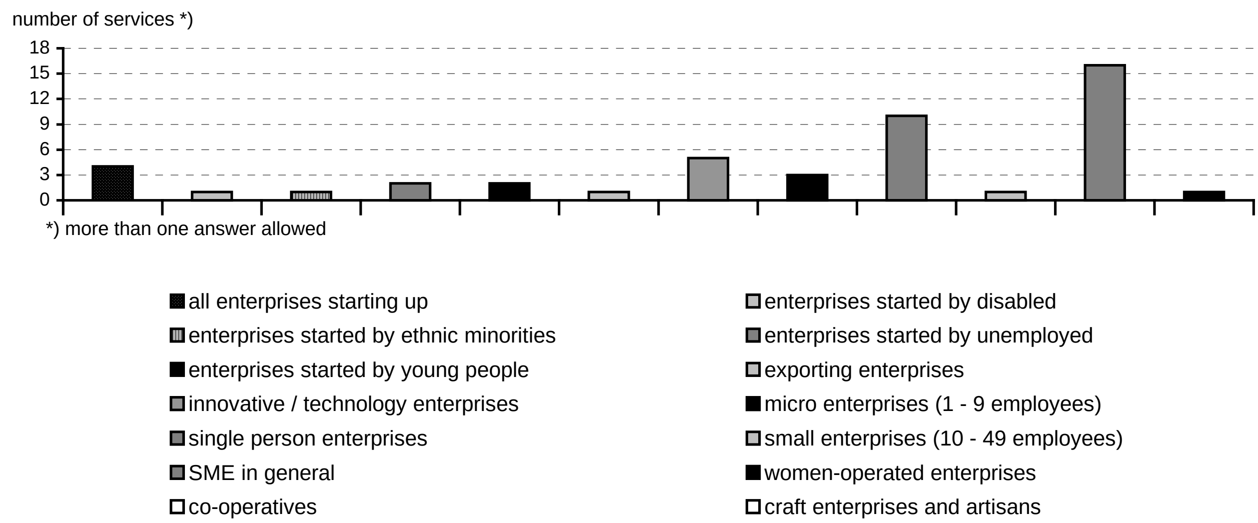
Nowadays, most of the support services for micro, small and sole proprietor's businesses are provided nation-wide across the whole United Kingdom, but there still exist some programmes covering only a certain country/ province or city (e. g. 'Women into Enterprise' that is operative in Northern Ireland, only, or 'London-Instant Muscle' that basically offers training and counselling to unemployed who intend to establish an enterprise).

The vast majority of support services offered to micro, small and sole proprietor's businesses investigated in the United Kingdom receive funding from national or regional level.

2.2 TARGET GROUPS OF SUPPORT SERVICES IDENTIFIED

As stated above, this report only deals with support services targeted at micro, small or sole proprietor's businesses. However, in many countries, these businesses are considered a sub-group of small and medium sized enterprises (SMEs) and are hardly subject to a separate business support policy. Therefore, also services though not explicitly targeted at but mainly used by micro, small or sole proprietor's businesses are included in the analysis.

Graph 3: Target population of the services identified

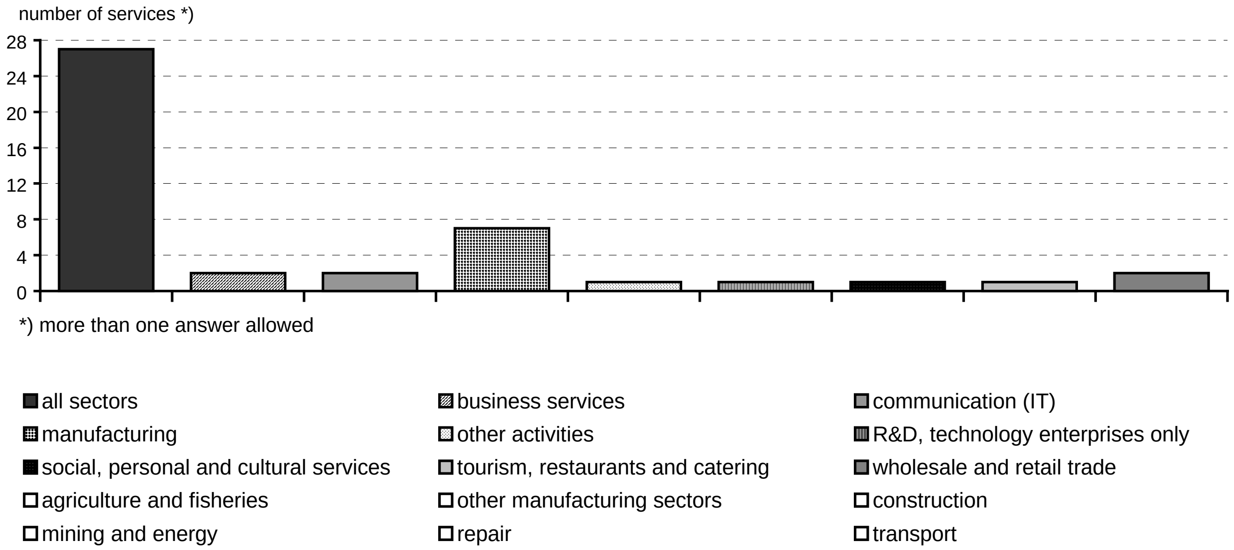


Source: IfGH/ENSR Support Services Database, 2001

As in many other Member States of the European Union, SMEs in general are addressed by most of the services. Nevertheless, sole proprietor's businesses are also targeted by the support services offered in the United Kingdom (Graph 3). Although most of the support services targeted at sole proprietor's businesses are provided by private organisations, they usually receive public funding. The support of innovative/technology enterprises and start-ups also seems to be amongst the more important issues in the United Kingdom.

The support services identified in the scope of this project are also usually not sector-specific, but address all kinds of sectors (see Graph 4). An exemption to this is that some programmes are targeted at businesses in the manufacturing sector. Four out of five national programmes identified for the manufacturing sector only apply in Northern Ireland. Out of this four programmes, two exclusively address the manufacturing sector, namely the 'Manufacturing Technology Partnership and the 'Acumen Programme'. The 'Manufacturing Technology Partnership' aims to improve the competitiveness of manufacturing companies through consultancy, training, mentoring and technology transfer. The 'Acumen Programme' covers Northern Ireland and the six border counties of the Republic of Ireland. It aims to increase cross border sales and to develop other forms of commercial co-operation in both parts of Ireland. Also, two programmes that have been initiated by bodies of the European Commission and that do not only apply for the United Kingdom, but also for several other EU member countries address the manufacturing sector. The programme 'Linking Innovation, Finance and Technology' (LIFT), for example, addresses R&D and technology SMEs in the manufacturing sector as well as SMEs in the communication (IT) sector.

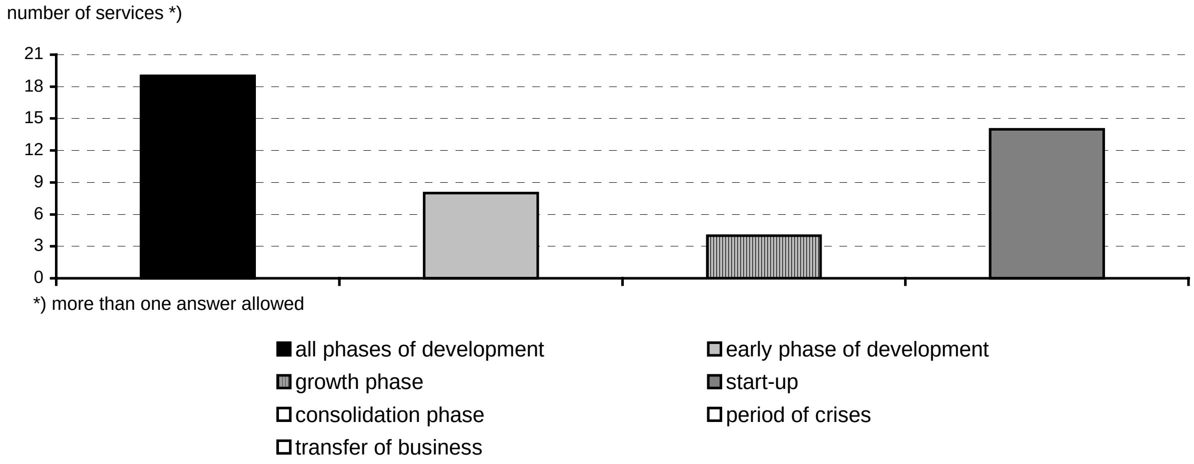
Graph 4: Sectors addressed by services identified



Source: IfGH/ENSR Support Services Database, 2001

As can be seen from Graph 5, a significant part of support services for micro, small and sole proprietor's businesses is targeted at entrepreneurs starting-up a business. Some of these services have a long tradition - they have already been implemented in the late 1970's and early 1980's and are still being provided. In the mid 1990's focus has been put on the promotion of start-ups again and an attempt has been made to reduce unemployment by supporting new businesses. 'New Deal', initiated nation-wide by the Department for Education and Employment, for example, is such an initiative, offering training to job-seekers who are willing to develop their potential as entrepreneurs.

Graph 5: Enterprise phase of development targeted by services identified

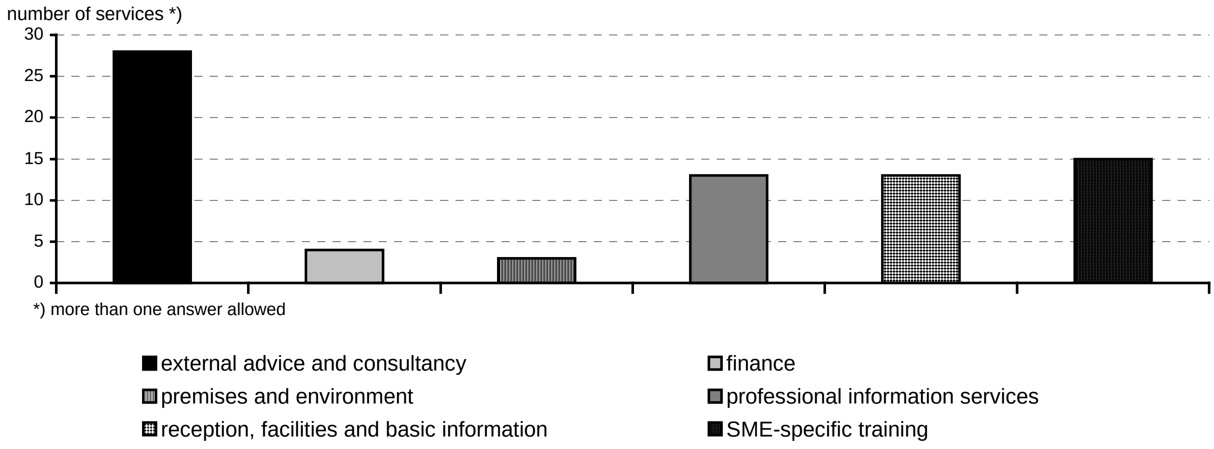


Source: IfGH/ENSR Support Services Database, 2001

2.3 TYPES OF SUPPORT SERVICES IDENTIFIED

When analysing the types of support services offered to micro, small and sole proprietor's businesses in the United Kingdom it seems necessary to recall the definition applied in this part of the assessment. As to this regard, particularly, all kind of purely financial support, such as loans, guarantees, or all kinds of subsidies or tax relief for small businesses are excluded from the analysis. Thus, it is not surprising that hardly any service has been identified with focus on 'finance'.

