European Commission

Enterprise Directorate-General

Support Services for Micro, Small and Sole Proprietor’s Businesses

Results from the Study

”Support Services for Micro, Small and Sole Proprietor’s Businesses”

on behalf of the European Commission, DG Enterprise

April 2002, Vienna

CONTENT

FOREWORD

This paper presents the main findings of the study *'Support Services for Micro, Small and Sole Proprietor's Businesses'*, related to the issue of *awareness* of support services. Findings presented are based on an inventory of 335 support services targeted at micro, small and sole proprietor's businesses in the Member States of the European Union and Norway as well as on a telephone survey among more than 1,200 micro, small, and sole proprietor's businesses in the same countries. More detailed information on the methodology applied can be obtained from the Draft Final Report of the study. ([1])

In particular, this paper deals with the following issues:

1. AWARENESS AND VISIBILITY OF SUPPORT SERVICES

- the information level of enterprises with respect to the availability of support services
- the type of promotion activities preferred by businesses and used by service providers
- the organisation of contact points

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 (e.g. European Observatory for SMEs) have identified this issue as one of the major constraints for the utilisation of support services by small enterprises. As shown in the Draft Final Report of thisabove-mentioned study, the second strongest reason for non-utilisation is that enterprises lack awareness on the existence and availability of support services even where they do in principle have a need for external support. Also, a substantial share of those enterprises that have already used services of this kind found it most difficult to find out that the support existed. 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. Thus, it is the aim of this paper to further elaborate on the issue of awareness by providing data on the information level of enterprises with respect to the availability of support services, and by analysing a potential mismatch between how enterprises want to be informed on support services and how providers actually promote and organise the services they offer.

2. TYPES OF SUPPORT SERVICES PROVIDED AND DEMANDED

- types of support services offered to micro, small and sole proprietor's businesses;
- micro, small and sole proprietor's businesses needs for different types of support services;
- micro, small and sole proprietor's businesses needs for external support in business areas.

---

[1] Austrian Institute for Small Business Research: *Support Services for Micro, Small and Sole Proprietor's Businesses*. Draft Final Report, on behalf of the European Commission, DG Enterprise. Vienna 2002.

The content of available support does not seem to be a major reason for micro, small and sole proprietor's businesses not to make use of support services: The Draft Final Report of the above-mentioned studyshows that the content of support services prevents 9% of micro, small and sole proprietor's businesses from using support services. However, 18% of the enterprises that have made use of support services within the last five years report that their main difficulty was the content or relevance of the service been supplied. Close investigation of the needs of the smallest enterprises with regard to the content of external support is therefore necessary. Particularly smaller enterprises often have problems in identifying or expressing their real need for external support and some types of service seem to be more important to enterprises than others. Thus, it is the aim of this paper to further elaborate on the content of support services by providing data on the need for different types of support services by sector of activity, by size class and by phase of development of the enterprises. Further detailed information is provided with regard to the needs of micro, small and sole proprietor's businesses for external support in different business areas.

3. DELIVERY MECHANISMS OF SUPPORT SERVICES

- the quality of services offered and
- the pricing policy
- the communication with the service provider

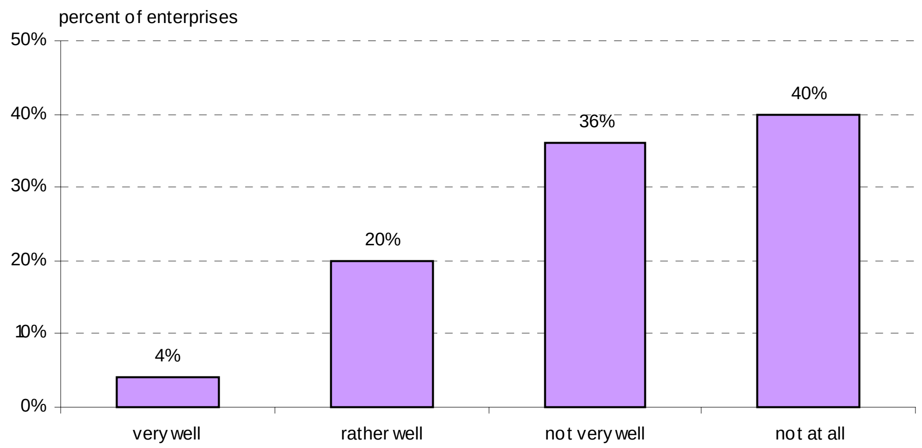
It is believed that in order to increase the take-up of support services by micro, small and sole proprietor's businesses, creating awareness of the availability of support and offering suitable or relevant types of services might not be sufficient if enterprises are not convinced of their real value and quality. As outlined in the Draft Final Report of this study, for almost one quarter of European micro, small and sole proprietor's businesses it is the conditions of service delivery that pose 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 they are offered under appropriate conditions. Thus, it is the aim of this paper to further elaborate on the issue of delivery of support services by providing data on the satisfaction rates of enterprises with regard to support services offered, on enterprises' preferences concerning the forms of payment preferred and on the means of communication with the service provider preferred by enterprises.

1. AWARENESS AND VISIBILITY OF SUPPORT SERVICES

1.1. The information rate

As can be seen from Graph 1, European micro, small and sole proprietor's businesses are rather poorly informed on the existence and availability of support services: Only 4% of enterprises claim to be 'very well' informed, another 20% feel 'rather well' informed. Thus, in total, more than three-quarters (76%) of micro, small and sole proprietor's businesses lack information on the availability of support services for their enterprise.