Graph 6: Types of services identified



Source: IfGH/ENSR Support Services Database, 2001

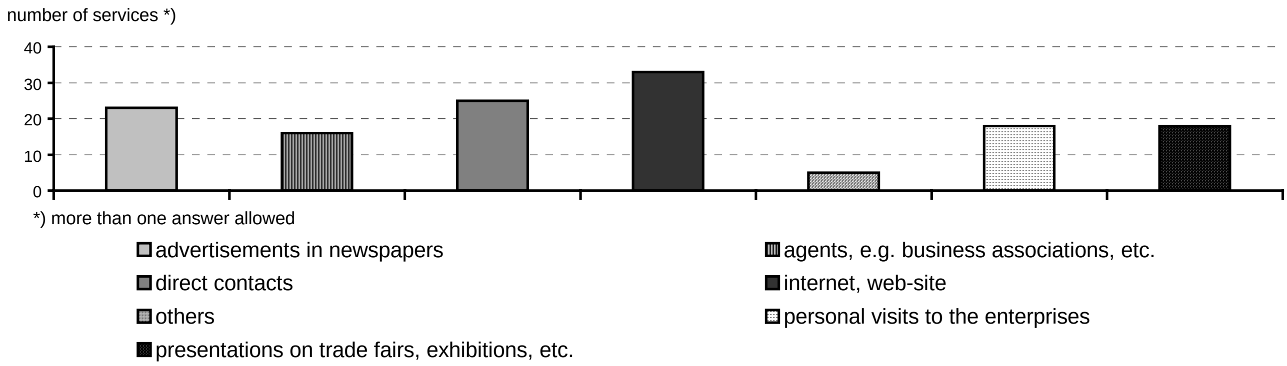
External advice and consultancy is the most dominant type of support services offered to micro, small and sole proprietor's businesses in the United Kingdom, followed by SME-specific training, as can be seen from Graph 6. Also reception, facilities and basic information (such as first-stop-shops providing general information and/or assisting with official registration and/or promotion) and a variety of professional information services is provided.

Within the area of external advice and consultancy, help on business planning and strategy, on the development of business contacts as well as mentoring are important services, whereas advice on management plays a rather minor role. For example, in Scotland, the programme 'Company Growth' offers a mix of services (e. g. implementation of a strategic plan, mentoring for the managing director, provision of an independent perspective, etc.) for helping businesses to develop and grow. This service is today run by a private management consultancy practice in Scotland and receives national and regional funding. Before 1996 'Company Growth' was part of the Scottish Enterprise Network, which was funded by the Scottish Executive and is the main development agency in Scotland. A more prominent example for a support service, that provides mentoring and business contacts as well as advice on specific areas of business activity, but also finance, is the national 'Business Angels Network' of the United Kingdom, that served as good practice for Business Angels Networks that has by now been implemented in several Member States of the European Union.

A nation-wide support service providing mentoring, assistance in the development of business contacts and direct experience to micro, small and sole proprietor's businesses is 'Big Business Helps Small', run by the semi-public institution UK Business Incubator (UKBI). Large company resources and experience is provided to small companies by telephone networking. 'Big Business Helps Small' is an ad hoc organisation where a telephone help-line gives entrepreneurs access to expert assistance free of charge. The United Kingdom has developed a comprehensive public support system for SMEs over the last 20 years. The names of the initiatives have changed over time, but essentially they have continuously moved towards the notion of a one-stop shop with emphasis on providing integrated, consistent and coherent support.

2.4 PROMOTION OF SUPPORT SERVICES IDENTIFIED

Graph 7: Promotion of services identified

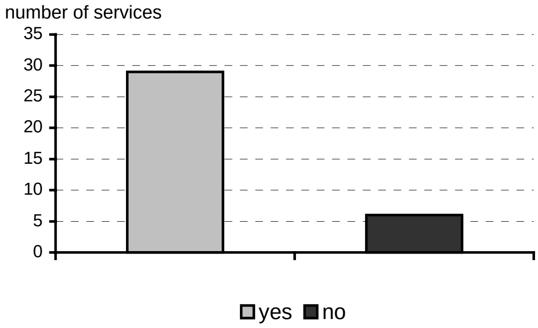


Source: IfGH/ENSR Support Services Database, 2001

In the United Kingdom as well as in many other European countries, the importance of the promotion of support services for micro, small and sole proprietor's businesses via Internet and web-site has been constantly growing and the Internet today represents a major tool for presentation of various issues. Nevertheless, advertisements in newspapers and direct contacts are very often used in addition to the Internet to promote support services. Personal visits to small businesses and presentations at trade fairs or exhibitions are only used in combination with the other, above mentioned, communication tools. 'London Instant Muscle' seems to be an exemption from this rather general rule, as it relies on promotion by word-of-mouth and by local consultative bodies, only. This long established support service offers training and counselling to potential, but unemployed entrepreneurs.

2.5 QUALITY AND PRICES OF SUPPORT SERVICES IDENTIFIED

Graph 8: Existence of quality assurance mechanisms

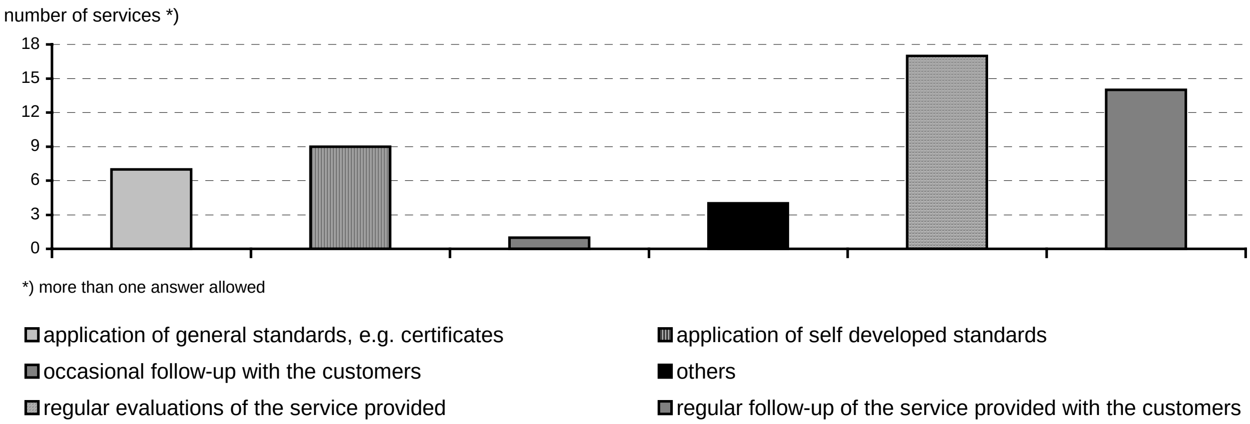


Source: IfGH/ENSR Support Services Database, 2001

Graph 8 shows that mechanisms to assure the quality of the support provided have been established in the scope of most of the support services offered. Regular evaluations as well as regular follow-ups with the customers are important means for ensuring the quality of support services offered to micro, small and sole proprietor's businesses (Graph 9). The application of self-developed standards, specific to the service provided, seems to be slightly more popular than the usage of general standards in the United Kingdom.

Such self-developed standards may range from a customer service policy to the application of professional standards for business advisors or to quality control integrated into the internal scrutiny. 'Business Connect', for example, led by a semi-public organisation and designed as a Gateway/first-stop-shop operated by information officers and business advisers is run in 32 centres by various agencies. Each have their own quality procedures based on an agreed manual.

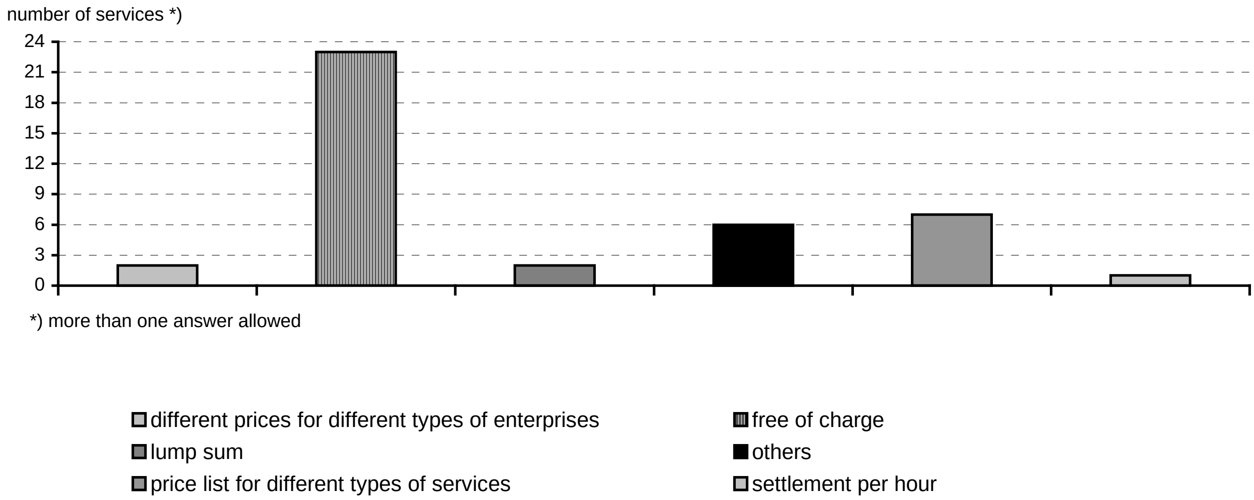
Graph 9: Types of quality assurance mechanisms



Source: IfGH/ENSR Support Services Database, 2001

The vast majority of support services targeted at micro, small and sole proprietor's businesses in the United Kingdom are offered free of charge. Many providers of external advice and consultancy offer their services for free in the beginning. Price lists for different types of services are used in some cases, and usually they are preferred by providers of business consultancy. Other modes of price determination include membership fees - there are a few services that are provided within networks and among members, such as 'Lawyers for your business', for example. Being offered by a semi-public body, 'Lawyers for your business' does not charge the initial consultancy.

Graph 10: Determination of prices of services identified



Source: IfGH/ENSR Support Services Database, 2001

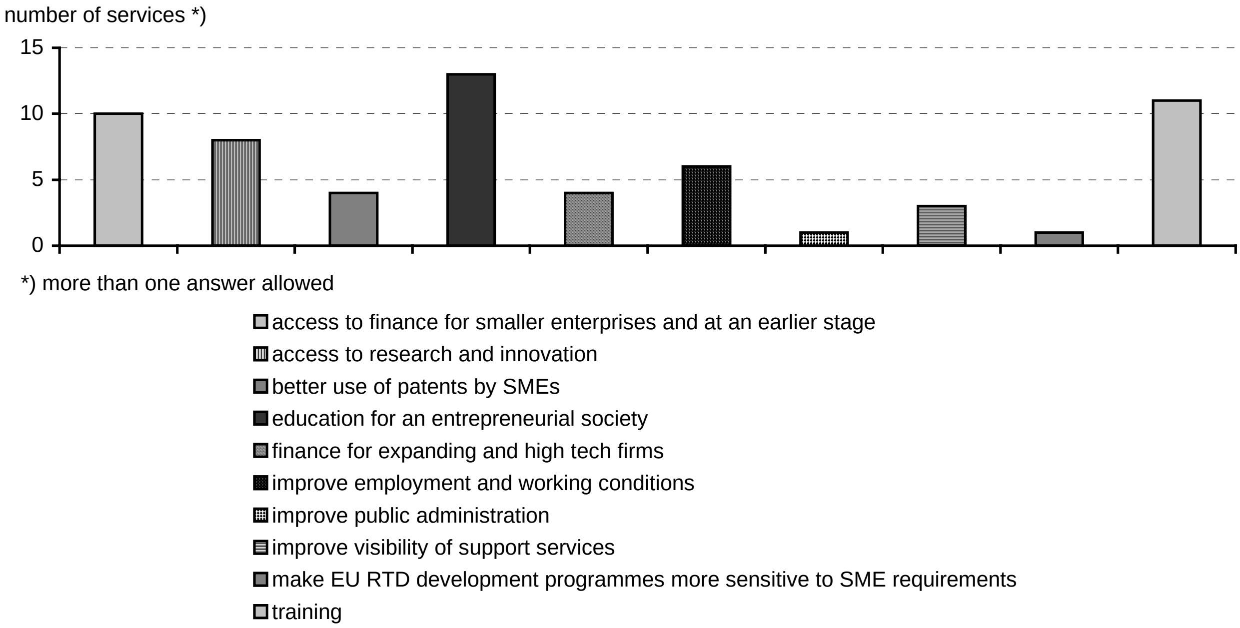
2.6 OBJECTIVES OF SUPPORT SERVICES IDENTIFIED

Public support for micro, small and sole proprietor's businesses is founded on the conviction that economic growth is strongly linked to the development of these enterprises. The objectives of the various forms of support offered are complex and aim at different scopes of business life. Many services offer practical advice and consultancy with special emphasis on sectors or different phases of development. Depending on the main focus of the service, objectives are, for example, to provide information on support services, to strengthen the readiness for enterprise start-ups and prepare potential entrepreneurs, to improve SMEs' competitiveness and innovation capacity or to secure jobs. The achievement of these aims should lead to a higher and sustainable economic growth and welfare. By means of an *Action Plan to Promote Entrepreneurship and Competitiveness* the European Commission (1999a) has set out a number of priority aims which are most important for promoting entrepreneurship and creating a business environment that encourages the creation and growth of new businesses in order to improve the competitiveness of Europe's economy (see Graph 11). The classification of national support measures according to these 'action plan objectives' shall help to present a well structured and systematic overview on the aims of the various support services available to micro, small and sole proprietor's businesses in the United Kingdom.

The British government relies on modernisation and on enhancing the United Kingdom's competitiveness with the aim of building a 'knowledge driven economy'. The transfer of research results to business is therefore particularly promoted. Support for micro, small and sole proprietor's businesses is also high on the agenda of business support policy in the United Kingdom.

Graph 11 indicates that most of the support services for micro, small and sole proprietor's businesses identified in the course of this study in the United Kingdom address the action plan objectives 'education for an entrepreneurial society' and 'training'. Both of these aims are, among others, addressed by the above mentioned service 'Company Growth'. UK Business Incubator (UKBI) is another semi-public organisation that offers a wide range of nation-wide support services and thereby addresses the action plan objectives 'education for an entrepreneurial society', 'access to finance for smaller enterprises and at an earlier stage', 'finance for expanding and high tech firms', 'access to research and innovation' as well as 'better use of patents by SMEs'.

Graph 11: Action plan objectives addressed by services identified



Source: IfGH/ENSR Support Services Database, 2001

Even though the narrow definition of the term 'support services' applied to this part of the research and outlined above implicates the exclusion of all kind of purely financial services, the action plan objectives 'access to finance for smaller enterprises' and 'finance for expanding and high tech firms' are quite well pursued. This suggests that advice on or the provision of finance cannot be neglected as a component within many of the support services offered to micro, small and sole proprietor's businesses in the United Kingdom.

3. DEMAND FOR SUPPORT SERVICES

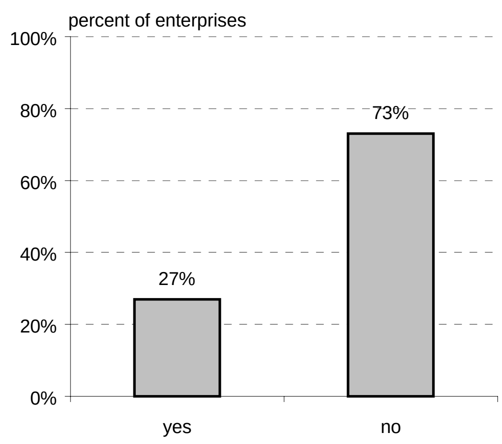
The purpose of this section of the report is to analyse systematically the demand side of the market for support services targeted at *micro, small and sole proprietor's businesses* in the United Kingdom, by examining the participation of enterprises in support services, their awareness of the availability of support services, their needs with respect to the content, conditions and design of support services as well as on issues such as the general attitude of entrepreneurs towards support services.

The definition of the term support services applied to this part of the research study contains all types of services, such as the provision of information, advice, training, or other business services that are offered at non-market conditions and are of non-financial kind. The findings provided in the following, however, are not directly related to those services mentioned in section 2 of the report. Furthermore, results presented are based on 75 telephone interviews conducted in the United Kingdom, but, due to respective data weighting, relate to the whole population of micro, small and sole proprietor's businesses in the United Kingdom (see section 1). Nevertheless, because of a relatively low number of observations with regard to specific issues at country level, results might show high sample errors and thus have to be interpreted cautiously.

3.1 PARTICIPATION IN SUPPORT SERVICES

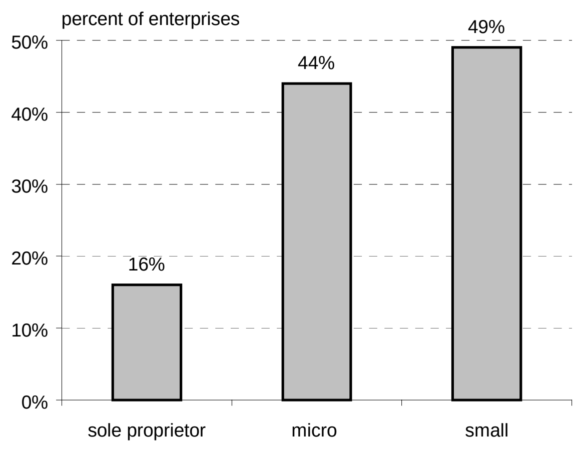
To improve the access of small enterprises to top-class business support is one of the major policy objectives of the European Commission expressed in various Commission documents, such as the *Action Plan to Promote Entrepreneurship and Competitiveness* (European Commission, 1999a) and the *Feira European Charter for Small Enterprises* (European Commission, 2000a), for example. In order to stay competitive and contribute to economic growth and employment in Europe, small enterprises need the best possible environment as well as information and business support systems that are easy to access and understand and relevant to the needs of small businesses. A current reorganisation of the SME policy support structure in the United Kingdom will especially ameliorate the support for new or micro businesses in this respect. The consolidation of the wide-spread support systems in the United Kingdom in the course of this reorganisation will lead to more integrated systems that bundle available information on support (see section 2). However, micro, small and sole proprietor's businesses in the United Kingdom already seem to make relatively high use of the support services offered.

Graph 12: Participation rate of enterprises



Source: IfGH/ENSR Small Business Survey, 2001

Graph 13: Participation rate of enterprises, by size class



Source: IfGH/ENSR Small Business Survey, 2001

As can be seen from Graph 12, the participation rate (i. e. the share of enterprises having made use of support services during the last five years) amongst micro, small and sole proprietor's businesses in the United Kingdom is more than a quarter. Nevertheless, still 73 % state that they have not participated in any support service in the last five years.

It has to be noted that participation in the United Kingdom decreases with the size of the enterprise: Whereas almost half of the small enterprises (10 to 49 employees) have made use of support services, it is only about 16 % of sole proprietor's businesses (see Graph 13) that have utilised any kind of support service during the last five years.

On average 20 % of all micro, small and sole proprietor's businesses in the European Union Member States and Norway have participated in support services within the last five years. Variations from this value at country level have to be interpreted cautiously as sample errors may be up to +/- 10 %. However, it can be concluded from Table 1 that compared to other European countries the United Kingdom's participation rate lies in the better midfield. In the Netherlands, Ireland and Denmark participation rates are above average, while in Sweden, Greece and Norway relatively less micro, small and sole proprietor's businesses have utilised any support service within the last five years.