Graph 1: Information rate of enterprises with respect to support services



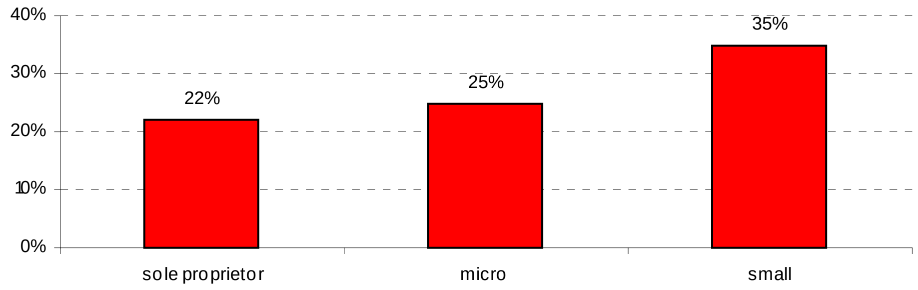
Source: IfGH/ENSR Small Business Survey, 2001

These findings are supported by Thomas (1994) who found that the search for information often takes too much effort for the smallest enterprises and that if they have gained knowledge of the services offered by business consultants and/or on the possibilities of using public support programmes, this knowledge is usually very superficial and general. Also, Das Dores Guerreiro et al. (2000) came to the conclusion that the smallest businesses are frequently unaware of existing support systems.

The smaller the enterprise, the lower its information level on the existence and availability of support services seems to be. Whereas among small enterprises (10 to 49 employees) 35% of businesses indicate to be 'very well' or at least 'rather well' informed, only 22% of the sole proprietors claim to be sufficiently informed (see Graph 2). The comparatively high level of awareness on the existence and availability of support services amongst small enterprises is associated with a relatively high level of participation among these enterprises. Similarly, information rates amount to about 33% for enterprises with a turnover of more than € 1,000,000 per year, whereas only 20% of enterprises with turnover of less than € 100,000 are well informed on support services.

These results are in line with Briza (1996) who found a positive correlation between enterprise size (in terms of employees) and the information level of businesses: with the number of employees growing, the usage of different information sources rises. Moreover, Prognos AG (1999a) come to the result that micro enterprises generally perceive the public support landscape as more opaque than smaller enterprises.

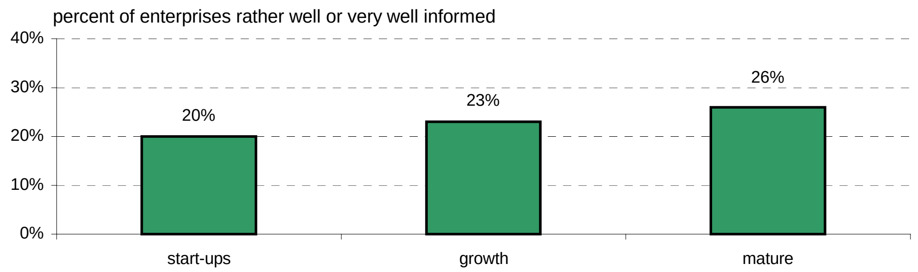
Graph 2: Information rate of enterprises with respect to support services, by size class



Source: IfGH/ENSR Small Business Survey, 2001

The same pattern appears when differentiating Europe’s micro, small and sole proprietor’s businesses according to their phase of development: The more mature the enterprise, the more likely it is to be sufficiently informed on the existence and availability of support services (see Graph 3). However, it has to be noted that when reviewed for size class, this is only true for sole proprietors and micro enterprises.

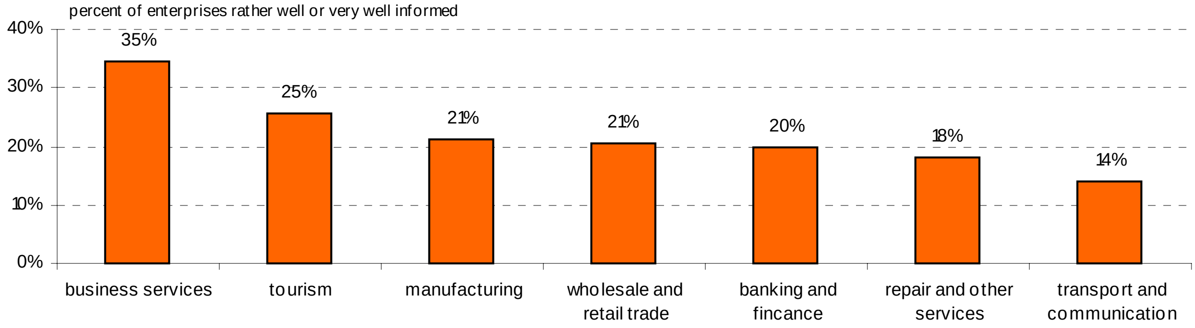
Graph 3: Information rate of enterprises with respect to support services, by phase of development



Source: IfGH/ENSR Small Business Survey, 2001

Like participation rates, information rates also differ when the sector of activity is taken into account: As can be seen from Graph 4, the sectors with a better-than- average share of enterprises being sufficiently informed on support services include business services (35%) and tourism (25%). Enterprises in transport and communications (14%) and in the repair and other services (18%) sector are relatively poorly informed on support services.

Graph 4: Information rate of enterprises with respect to support services, by sector



Source: IfGH/ENSR Small Business Survey, 2001

Furthermore, female entrepreneurs are not only using support services more often than their male counterparts but are also slightly better informed on this kind of support: Whereas 27% of the enterprises owned by women are well informed on support services, the corresponding share of enterprises owned by men amounts to 22%.

The same pattern is visible among highly educated and growth oriented entrepreneurs; i.e. above-average participation rates are accompanied by comparatively high levels of information. For instance, the information rate among entrepreneurs with secondary or university education amounts to 29% in comparison to 7% among entrepreneurs with elementary education.

Also, enterprises who have increased their number of employees for more than 10% during the last three years show a higher information rate (32%) compared with enterprises with a stagnating number of employees (18%). Furthermore, enterprises located in rural areas with less than 50.000 inhabitants are - though more likely to participate in support services - on average not as well informed on support services as their counterparts in urban areas (22% and 27%, respectively).

As can be seen from Table 1, the average share of sufficiently-informed micro, small and sole proprietor's businesses in the European Union Member States and Norway stands at 24%. In terms of comparison,(2) the share of enterprises being very well or rather well informed is particularly high in Belgium (45%), the Netherlands (43%), Austria (36%), Sweden (36%) and Finland (34%). The lowest information rates are in contrast found in Greece (6%), Portugal (11%) and France (15%).

---

[2] Variations from the EU-average at country level have to be interpreted cautiously due to comparatively high sample errors (see notes in Table 1).

Table 1: Information rate of enterprises with respect to support services, by country

country	information rate*)	
Belgium		45 %
Netherlands	*significantly*	43 %
Austria	*above average*	36 %
Sweden		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 %

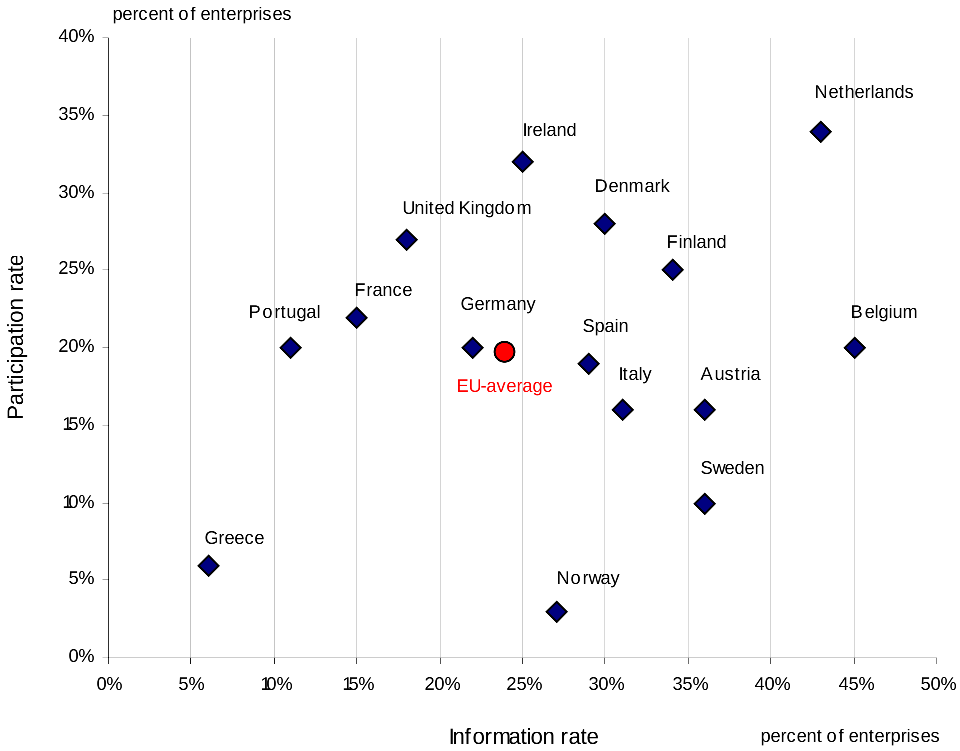
**) no reliable data available

Source: IfGH/ENSR Small Business Survey, 2001

There are significant differences in information and participation rates by country. As can be seen from Graph 5, Greece, for instance, shows extremely low rates in both dimensions, whilst the opposite is true for countries such as the Netherlands, Denmark, Ireland, and Finland: in these countries the comparatively high participation rates among micro, small and sole proprietor's businesses may be explained by relatively high levels of information among the enterprises. Hence, there is a (statistically slightly positive) correlation observable between information and participation rates in so far as a high level of information tends to result in a comparably high share of enterprises utilising support services. However, high (low) shares of enterprises well informed on support services do not coincide in all countries with high (low) participation rates. In Norway and Sweden, for example, enterprises are generally quite well informed on support services but rarely use them. This can be explained by the fact that in these countries the availability of external support is often restricted to certain regions (e.g. in Northern Norway) but nonetheless promoted throughout the country. Also Austria and Italy show relatively high information rates but only medium participation rates.

In contrast, in countries such as Portugal, France and the United Kingdom there is high participation alongside low levels of information on the part of enterprises. This might be due to a support policy in these countries that concentrates on particular groups of enterprises and organises the promotion of services accordingly; i.e. by directly addressing targeted enterprises whilst leaving the vast majority of enterprises uninformed. In the United Kingdom, for instance, providers often promote their support services by directly contacting or personally visiting their potential clients. In France, the low level of information on support services among micro, small and sole proprietor's businesses does not seem to be the result of exclusionary promotional practices, but of the fact that many French providers restrict their promotional efforts to putting information on available support on their web-sites or organising presentations at trade fairs: this requires active engagement in information gathering and prior interest among enterprises.