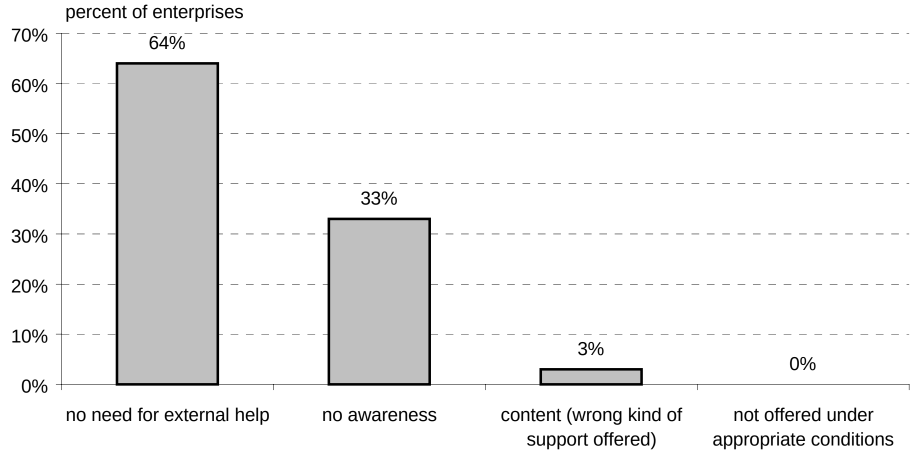
Table 1: Participation rate of enterprises, by country

country		participation rate*)
Netherlands		34 %
Ireland	*significantly*	32 %
Denmark	*above average*	28 %
United Kingdom		**27 %**
Finland		25 %
France		22 %
EU (15) and Norway		***20 %***
Germany	*on average*	20 %
Portugal		20 %
Belgium		20 %
Spain		19 %
Austria		16 %
Italy		16 %
Sweden	*significantly*	10 %
Greece	*below average*	6 %
Norway		3 %
Luxembourg		**)

*) share of enterprises having made use of support services within the last five years, maximum sample error at country level: +/- 10 %
**) no reliable data available
Source: IfGH/ENSR Small Business Survey, 2001

There may be various reasons, why enterprises do not make use of any support service offered in their respective country. However, most of these reasons may be categorised into four groups: a) enterprises believe that they do not have any need for external help, b) enterprises are not aware of the existence and availability of support services, c) the content of support services offered does not match the needs of enterprises, and d) the respective support services are not offered under appropriate conditions. The most dominant reasons for micro, small and sole proprietor's businesses in the United Kingdom for non-utilisation of support services are illustrated in Graph 14.

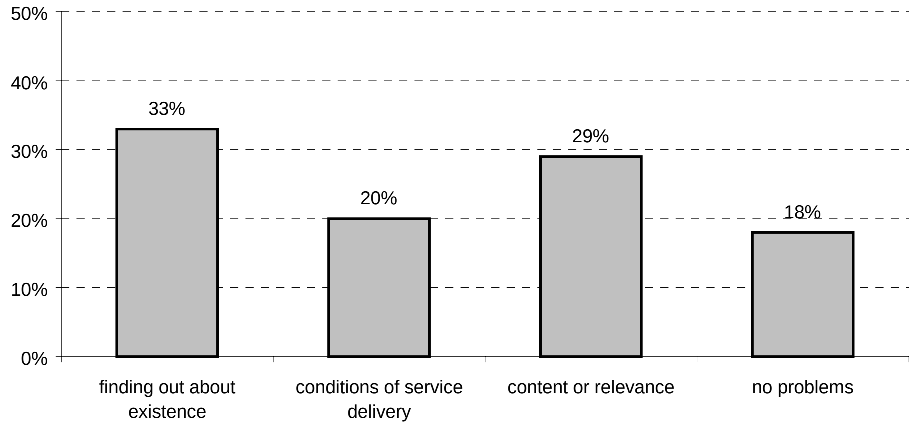
Graph 14: Main reason for not using support services*)



*) only enterprises that have not made use of support services within the last five years
Source: IfGH/ENSR Small Business Survey, 2001

The main reason for many enterprises in the United Kingdom not to make use of support services is that they do not see any need for external help. The second strongest reason for non-utilisation is that enterprises often lack information on the existence and availability of support services even where they would basically have a need for external support. Particularly it is sole proprietors that do not make use of support services mostly stressing that they do not need external help. Very few enterprises do not make use of support services because they assume that the wrong kind of content is offered.

Graph 15: Main difficulty when using support services*)



*) only enterprises that have made use of support services within the last five years
Source: IfGH/ENSR Small Business Survey, 2001

The problem of awareness is revealed when considering enterprises that have already used support services. One third (33 %) of these British enterprises, claims that it was most difficult to find out about the existence of the respective service in the first place, closely followed by 29 % that experienced major difficulties with the content of the service, as can be seen from Graph 15. The delivery conditions of the services (e. g. pricing, promptness of delivery) have been identified as a problem by every fifth (20 %) enterprise. Only a relatively small share (18 %) indicates that they do not see any problems with respect to the utilisation of support services.

In the following sections, it is sought to deepen the investigation on the main reasons for not using support services by micro, small and sole proprietor's businesses in the United Kingdom: Beginning with the problem related to a *lack of awareness*, an illustration of the level of information on the existence and availability of support services in the United Kingdom is provided followed by a cross-national comparison of *'information rates'* (i. e. the share of enterprises well informed on the existence and availability of support services). An attempt is made to detect mismatches between enterprises' needs with respect to how they want to be informed on support services and how providers actually promote the services they offer. This is done in *section 3.2*.

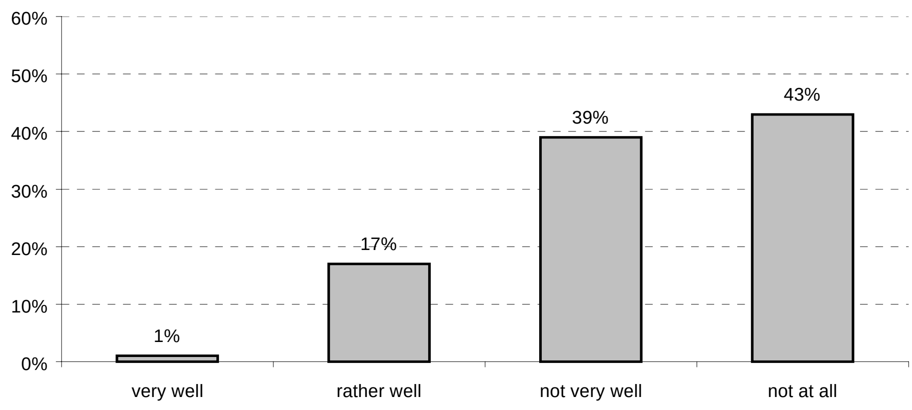
The problems related to the *content of support services* are analysed by comparing the supply side of the market for support services (see section 2) to the needs of micro, small and sole proprietor's businesses. Attempts are made to detect prevailing mismatches between enterprises' need for external help and what is actually available on the market for support services. This is presented in *section 3.3* of this report.

Finally, the *conditions of delivery* and the respective problems are investigated by considering the issue of satisfaction with the use of support services. An illustration of how satisfied enterprises are with the utilisation of support services is followed by a cross-national comparison of *'satisfaction rates'* (i. e. the share of enterprises satisfied with the use of support services). This is presented in *section 3.4*.

3.2 AWARENESS OF SUPPORT SERVICES

The counterpart of a potential 'lack of awareness' on the demand side might be a 'lack of visibility' of support services on the supply side. Creating awareness of the existence and availability of support services among entrepreneurs is considered one of the major challenges in support policy for small and medium sized enterprises and in particular for micro, small and sole proprietor's businesses. Several previous empirical studies have identified this issue as being one of the major constraints for the utilisation of support services by small enterprises (see, for example, the *European Observatory for SMEs*, European Commission, 2000b). As can be seen from Graph 14, one third of the smallest enterprises in the United Kingdom have not yet used any support service as they are not aware of the existence of any support for their enterprise. It is the aim of this section to further elaborate on the issue of awareness by providing data on the information rate of enterprises with respect to the availability of support services for their respective business and by identifying a potential mismatch between enterprises' needs with respect to how they want to be informed on support services and how providers actually promote the services they offer.

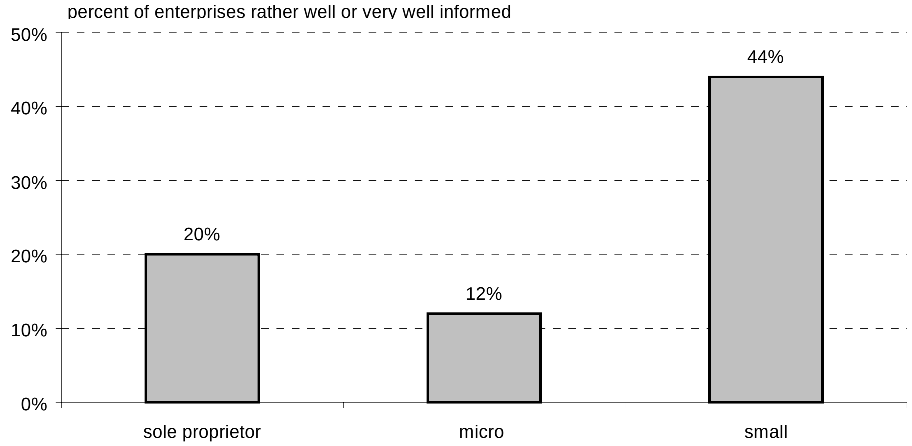
Graph 16: Information rate of enterprises with respect to support services



Source: IfGH/ENSR Small Business Survey, 2001

As can be seen from Graph 16, micro, small and sole proprietor's businesses in the United Kingdom are very poorly informed on the existence and availability of support services: Only 1 % of the enterprises confess to be 'very well' informed and not more than 17 % feel 'rather well' informed. Thus, in total, more than 80 % of the target enterprises in the United Kingdom lack information on the availability of support services for their business.

Graph 17: Information rate of enterprises with respect to support services, by size class



Source: IfGH/ENSR Small Business Survey, 2001

The information rate of enterprises on the existence and availability of support services varies by size class of enterprises, with small enterprises being the best informed and micro enterprises being the least aware, as can be seen from Graph 17. Whereas 44 % of the small enterprises indicate to be 'very well' or at least 'rather well' informed, only 20 % of the sole proprietors claim to be sufficiently informed. Among micro businesses only 12 % claim to have a good knowledge on the availability of support services.

The average information rate of micro, small and sole proprietor's businesses in the European Union Member States and Norway lies at 24 %. Again, variations from this value at country level have to be interpreted cautiously as sample errors may be up to +/- 10 %. However, it can be concluded from Table 2 that compared to other European countries the information rate of the United Kingdom's enterprises is still on average. In France, Portugal and Greece, on the other hand, the amount of micro, small and sole proprietor's businesses being informed on the existence and availability of support services offered for their respective enterprise is far below the EU average.