Graph 5: Information and participation rates of enterprises with regard to support services



Source: IfGH/ENSR Small Business Survey, 2001

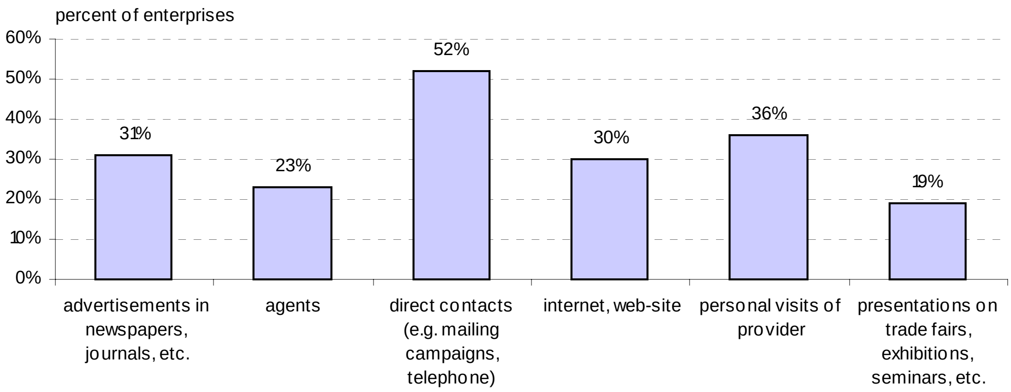
1.2 Two factors influencing awareness

1.2.1 Promotion of support services

Obviously, the degree of information and/or awareness on the part of enterprises might be closely related to the effectiveness of promotional activities applied by support service providers in order to attract or reach as many potential users as possible. With respect to how enterprises want to be informed on support services, it can be concluded from Graph 6 that European micro, small and sole proprietor's businesses have a clear preference for direct contacts: 52% of enterprises prefer to be informed in this way. Still

36% of the enterprises appreciate being personally visited by the provider's staff, and a third are content with either using the Internet for information-gathering purposes or with being informed on support services through advertisements in newspapers or journals.

Graph 6: Type of promotion activities preferred by enterprises*)



*) more than one answer allowed

Source: IfGH/ENSR Small Business Survey, 2001

This pattern is observable in most European countries under consideration. Particularly, either direct contacts or personal visits are the two most welcome promotional methods in all countries except the Netherlands, where enterprises prefer the Internet and newspapers or journals to inform themselves on support services. Enterprises also commonly use the Internet for information-gathering purposes in Austria, Belgium and Denmark. Among the least preferred promotional tools are, as shown in Graph 6, the use of agents and the presentations of services at trade fairs or exhibitions and the like. This is true for almost all countries except Luxembourg and Spain, where the least preferred tool is the Internet, and the Netherlands where the least preferred tool, besides agents, is personal visits.

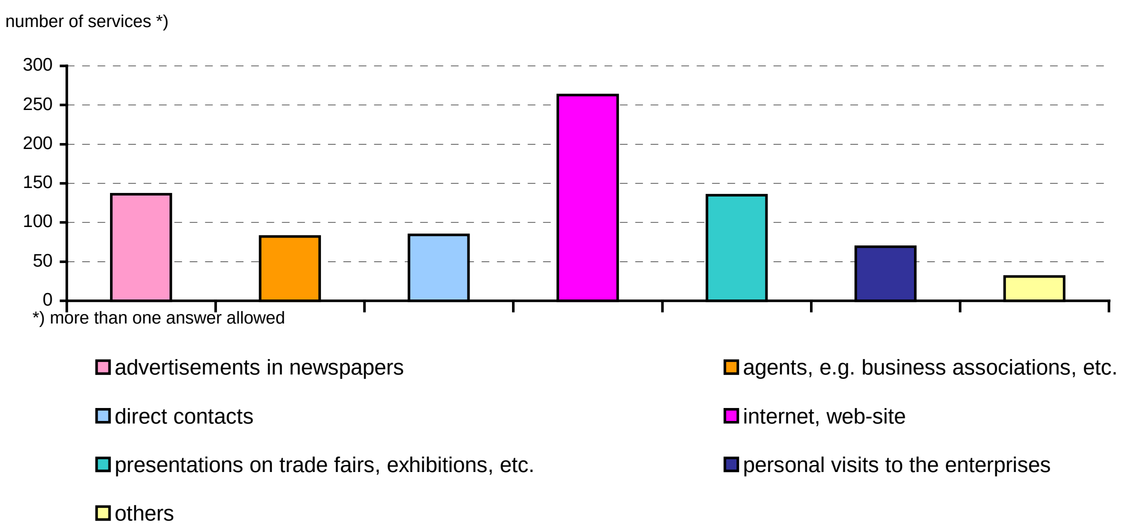
Furthermore, European micro, small and sole proprietor's businesses search actively for information on the availability of support services rather than reacting to advertisements by the service providers. Also, almost one enterprise in two listens to other people's recommendations in this matter. These results are in line with several empirical studies previously conducted in different Member States of the European Union (e.g. Boter et al. (1999), Chatzakis et al. (2000), Deutsche Ausgleichsbank (2000), Enterprise Ireland (2000), Unioncamere et al. (2000a)) which found that the smallest businesses prefer a personalised advertising approach. When looking for external support, most attention is paid to word-of-mouth recommendations by a third party and to information provided by means of direct contacts or personal visits by service providers.

It must be mentioned that promotional tools have to be selected with great care when enterprises in the phase of crisis are the target group. Entrepreneurs in such situations usually lack the time and personnel to actively search for information on support possibilities: they are too busy solving their problems. To some extent the best method might be to leave it to those traditionally closest to the firm (banks, accountants) to talk personally with the entrepreneur about the crisis and inform him/her about support possibilities. Crisis requires sensible advertising through persons the entrepreneur trusts.

Nevertheless, although advertising through these channels seems to be most effective, it requires close co-operation and networking. Most European countries lack a ‘crisis culture’, as entrepreneurship and success are promoted everywhere whereas being in crisis is often only regarded as failure.

As regards support service suppliers' use of different communication media, it can be seen from Graph 7 that most support services for micro, small and sole proprietor’s businesses are advertised on the Internet. This applies in virtually all countries analysed in the course of this study. The use of the Internet for promoting support services seems most relevant when young entrepreneurs or innovative/technology enterprises are the target group. Most Finnish support services, for example, are strongly advertised on well-structured and easily-accessible web-sites and the Finnish service ‘Invention market’ (‘Keksintöpörssi’) created in 1994 to assist inventors and enterprises in developing ideas into business opportunities is an example for a service promoted exclusively via Internet.

Graph 7: Promotion of services identified



Source: IfGH/ENSR Support Services Database, 2001

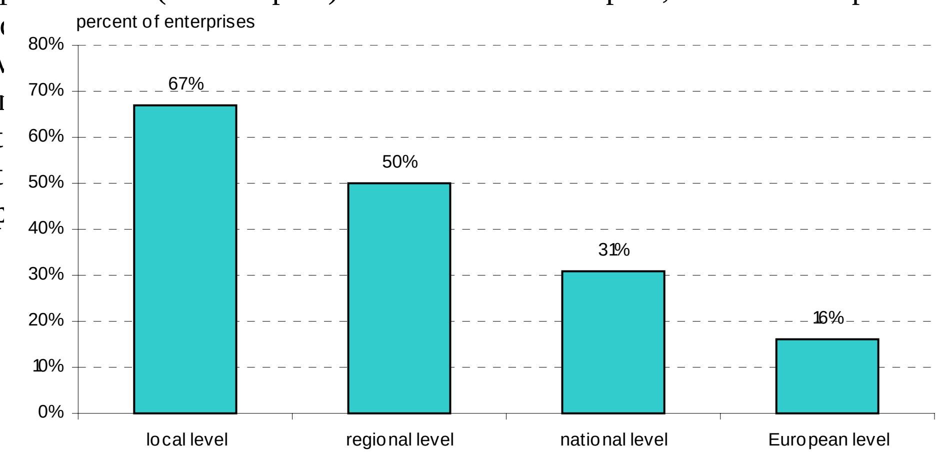
Although promotion via Internet has become a standard in Europe, most service providers in the Member States of the European Union plus Norway use additional tools for promoting their services. The most prominent combination is Internet/web-site and press advertisements. In the Netherlands, the United Kingdom, Sweden and Germany, for example, more than half of the support services are advertised on the Internet and in newspapers at the same time. ‘Almi Business Partner’ (‘Almi Företagspartner’), for instance, a Swedish public programme that aims at stimulating growth and development, counts on good reputation and presents in its newspaper advertisements companies that have benefited from the programme. Additionally, detailed information on how to access the service is provided on their web-site.In some countries there is a long tradition of presenting support services at trade fairs, exhibitions, etc. They seem to be quite prominent in the middle and northern European countries. Each year the ‘Start-up and Run a Company Fair’, for example, is held in Stockholm. In Austria educational exhibitions of this kind are often targeted at school leavers and young people, such as the ‘Founder-month’ with action days, seminars, special events, etc.

Many support services that are offered in several Member States of the European Union plus Norway, such as the ‘European Innovation Centres (EBN-Network)’, the ‘Euro Info Centres (EIC)’ or ‘Young Enterprise’, are advertised through a combination of Internet and agents. Such agents act as intermediaries and can directly address the issues of micro, small and sole proprietor’s businesses. Personal contact with the agent allows the promotion of the support service and at the same time assessment of its suitability for the client, which helps to built trust and economise the clients’ resources.

When compared to how support services are actually promoted, it is found that although more than half of the enterprises would like to be directly contacted by the providers (e.g. with the help of mailing campaigns) this type of promotion is rare in Europe. One of the most important promotional activities seem to be the delivery of information on support services on the Internet (providers’ web-pages). This tool is readily used by the providers as well as wanted by one in three European micro, small and sole proprietor’s businesses. Nevertheless, in order to reconcile the supply of support services with the demand from enterprises with respect to promotion and dissemination of information, it seems advisable to put more emphasis on direct contacts and personal visits. But it must also be borne in mind that these two modes of promotion happen to be among the most cost-intensive. Thus, adapting the supply of support services to the demand from enterprises in this respect might also be a matter of feasibility.

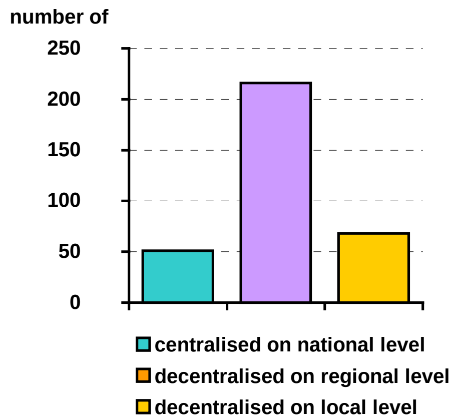
1.2.2 Organisation of contact points

Generally, businesses seem to clearly prefer looking for support services at either local or regional level. Less than one enterprise in three would consider visiting contact points at national level and not even one in five would seek information on support services at European level (see Graph 8). As shown in Graph 9, the contact points of support servi… States and Norw… le via the Intern… orientation point… he contact point…
Grap…



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

Graph 9: Organisation of the contact points of services identified



Source: IfGH/ENSR Support Services Database, 2001

1.3 Conclusions

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

More than three-quarters of enterprises lack information on the existence and availability of support. 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. Information rates even decline with the size and maturity of an enterprise. Creating awareness of the existence and availability of support services among entrepreneurs is thus considered one of the major challenges of support policy in future.

Promotional tools should focus on direct and personal contacts

Problems of lack of information on the side of enterprises are often closely related to the effectiveness of promotional activities applied by support service providers. European micro, small and sole proprietor's businesses would generally prefer being directly contacted by service providers or even personally visited. However, these promotional tools are seldom used by providers. The challenge is to develop (innovative) cost-efficient promotion measures for directly and personally contacting businesses.