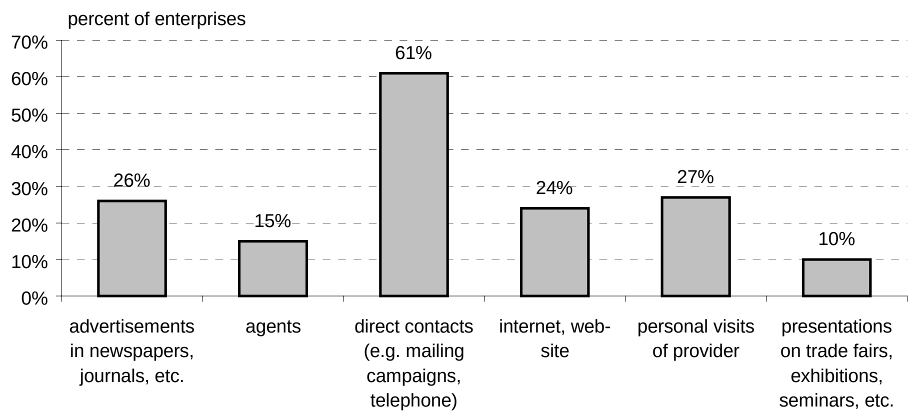
Table 2: Information rate of enterprises with respect to support services, by country

country		information rate*)
Belgium		45 %
Netherlands		43 %
Austria	*significantly*	36 %
Sweden	*above average*	36 %
Finland		34 %
Italy		31 %
Denmark		30 %
Spain		29 %
Norway	*on average*	27 %
Ireland		25 %
EU (15) and Norway		***24 %***
Germany		22 %
United Kingdom		**18 %**
France	*significantly*	15 %
Portugal	*below average*	11 %
Greece		6 %
Luxembourg		**)

*) enterprises rather well or very well informed on support services, maximum sample error at country level: +/- 10 %
**) no reliable data available
Source: IfGH/ENSR Small Business Survey, 2001

The problem of lacking information or lacking awareness on the side of enterprises in the European Union Member States and Norway may be related to the respective promotion activities applied by support service providers in order to attract or to reach as many potential users as possible. It is found in section 2.4 that a lot of information on support services is already made available through various promotion tools. However, an analysis of the preferences of micro, small and sole proprietor's businesses with regard to the means for information provision shows that the right combination of methods might need to be put in place in order to increase awareness of support services in the United Kingdom.

Graph 18: Type of promotion activities preferred by enterprises*)



*) more than one answer allowed
Source: IfGH/ENSR Small Business Survey, 2001

With respect to how enterprises want to be informed on support services, it can be concluded from Graph 18 that in the United Kingdom micro, small and sole proprietor's businesses have a clear preference for direct contacts, i. e. mailing campaigns or telephone marketing (61 %). Far less attention is paid by enterprises to personal visits by the provider (27 %), advertisements in newspapers or journals, etc. (26 %) and on Internet/ web-sites (24 %). Nevertheless, the latter tools are still important, and might best be used in combination with direct contacts in order to increase awareness of support services in the United Kingdom.

The comparison with how support services are actually promoted in the United Kingdom (see section 2.4) shows that although almost all support services analysed in the course of this study are promoted on the Internet, certain emphasis is also put on direct contacts. Almost two thirds of the smaller enterprises appreciate such direct mailing or telephone campaigns that are actually employed for most of the support services, as can be seen from Graph 7. This seems to indicate a good match between supply and demand as far as the use of promotional activities is concerned, however, given the comparatively low awareness rate in the United Kingdom, still more needs to be done.

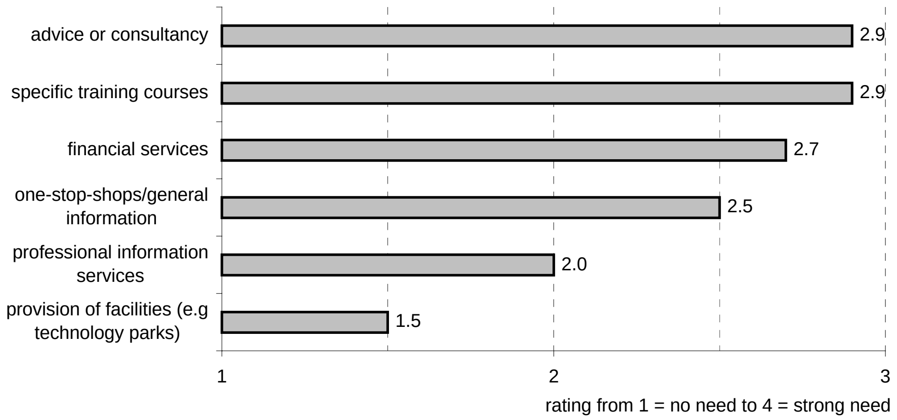
Almost all micro, small and sole proprietor's businesses would look for external support at local level; nearly half of the businesses would search both, the local and the regional level. Instead, very few consider looking for information on available support at the national or European level. The comparison of these findings with the actual organisation of contact points of support services shows that the supply side and the demand side meet rather well in this aspect, as most of the support services are offered decentralised at the local/regional level and some at the national level (see Graph 2).

Support service providers in the United Kingdom already make use of various promotion tools (see Graph 7). Nevertheless, the awareness of support available to micro, small and sole proprietor's businesses might be increased by stronger focussing on direct contacts (i. e. via mailing campaigns, telephone contacts, etc.), personal visits to the enterprise as well as advertisements in newspapers, as these tools appear to be the ones most preferred by the enterprises. A combination of these promotion methods, as already applied by some service providers, might be an effective strategy to make the smallest enterprises aware. However, it has to be noted that particularly the former two are amongst the most costly promotional means for service providers.

3.3. CONTENT OF SUPPORT SERVICES

Once the problem of lacking awareness has been overcome by enterprises, it still remains difficult to identify the type of support that is considered relevant for the development of one's enterprise. As outlined in section 3.1, the content of available support (i. e. the types of support offered, the targeting of support services, etc.) is no major reason for micro, small and sole proprietor's businesses in the United Kingdom not to make use of support services. Nevertheless, 29 % of the enterprises claim this aspect of support services to be a major difficulty when participating in or using support services (see Graphs 14 and 15). Thus, the issue of the content requires further analysis. Although the need for support services generally seems to be moderate in the United Kingdom, there are some types of services that appear to be more important to enterprises than others. Thus, it is the aim of this section to detect prevailing mismatches between enterprises' need for external help and what is actually available on the market for support services.

Graph 19: Need for different types of support services

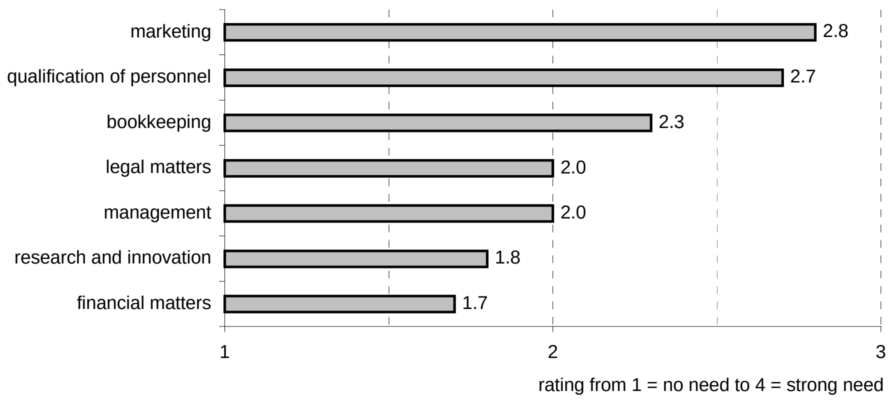


Source: IfGH/ENSR Small Business Survey, 2001

In general, micro, small and sole proprietor's businesses in the United Kingdom express a rather low need for external support services (on a scale from 1 - no need to 4 - strong need on average 2.4). However, the need for external support seems to be comparatively strongest for advice/consultancy as well as for specific training courses. One-stop-shops offering general information also seem to be quite essential, whereas professional information services (offering e. g. specific technical or legal advice) are required less often. There also seems to be only little need for facilities (see Graph 19) among micro, small and sole proprietor's businesses in the United Kingdom.

A comparison of these needs with the types of services actually supplied in the United Kingdom shows that concerning the content of support services, the supply side seems to meet the demand side rather well. The service offered most often is external advice/consultancy followed by SME-specific training. Reception, facilities and basic information as well as professional information services are also commonly provided. Although financial services are of considerable importance to the enterprises, the supply and demand side cannot directly be compared for this type of service, as financial services were not analysed in the scope of this study (see definition in section 2).

Graph 20: Need for external support, by business areas



Source: IfGH/ENSR Small Business Survey, 2001

With respect to the need of British enterprises for external support in specific business areas, it is mainly marketing and personnel qualification matters enterprises seem to need help with, as may be concluded from Graph 20. Nevertheless, micro, small and sole proprietor's businesses also need assistance in bookkeeping, legal matters and management. By contrast, there does not seem to be much demand for help with research and innovation as well as with financial matters, which is quite surprising, as most enterprises in the European Union and Norway rank the need for external help in the field of finance highest.

One reason for the very moderate take-up of support services expressed by enterprises of all size classes - as in most other European countries - might be due to a little target group orientation of many support services offered as far as size class, sector, or the phase of development of an enterprise are concerned. The majority of micro, small and sole proprietor's businesses in the United Kingdom (67 %) would prefer to use support services that are specifically targeted at enterprises of their respective *sector*. 26 % of the enterprises even indicate that it is 'very important' for them to be offered support tailored to their specific sector. A comparison to the supply side of support services (see Graph 4) reveals that the demand for sector-specific support services is significantly higher than their actual supply: Apart from some emphasis dedicated to the business services sector, almost all support services offered in the United Kingdom address all sectors alike, rather than being focussed on specific ones.

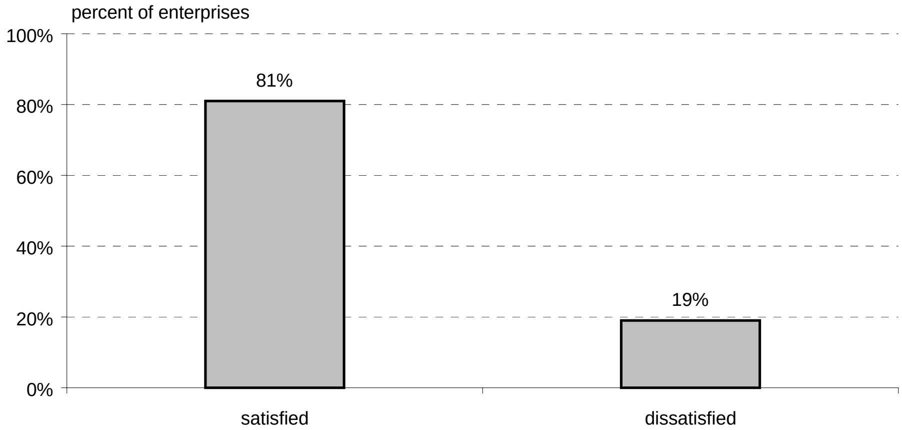
The majority of British micro, small and sole proprietor's businesses (57 %, including 27 % that indicate high importance) also consider it important that support services are specifically targeted at enterprises of their respective *phase of development*. Particularly, it is believed that it is phases of crisis and the start-up phase, when enterprises need most external support. When compared to the supply side of support services (see Graph 5) it might be concluded that there is indeed a wide range of support offered to enterprises starting-up in the United Kingdom, whereas there seems to be no service provider that explicitly addresses enterprises in crises. This might, however, also be due to a lack of transparency of services caused by insufficient promotion, as indeed some support services in the United Kingdom are offered as integrated systems and may also include sub-services targeted at the phases of crisis. Moreover, although almost one third of all enterprises believe that businesses in the growth phase are among those needing most external help, only a few service providers seem to concentrate on enterprises in this particular phase.

Only 36 % of enterprises stress the importance that support services are designed to best serve the different *size classes* of enterprises, which is a rather low percentage compared to other European Countries. Although most support services offered in the United Kingdom address SMEs in general, considerable focus is put on single person enterprises, as can be seen from Graph 3.

3.4 CONDITIONS AND DELIVERY OF SUPPORT SERVICES

In order to increase the take-up of support services by micro, small and sole proprietor's businesses, creating awareness of the availability of support and offering suitable or relevant types of services might not be sufficient if enterprises are not convinced of their real value and quality. As outlined in section 3.1, for many British micro, small and sole proprietor's businesses it is the conditions of service delivery that poses the main difficulty when using support services. This credibility gap needs to be overcome in order not to lose potential participants who are generally convinced of the usefulness of external help and are likely to use support services regularly if these are offered under appropriate conditions. Thus, it is the aim of this section to further elaborate on the issue of delivery of support services by providing data on the satisfaction rates of enterprises with support services offered and by identifying a potential mismatch between enterprises' preferences for specific forms of communication, payment, etc. and the way, support services are actually delivered.

Graph 21: Satisfaction rate of enterprises*)



*) only enterprises that have made use of support services within the last five years
Source: IfGH/ENSR Small Business Survey, 2001

Generally, most (81 %) micro, small and sole proprietor's businesses in the United Kingdom that have made use of support services within the last five years indicate satisfaction with their latest experience in this respect, as can be seen from Graph 21. When compared to other countries it becomes evident that the satisfaction rate in the United Kingdom is the fifth highest in the European Union Member States plus Norway.

The comparison with the EU Member States plus Norway reveals that it is Portuguese and Irish enterprises that experience highest satisfaction with the use of support services as indicated by satisfaction rates in these countries amounting to 90 % (see Table 3). The lowest satisfaction rates is obtained in Sweden with 22 %.

The average satisfaction rate with respect to support services used by micro, small and sole proprietor's businesses in the European Union Member States and Norway during the last five years lies at 80 %. It is hardly possible to interpret variations from this value at country level due to comparatively high sample errors amounting up to +/- 15 %. Still, it might be assumed that Ireland and Portugal are at the upper end while Luxembourg and Denmark are at the lower end of satisfaction with respect to support services used. The United Kingdom seems to meet the average quite well. Due to the high variation of the corresponding values for some countries, these are not included in the country ranking presented.

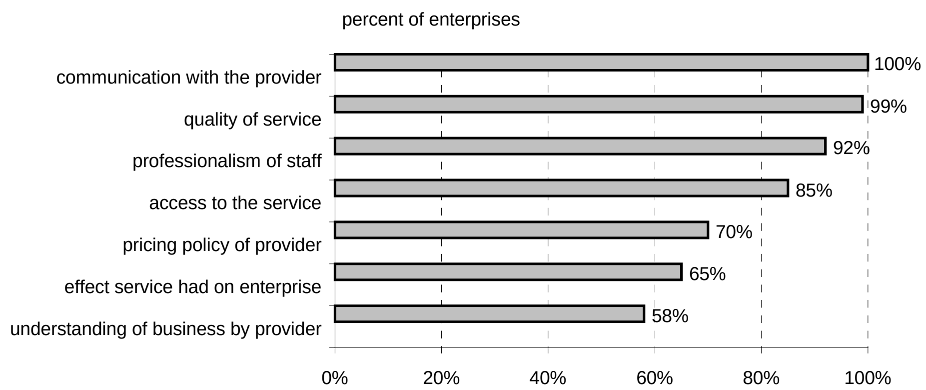
Table 3: Satisfaction rate of enterprises, by country

country		satisfaction rate*)
Ireland		90 %
Portugal		90 %
Spain		85 %
Belgium		82 %
United Kingdom		**81 %**
EU (15) and Norway	*on average*	***80 %***
Finland		80 %
France		79 %
Netherlands		76 %
Germany		76 %
Luxembourg		69 %
Denmark		67 %
Austria		51 %**)
Greece		68 %**)
Italy		82 %**)
Norway		64 %**)
Sweden		22 %**)

*) enterprises very or rather satisfied with the latest use of support services, maximum sample error at country level: +/- 15 %
**) due to small number of observations sample error may amount up to +/- 25 %
Source: IfGH/ENSR Small Business Survey, 2001

While Graph 21 presents the satisfaction rate of micro, small and sole proprietor's businesses in the United Kingdom with the support services used in rather general terms, the following Graph 22 illustrates the degree of satisfaction differentiated by specific issues related to the delivery of support services.

Graph 22: Satisfaction with the use of support services, by different aspects*)

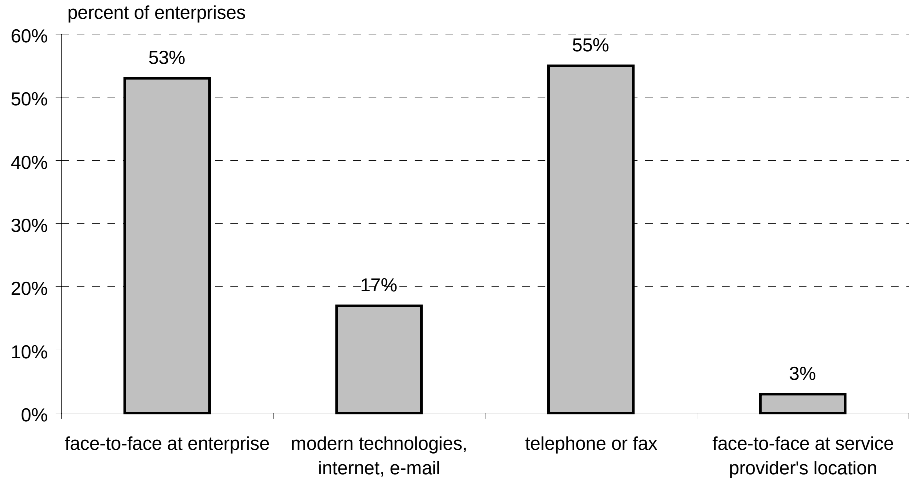


*) only enterprises that have made use of support services within the last five years
Source: IfGH/ENSR Small Business Survey, 2001

As can be seen from Graph 22, the vast majority of micro, small and sole proprietor's businesses in the United Kingdom that have used support services during the last five years are satisfied with the communication with the provider, with the quality of the service, the professionalism of the staff as well as with the access to the service. Comparatively low satisfaction on the other hand is expressed with respect to the pricing policy of the provider, the effect the service had on the enterprise as well as with the understanding of the business by the provider.

In the following, it is intended to investigate three different facets of service delivery: the form of communication with the provider, the form of payment, and quality assurance mechanisms. The attempt is to analyse the preferences of the United Kingdom micro, small and sole proprietor's businesses regarding these aspects and furthermore to compare the findings with the supply side of the United Kingdom support services market.

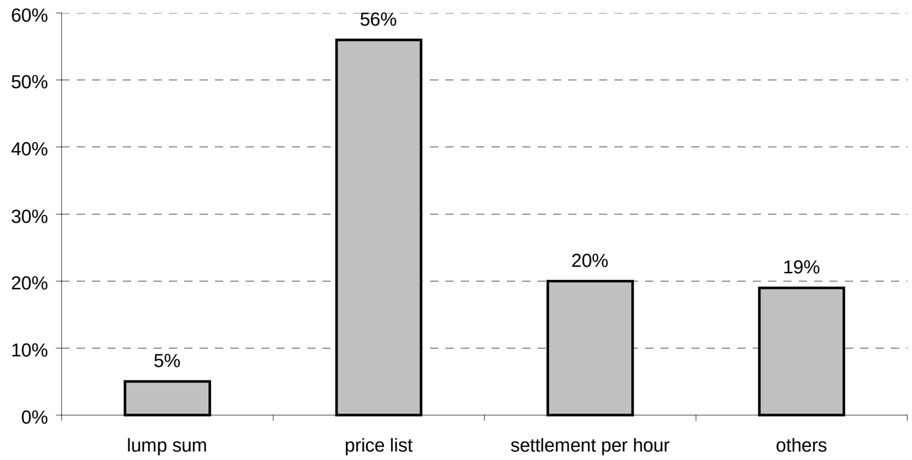
Graph 23: Form of communication with the service provider preferred by enterprises*)



*) more than one answer allowed
Source: IfGH/ENSR Small Business Survey, 2001

When using support services, micro, small and sole proprietor's businesses in the United Kingdom prefer communicating with the support service provider either by telephone or fax (55 %) or at their enterprise's location (53 %). Only 17 % of enterprises appreciate the possibility to use modern technologies (mainly Internet) to communicate with the provider, whereas very few like to communicate at the service provider's location, as can be seen from Graph 23. The high satisfaction of enterprises with the communication with the service providers indicates that supply and demand meet rather well in this aspect.