The presentation of service supply should be better co-ordinated between providers

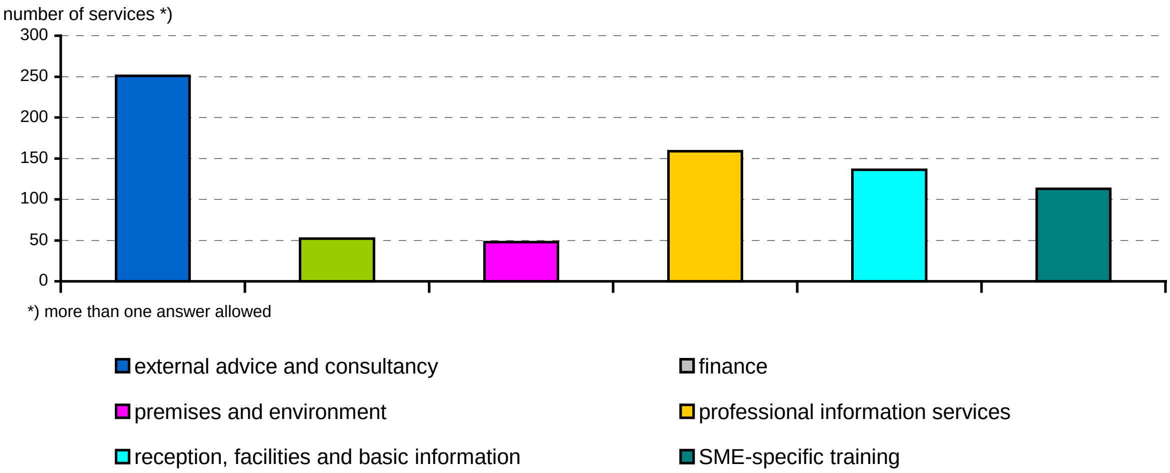
Most contact points of support services are decentralised; i.e. most services can be accessed at regional or even local level. This effectively matches the way European enterprises are actually looking for support services. However, it seems important that public authorities implement a more strategic approach to the support they provide and ensure that it is well co-ordinated with other service provision, particularly at regional level. New stand-alone initiatives should be avoided, in order not to confuse the client and also to facilitate the process of awareness creation.

2. TYPES OF SUPPORT SERVICES PROVIDED AND DEMANDED

2.1 Types of support services offered

When analysing the types of support services offered to micro, small and sole proprietor's businesses the definition applied in this part of the assessment must be made clear, i.e. it should be noted that any kind of purely financial support, such as loans, guarantees, or all kinds of subsidies or tax reliefs for small businesses are excluded from the analysis. Thus, it is not surprising that relatively few services have been identified with a focus on 'finance'.

Graph 1: Types of services identified



Source: IfGH/ENSR Support Services Database, 2001

Most providers who are active in the field of external advice and consultancy also offer a wide range of support in all areas of business activity. This kind of service usually includes training measures and provides overall information and can, therefore, be characterised as "integrated systems". 'Entrepreneurship in France' ('Entreprendre en France'), for example, offers a broad range of services, from basic and professional information services to external advice and training. As it has 181 contact points all over France, the services are in effect available to all entrepreneurs. They receive consultancy from lawyers, banks, guarantee funds or they can get the 'entrepreneur pass', which guarantees the support of the network for three years. In addition, financial aid is provided to start-ups or enterprises in the transfer phase of their business.

Another service provider operating in all fields of business support is the Finnish Employment and Economic Development Centres (EEDCs or TE-Keskus) which aim at offering coherent packages of support to entrepreneurs. Each of the 15 EEDCs has a 'Business Service Point' ('Yrityspalvelupiste') and thereby acts as a one-stop shop helping enterprises to set up, expand and develop their business operations and personnel by offering different kinds of services ranging from assistance in setting up a company (provision of regional counselling, information) to evaluations of alternative financing options and the provision of training services.

The German Compensation Bank (‘Deutsche Ausgleichsbank, DtA’) was founded with the objective to support business activities in Eastern Germany. Apart from purely financial services, it offers various services in the field of external advice and consultancy mainly for the Eastern German Federal States (‘Neue Länder’). The supply entails a virtual start-up-centre, an info-hotline for all questions concerning financial support, the preparation of individual finance plans as well as the procurement of professional advice. The ‘DtA/DIHT mentoring project’ (‘Patenschaftsmodell’) and the ‘DtA - round table’ (‘Runder Tisch’) primarily target at enterprises going through a crisis. The ‘DtA - Consulting-Agency’ (‘Beratungsagentur’) offers a database including 1,600 consultants specialised in advising SMEs. The ‘DtA - Consulting-Centres’ (‘Beratungszentren’) provide information on public support programmes as well as consultancy services. Although all these projects started with a focus on Eastern Germany, the contact points of the services now cover the whole of Germany.

Examples for services which are specialised in SME-specific training are ‘Vocational qualification for entrepreneurs’ (‘Yrittäjän ammattitutkinto’) in Finland, ‘Company Development Cluster Programme’ in Ireland, ‘Self-employment for those on voluntary service’ (‘Lavoro autonomo per lavoratori socialmente utili’) in Italy, ‘Training for Managers and Supervisors’ (‘Formation au Manager – PME‘) and ‘Management skills for master craftsmen’ (‘Formation au Brevet de Maîtrise’) in Luxembourg, ‘Entrepreneurial Training for Inventors, the Employed and the Unemployed (‘Formación Empresarial para Inventores, Trabajadores en Activo y Personas Desempleadas’) in Spain and ‘Products in Practice’, ‘Women into Enterprise Programme’ and ‘Individual Learning Account Initiative (ILAI)’ in the United Kingdom. ‘Training for Entrepreneurs’ (‘Formación para Emprendedores’) in Spain, for example, offers courses on business start-up and management support for entrepreneurs. These courses last between 20 and 150 hours. Additionally, distance learning courses are available. On average 40% to 50% of the participants in these start-up courses create a business.

In many countries services are offered to micro, small and sole proprietor’s businesses to promote export activities. These programmes supply information on foreign markets and on legislative matters in the field of export, logistical support and advice on internationalisation and the development of business contacts, for example. Such services aiming at exporting SMEs are the Belgian Export Promotion Agencies (e.g. ‘Export Vlaanderen’ or ‘Agence Wallonne à l'Exportation’), the Danish ‘Export Development Programme’ (Eksportudviklingsprogrammet’), the French ‘Unique Contact Point for Export’ (‘Le Fil de l’Export’), the German ‘Programme for Export Consultancy and Support in Accessing Markets’ (‘Außenwirtschaftsberatung und Marktzugangsförderungsprogramme’) and the Swedish ‘Exportcentra’ from the ‘Swedish Trade Council’. The Flanders Export Promotion Agency (‘Export Vlaanderen’) in Belgium has five export centres and provides advice and coaching on export activities. The export coach aims at making the enterprise ready to conquer a new market. The products and the production process are evaluated and the strategy of the enterprise is reviewed. After that, an action programme with a concrete time scale is developed and the coach supervises the efforts of the enterprise to get ready for the export activities. Furthermore, the Agency analyses the request for financial support and is active in market research and in collecting information on foreign markets

Services related to premises and environment mainly refer to incubators and technology centres. Incubators are created to ensure an optimal environment for technology and innovative businesses. They offer, for instance, favourable rents within technology centres, information for start-ups, information on patents and partner search and infrastructure or rent office equipment for businesses. Examples for such incubators are the ‘Enterprise Platform Programme’ in Ireland, the ‘Oporto Polytechnic Incubator’ in Portugal’ (‘SOGISTFIPP – Sociedade de Incubação Sectorial, SA’), ‘Twinning’ in the Netherlands and the ‘UK Business Incubator (UKBI)’. In Portugal, services in the field of premises and environment seem to be quite prominent. This may be due to the comparatively strong focus of the support policy on innovative and technology-oriented enterprises in Portugal. The support of the ‘Coimbra University Incubator’ (‘Incubadora de Empresas do Instituto Pedro Nunes’), for example, is restricted to technology-based firms, preferably spin-offs from universities and R&D institutions. Candidates must submit a feasibility study, a business plan, a marketing plan and the profile of their promoters. Physical incubation is then provided for a period of three years and a number of support services are available to the incubating firms.

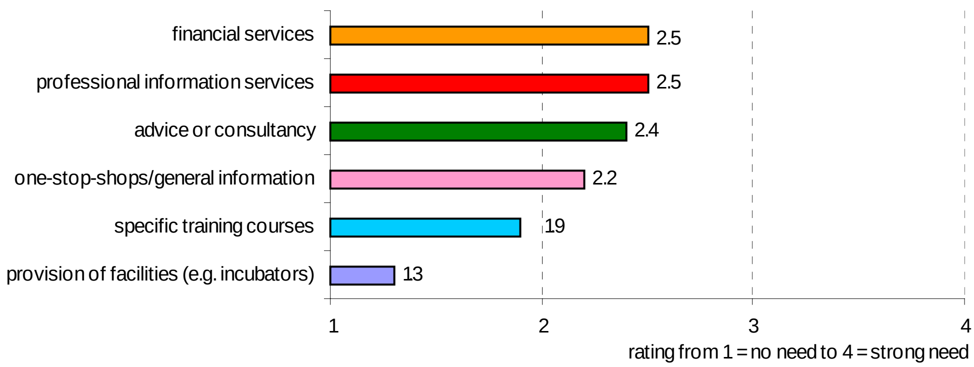
2.2 Content of support services needed

The content of available support (i.e. the types of support offered) does not seem to be a major reason for micro, small and sole proprietor’s businesses not to make use of support services. Furthermore, comparably few enterprises claim this aspect of support services to be a major difficulty when participating in or using support services. However, although the need for support services generally seems to be comparatively low (which may be due to the fact that particularly smaller enterprises often have problems in identifying or expressing their actual need for external support) some types of service seem 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.

2.1.1. Need for different types of support services

European micro, small and sole proprietor’s businesses generally express a low need for support services (on a scale from 1 - no need to 4 - strong need, on average 2.1).

Graph 2: Need for different types of support services



Source: IfGH/ENSR Small Business Survey, 2001

However, when differentiating between different types of services one can see that the demand for financial services, professional information services, and advice and consultancy, for example, is clearly higher than that for specific training courses or the provision of facilities (see Graph 2).

Table 1: Need for different types of support services, by sector of activity*)

sector	type of service						
	financial services	professional information	advice and consultancy	one-stop shops	training courses	provision of facilities	all types (average)
banking, finance and insurance	61%	69%	63%	46%	54%	17%	52%
business services	57%	58%	54%	33%	40%	10%	42%
repair and other services	49%	69%	46%	43%	26%	12%	41%
manufacturing and construction	58%	54%	42%	45%	30%	9%	40%
tourism	55%	57%	40%	25%	39%	3%	37%
transport and communication	66%	51%	39%	34%	22%	4%	36%
wholesale and retail trade	57%	40%	42%	37%	23%	7%	34%
total	58%	57%	47%	38%	33%	9%	40%

*) share of enterprises with a need (3 or 4 on a scale from 1 - no need - to 4 - strong need) for certain types of support services
Source: IfGH/ENSR Small Business Survey, 2001

As illustrated in Table 1, it is micro, small and sole proprietor's businesses from the banking, finance and insurance sector that generally have the strongest demand for support services (mainly for professional information services, advice/consultancy and financial services). A comparatively strong need for support services is also found among enterprises in business services as well as in the repair and other services sectors. This pattern is also reflected in comparatively high participation rates in these sectors.