Graph 24: Form of payment preferred by enterprises

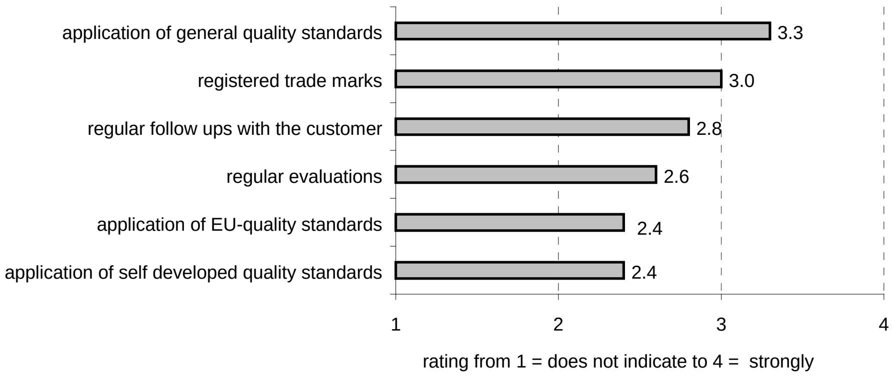


Source: IfGH/ENSR Small Business Survey, 2001

As far as the pricing policy of service providers is concerned, British micro, small and sole proprietor's businesses clearly prefer prices according to given price lists as compared to paying a lump sum (see Graph 24), for example. The latter form of payment is also rarely used by the service providers (see Graph 10), whereas price lists are quite commonly applied. However, most of the services offered are actually free of charge. Still, there are quite a few services subject to lump sum payments or settlements per hour, which is not very much appreciated by most enterprises and might partly explain the comparatively low satisfaction of the enterprises with regard to the pricing policy of service providers.

The quality of services is usually difficult for enterprises to asses before actually utilising them. However, in order to increase enterprises' trust in the reliability of the respective providers it is advisable to apply quality assurance measures, that are, besides being indispensable in order to guarantee high quality service provision, also highly visible and recognised by the enterprises. Applying quality standards or offering regular follow-ups with the customer, for instance, is vital to successfully promote support services. Choosing the right measures - the ones enterprises trust most - and making them visible to the enterprises might be crucial in order to strengthen enterprises' belief in the usefulness of support services and by that their demand for support of this kind. Thus, the question of how high quality of services offered might be communicated to enterprises and which criteria enterprises apply to judge the quality of a service is also dealt with in the scope of this study. The findings for the United Kingdom in this respect are presented in Graph 25, below.

Graph 25: Criteria that indicate high quality to enterprises



Source: IfGH/ENSR Small Business Survey, 2001

When micro, small or sole proprietor's businesses in the United Kingdom try to assess the quality of a service provider the criteria they trust most include the application of general quality standards and registered trademarks, but also regular follow-ups with the customers. It seems to be of less importance to the enterprises whether support service providers apply EU- or self-developed quality standards (see Graph 25).

When compared to the quality assurance mechanisms actually deployed by support service providers in the United Kingdom, it can be seen that general standards/certificates are moderately applied, whereas regular evaluations of the service provided and regular follow-ups with the customers are the most often used tools (see Graph 9). Thus, service providers in the United Kingdom seem to manage to transport the quality of their services to their clients quite well, which is in line with the high satisfaction rate amongst enterprises as far as the quality of the services is concerned (see Graph 22).

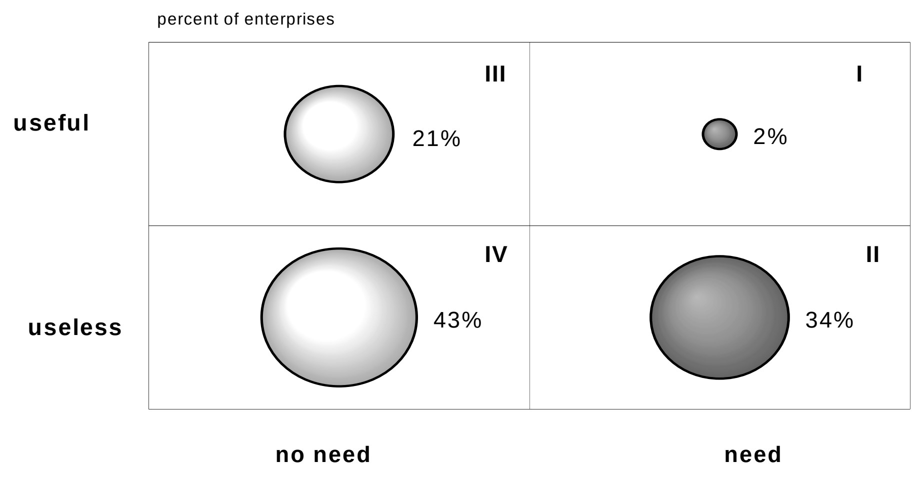
3.5 FUTURE POTENTIAL OF THE MARKET FOR SUPPORT SERVICES

The following matrix gives an overview on the future potential of the market for support services in United Kingdom by different types of enterprises, together with the respective strategy to be applied in order to increase the take-up and utilisation of support services. For this purpose, the attitude of enterprises towards support services has been segmented according to two characteristics:

a) enterprises' subjective rating of the general *usefulness* of support services and
b) enterprises' indication of the *need for support services* with respect to the own enterprise.

These characteristics are assumed to significantly influence the readiness of enterprises to participate in support services in the future. The combination of these two characteristics in a matrix results in four different types of enterprises and allows one to judge the potential of the market for support services as well as to derive specific strategies for mobilising this potential. The matrix shown in Graph 26 distributes those micro, small and sole proprietor's businesses in United Kingdom that have not participated in any type of support service during the last five years, according to their attitude towards support services.

Graph 26: Strategic matrix on the potential of the market for support services in the United Kingdom*)



*) only enterprises that have not made use of support services within the last five years
Source: IfGH/ENSR Small Business Survey, 2001

I. Quadrant: The first quadrant describes the share of enterprises that have indicated a need for external support and that are convinced of the usefulness of support services. These enterprises are basically willing to participate in support services, but seem to lack information on their availability and on how to access them. This group of enterprises is probably very sensitive to any type of *awareness-raising measures and promotional activities* applied by support service providers. Enterprises located in this quadrant are the ones that are most likely to use support services in the future. Their share in all enterprises not having used support services in the last five years in the United Kingdom unfortunately amounts to only 2 %.

II. Quadrant: Enterprises in this quadrant have indicated a general need for support services, but doubt their usefulness. This might be due to a certain discontentment with the existing offer of support services. These enterprises might be most sensitive to strategies aiming at the improvement of the *content and conditions of delivery* of services, such as a better target group orientation of services offered or an improvement of communication strategies and the understanding of the businesses' needs, for example. The enterprises in this quadrant (34 % of those who have not made use of support services in the last five years) are rather critical towards support services but may well be mobilised by improving the content and delivery mechanisms of support services.

III. Quadrant: This quadrant contains the share of enterprises that generally consider support services to be useful, but do not see any need for their own enterprise in this regard. It is usually more difficult to mobilise enterprises that indicate no need for external support than enterprises not utilising support services for other reasons, such as a lack of information or dissatisfaction with the offer, for example. However, as these enterprises believe in the general usefulness of support services they might be sensitive to strategies aiming at the *proliferation of information on the merits of support services* by the dissemination of 'good practices' or the demonstration of success rates of enterprises using support services, for example. In the United Kingdom, 21 % of micro, small and sole proprietor's businesses seem to be sensitive to this kind of strategies. However, the attitude of this comparatively large group of enterprises is also often related to a general difficulty in identifying needs or facing economic or operational problems of their daily business, which needs to be overcome.

IV. Quadrant: Finally, quadrant IV describes the share of enterprises that neither indicate any need for support services nor believe in their usefulness. This attitude, particularly of smaller enterprises, is in line with results from a previous research study on SMEs in the European Union (Alten and Weiß, 2000), where it has been found that many small enterprises do not have the competency to judge their own needs correctly and to derive a specific demand from these needs. The lack of knowledge of their own needs in consequence may lead to a low acceptance of support services offered to the market, which is often associated with a general suspiciousness against 'externals' and a lacking readiness to give external support service providers insight into the economic and operational matters of one's enterprise. This group of enterprises will most probably stay insensitive to any traditional promotional or awareness creation measures and is thus not very likely to use support services in the future; unfortunately their share amounts to 43 % in the United Kingdom, which is much higher than in the EU average (26 %).

Unfortunately, the vast majority of the micro, small and sole proprietor's businesses in the United Kingdom (77 %) do not see how they can benefit from the utilisation of external support. The reorganisation of the support system in the United Kingdom currently is already subject to an important and major step towards an amelioration of the delivery of support to the smallest businesses, as it aims at a simplification of the access to support services and more transparent support structures where different suppliers may better interact with each other. Nevertheless, the uncertainty such a restructuring process bears, might also be a reason why so many enterprises do not consider support services as being useful at this point of time.

4. SUMMARY AND CONCLUSIONS

Whereas most of the other countries are in the process of outsourcing public tasks by establishing more semi-public support services providers, the current restructuring process in the United Kingdom seems to aim at the opposite. It shall ameliorate the interaction of the various support service providers and thereby facilitate the access to services and make the supply of support services more transparent for the smallest businesses. After restructuring, public providers of support services dominate the market, nevertheless, semi-public and private suppliers are also still of certain importance. The contact points are mostly decentralised within the country/ province; some services are also centrally offered at national level. Although SMEs in general are addressed by most of the service providers, considerable focus is also put on sole proprietor's businesses. Support services in the United Kingdom are usually not sector-specific but normally address all kinds of sectors, with the only exception being the manufacturing sector. A significant part of support services addresses enterprises in the start-up phase, but support is also explicitly available for the early phase of development, besides that, most services address all phases of development of an enterprise.

Support services for small enterprises in the United Kingdom mainly offer external advice and consultancy, but also SME-specific training, professional information or reception/facilities/basic information. The majority of the support service providers use the Internet for promotional purposes, but advertisements in newspapers and periodicals (often special interest magazines) or direct contacts are also commonly used. Most of the support services targeted at small businesses have established mechanisms to assure the quality of the support provided, whereby regular evaluations and regular follow-ups with the clients are among the most commonly used instruments for quality assurance. Also, the pricing policy of service providers in the United Kingdom seems to be rather transparent. Most of the services offered are either free of charge or are charged according to given price lists. Generally, most of the support services for micro, small and sole proprietor's businesses in the United Kingdom aim at supporting entrepreneurship and encouraging people to become independent but also at training.

As far as the demand side is concerned, micro, small and sole proprietor's businesses in the United Kingdom seem to make rather frequent use of the support services offered. Compared to other European countries the British participation rate (27 %) is amongst the highest and rises with increasing size class of enterprises. The main reasons for many British enterprises not to make use of support services is that they do not see any need for external help and lack awareness of the existence and availability of support services for their enterprise. The information rate of micro, small and sole proprietor's businesses in the United Kingdom is very low, with only 18 % of smaller businesses considering themselves well or rather well informed on the existence and availability of support services. The awareness of support available to smaller enterprises might be increased in the United Kingdom by focussing more on the promotion tools for direct contacts (i. e. mailing campaigns, telephone contacts, etc.), personal visits as well as advertisements in newspapers. These types of promotion activities are much preferred by the enterprises and might therefore prove very effective; to a certain extent they are already applied by the service providers.

In general, micro, small and sole proprietor's businesses in the United Kingdom admit to only moderately requiring support services with the demand for advice or consultancy, specific training courses but also one-stop-shops ranking comparatively high. Regarding specific business areas it is mainly marketing, qualification of personnel and bookkeeping, that the smallest enterprises seem to need help with. However, one reason for the comparatively low need for support services indicated by micro, small and sole proprietor's businesses in the United Kingdom might be due to a too little target group orientation of many of the support services, especially as far as sector or phase of development of an enterprise are concerned. In this regard, utilisation of support services might benefit from better targeting services at the smallest businesses and at specific sectors, as well as from better promoting existing specialised services.

Generally, the vast majority of micro, small and sole proprietor's businesses in the United Kingdom that have made use of support services within the last five years are satisfied with the services received. When compared to other countries, the satisfaction rate in the United Kingdom (81 %) resembles the average value for the European Union Member States and Norway. Still, enterprises seem to be comparably unhappy with the access to the service and the effect the service had on the enterprise.

APPENDIX

List of support services considered.

original name/English name	organisation	contact person and address	telephone/fax	email/web-page
Benchmark Index	Small Business Service	Tony Kennedy 1 Victoria Street SW1H 0ET London	tel.: 44/20/72153927 fax: 44/20/72153933	tony.kennedy@sbs.gsi.gov.uk www.benchmarkindex.com
Business Connect	Business Connect Wales Ltd.	David Pritchard C/O Welsh Development AgencyPrincipality HouseThe Friary CF1 4AE Cardiff	tel.: 44/29/20828902 fax: 44/29/20828775	david.pritchard@wda.co.uk www.businessconnect.org.uk
Business Volunteer Mentoring Association	Small Business Service	Andrew Turner Victoria Street, 1 SW1H OET London	tel.: 44/20/72153923 fax: 44/20/72153935	Andrew.turner@sbs.gsi.gov.uk www.businesslink.org
Business Link	Small Business Service	Tannam Verni Local Network Directorate, St Mary's House, c/o Moorfoot S1 4PQ Sheffield	tel: 44/14/2597788 fax: 44/14/2597540	www.businesslink.org
Connect	Small Business Service	Andy Harrison 1 Victoria Street SW1H 0ET London	tel.: 44/20/72153917 fax: 44/20/72153933	andy.harrison@sbs.gsi.gov.uk www.connectbestpractice.com
Business Angels		Monica Reino Avenue des Arts 12, Bte 7 1210 Brussels	tel.: 32/2/2184313 fax: 32/2/2184583	Info@eban.org www.eban.org
Business Innovation Centres (BIC)		Ben Butters Avenue de Tervuren 168, Bte 25 1150 Brussels	tel.: 32/2/7611085 fax: 32/2/7729574	Bbu@ebn.be www.ebn.be
Formerly known as the 'Environmental Technology Best Practice Programme'. Envirowise	Department for Trade and Industry; Department for Environment, Food and Rural Affairs	Mark Griffiths DTI, 151 Buckingham Palace Road SW1W 9SS London	tel.: 44/20/72151051 fax: 44/20/72152988	Mark.griffiths@dti.gov.uk www.envirowise.gov.uk
Euro Info Centres	Euro Info Centres Network			Info-eic@fcis.cec.eu.int http://europa.eu.int/comm/enterprise/networks/eic/eic.html

original name/English name	organisation	contact person and address	telephone/fax	email/web-page
London – Instant Muscle	Refugee Council	Kate Dawson Springside House84 North End Road W14 9ES London	tel.: 44/20/76032604 fax: 44/20/76037346	http://www.caritasdata.co.uk/charity3/ch001953.htm
Northern Pinetree Trust	BEAM Ltd.	Andrew Hodson Pinetree CentreDurham Rd Birtley DH32TD Durham	tel.: 44/191/4928210 fax: 44/191/4100916	enquries@pinetree trust.demon.co.uk http://www.nagd.org.uk/new/sites/pinetree/home.htm
The Acumen Programme	Acumen	Willie Maxwell Omagh Business Complex, Gortrush Industrial Estate, Great Northern Road BT78 5LU BELFAST	tel.: 44/28/82250404 fax: 44/28/82250416	acumen@iol.ie
Business Incubation Progamme	Local Enterprise Development Unit LEDU	Carol Keery LEDU House, Upper Galwally BT8 6TB Belfast	tel.: 44/28/90491031 fax: 44/28/90640125	carol.keery@ledu-ni.gov.uk www.ledu-ni.gov.uk
Business Innovation Link	Business Innovation Link	Robert Spence PO Box 838 BT5 7UW Belfast	tel.: 44/28/90419970 fax: 44/28/90419970	robert@northsperrin.swinternet.co.uk
Business to Business Bridge Programme	Business in The Community	Kieran Harding C/O EKK, 770 Upper Newtownards Road BT16 0UL BELFAST	tel.: 44/28/90410410 fax: 44/28/90419030	Kieran.harding@bitcni.org.uk www.bitcni.org.uk
Marketing Awareness Programme	LEDU	Kate Gilmore LEDU House, Upper Galwally BT8 6TB BELFAST	tel.: 44/28/90491031 fax: 44/28/90691432	Kate.Gilmore@ledu-ni.gov.uk www.ledu.com
Manufacturing Technology Partnership	Manufacturing Technology Partnership Ltd.	Michael Heath Springvale Business Park, 1b Millennium Way BT12 7AL Belfast	tel.: 44/28/279860 fax: 44/28/279869	Info@mtpltd.com www.mtpltd.com
Northstar Programme	LEDU	Christine Browne LEDU, LEDU House, Upper Galwally BT8 6TB BELFAST	tel.: 44/28/90491031 fax: 44/28/90559217	Christine.browne@ledu-ni.gov.uk http://www.ledu-ni.gov.uk/info

original name/English name	organisation	contact person and address	telephone/fax	email/web-page
Products into Practice	LEDU	Tim Losty 25-27 Franklin Street BT2 8DT BELFAST	tel.: 44/28/90242582 fax: 44/28/90249730	tim.losty@ledu-ni.gov.uk www.ledu.com
Women into Enterprise programme	University of Ulster	David Gibson Jordanstown Campus – Co. Antrim BT 37 0QB Jordanstown	tel.: 44/28/9036/80/69	Online@ulst.ac.uk www.ulst.ac.uk
Prince's Trust	Prince's Trust	Tom Shebbeare 18 Park Square East NW1 4LH London	tel.: 0800/842842 fax: 44/20/7543/1200	info@princes-trust.org.uk http://www.princes-trust.org.uk
Company Growth	The Company Growth Team Limited	Colin Stuart Old Town JailSt. John Street FK8 1EA Stirling	tel.: 44/1786/448586 fax: 44/1786/448587	Companygrowth@compuserve.com www.companygrowth.co.uk
Shell Livewire	Shell UK plc. Managed by Project North East	John Devitt Hawthorn House,Forth Banks NE1 3SG Newcastle upon Tyne	tel.: 44/191/261/5584 fax: 44/191/261/1910	shell-livewire@projectne.co.uk http://www.shell-livewire.org/Flashframeset.htm
Big Business Helps Small	UKBI	Toni Wanklin Aston Science Park, Love Lane B7 4BJ Birmingham	tel.: 44/121/2503538 fax: 44/121/2503542	t.wanklin@ukbi.co.uk http://www.ukbi.co.uk/other/home.asp
Business Debtline	Birmingham Settlement	Tessa Farrell 318 Summer Lane, Newtown B19 3RL Birmingham	tel.: 44/800/1976026 fax: 044/21/2483070	info@bdl.org.uk http://www.birminghamsettlement.org.uk/advice_natdebt.htm
National Endowment for Science, Technology and the Arts (NESTA)	NESTA	Jeremy Newton Fishmongers' Chambers,110 Upper Thames Street EC4R 3TJ London	tel.: 44/207/6459500 fax: 44/207/6459501	nesta@nesta.org.uk http://www.nesta.org.uk/lowfat/vision.html
New Deal	Department for Education and Employment (DfEE)	Sanctuary Buildings, Great Smith Street SW1P 3BT London	tel.: 44/845/6062626	http://www.newdeal.gov.uk
UK Business Incubator (UKBI)	UKBI	Malcolm Buckler Aston Science Park, Love Lane B7 4BJ Birmingham	tel.: 44/121/2503538 fax: 44/121/2503542	m.buckler@ukbi.co.uk http://www.ukbi.co.uk/other/contact.asp

original name/English name	organisation	contact person and address	telephone/fax	email/web-page
Individual Learning Account Initiative (ILAI)Small Firm Learning Account (pilot)	Department for Education and Employment (DfEE). Contracted to Capita Group for ILAI and to Leicestershire Centre for Enterprise for the Small Firm pilot.	Ed Worsley Moorfoot S1 4PQ Sheffield	tel.: 44/800/725678 fax: 44/845/6033360	dfee@prologistics.co.uk http://www.myila.com
High Growth Start-ups Programme	Small Business Service	Bill Hallahan Victoria Street, 1 SW1H 0ET London	tel.: 44/20/72155241 fax: 44/20/72153935	Bill.hallahan@sbs.gsi.gov.uk www.businesslink.org
Innovation Relay Centre (IRC)		George Barton 2, Rue Pletzer 8080 Helfent-Bertrange	tel.: 35/2/4410122200 fax: 35/2/4410122055	Info@ircnet.lu www.cordis.lu/irc
Inside UK Enterprise	Small Business Service	John Launchbury 1 Victoria Street SW1H 0ET London	tel.: 44/20/72153916 fax: 44/20/72153933	john.launchbury@sbs.gsi.gov.u k www.iuke.co.uk
Linking Innovation, Finance and Technology (LIFT)	European Commission	Steve Glange 11, Rue de Bitbourg 1273 Luxembourg	tel.: (00352) 428001 fax: (00352) 428003	Info@lift.lu www.lift.lu
UK online for business	Small Business Service	Don Bolessa Bay 475, 1 Victoria Street SW1H 0ET London	tel.: 44/20/72155756 fax: 44/20/72155552	don.bolessa@sbs.gsi.gov.uk www.ukonlineforbusiness.gov.u k
Young Enterprise		Gretl Hallwood 58 Ballard Chase OX14 1XQ Abingdon	tel.: 44/1235/555156 fax: 44/1235/555156	Yeeops@btinternet.com www.young-enterprise- europe.com