Financial services are strongly demanded by enterprises in the transport and communication sector. One-stop shops mainly attract businesses in banking, finance and insurance, manufacturing and construction, and repair and other services. Training courses seem to be quite popular among banking, finance and insurance businesses, in business services as well as among enterprises in the tourism sector.

As illustrated in Table 2, small enterprises do not only participate in support services more often than micro or sole proprietor's businesses but also express a stronger need for support services. This is particularly true for training courses, which are demanded by 46% of all small enterprises but by less than one micro or sole proprietor's business in three. Not surprisingly, one-stop shops providing general information are most popular among sole proprietors (44% of these businesses indicate a need for this kind of support). Also financial services are more in demand from enterprises with fewer than 10 employees than by small enterprises with more than 10 but fewer than 50 employees.

Table 2: Need for different types of support services, by size class*)

enterprise size	type of service						
	financial services	professional information	advice and consultancy	one-stop shops	training courses	provision of facilities	all types (average)
small enterprises	53%	60%	50%	30%	46%	14%	42%
micro enterprises	59%	58%	47%	34%	31%	9%	40%
sole proprietors	57%	46%	42%	44%	29%	7%	38%

*) share of enterprises with a need (3 or 4 on a scale from 1 - no need - to 4 - strong need) for certain types of support services
Source: IfGH/ENSR Small Business Survey, 2001

As illustrated in Table 3, start-ups, too, not only participate in support services more often than micro or sole proprietor's businesses, but also express a stronger demand for most types of support services than enterprises in the growth phase or mature enterprises. This is likely to be due to the fact that founders and very small enterprises mostly need interdisciplinary advice (Bremberger and Klimitsch (2000). (3) However, no matter what their phase of development is, enterprises show the greatest demand for financial and professional information services, whilst training courses or the provision of facilities are far less popular. Additionally, start-ups express a comparatively strong need for one-stop shops (57% of the enterprises express a need for this type of service), advice and consultancy (50%) as well as training courses (38%).

Table 3: Need for different types of support services, by phase of development*)

phase of development	type of service						
	financial services	professional information	advice and consultancy	one-stop shops	training courses	provision of facilities	all types (average)
start-ups	63%	63%	50%	57%	38%	3%	46%
growth	65%	53%	46%	39%	33%	10%	41%
mature	50%	49%	43%	33%	27%	8%	35%

*) share of enterprises with a need (3 or 4 on a scale from 1 - no need - to 4 - strong need) for certain types of support services
Source: IfGH/ENSR Small Business Survey, 2001

There are regional differences with respect to the needs of enterprises: For example, while 75% of enterprises located in Objective 1 regions express a strong or at least some need for financial services, this share amounts to only 52% among enterprises not located in disadvantaged regions. Also one-stop shops offering general information are more in demand in Objective 1 regions than elsewhere (44% and 37% respectively). All in all, the share of enterprises demanding some type of service amounts to 43% in Objective 1 regions and 38% elsewhere.

[3] Bremberger, W./Klimitsch, M.: *Initiativen zur Unternehmensgründung und -entwicklung auf dem Prüfstand*. Erfahrungen der Wirtschaftskammer Oberösterreich. (Initiatives to promote enterprise founding and develop-ment under inspection. Experiences of the Economic Chamber of Upper Austria.) In: Kailer N./Pernsteiner H./Schauer R.: Initiativen zur Unternehmensgründung und -entwicklung. Vienna: Linde Verlag, 2000.

Enterprises located in rural areas with less than 50,000 inhabitants generally express the same pattern of need as those in urban areas. The only exception are one-stop shops, that are clearly more in demand in rural areas (45% against 30% in urban areas). The overall share of enterprises demanding support services is 39% in both rural and in urban areas.

Also, Unioncamere et al. (2000) (4)found that the demand for different types of support services is related to the development of the enterprises' location: Whereas in both expanding and severely underdeveloped areas the use of planning and organisational services (including logistics), project planning and both technical and managerial training is more accentuated, in consolidated areas little use is made of services related to planning, company organisation or company finances. Conversely, wider use is made of services such as post-sales assistance, purchases and telecommunications/information systems.

As far as gender differentiation is concerned, male and female entrepreneurs show equal demand levels: About 40% of the enterprises headed by both women and men express a need for some kind of support service. However, whereas male entrepreneurs clearly demand more financial services (62%, against 49% for females), female entrepreneurs have a stronger need for one-stop shops (48%; 34% for males) and specific training courses (40%; 31% for males).

Generally entrepreneurs with secondary or university education (41%) show a higher level of need than those with elementary education (30%). Particularly, advisory and consulting services (51%, against 22% among entrepreneurs with elementary education) and specific training courses (36% against 23%) are much more demanded by better educated entrepreneurs as compared to less educated ones.

When compared to the types of services offered in Europe (mainly external advice and consultancy, followed by professional information services and reception, facilities and basic information, see Graph 1) it can be assumed that the needs of the enterprises are quite effectively met. Thus, the EU-wide low participation in support services might not be due to a mismatch between the types of services offered and demanded.

However, for the content of support services needs vary from country to country. Professional information as well as financial services, for example, are among the most demanded types of services in almost all countries under consideration with the exception of the United Kingdom, where enterprises rather need advisory and training services. Advisory/consultancy services are furthermore particularly needed in the Netherlands, Greece and Ireland; training services, on the other hand, are rather needed in Luxembourg, Portugal and Spain. The need for one-stop shops is particularly prominent in Austria, Belgium, France and Italy, in contrast to Denmark, Sweden, Norway, Germany, Ireland, Luxembourg, Portugal and Spain, where this kind of service is one of the two least preferred. Lastly, the provision of facilities (e.g. incubators) seems to be the least needed type of support service in all countries of the European Union and Norway (for more detailed country-specific findings in this respect, see the relevant country fiche produced in the course of this study).

---

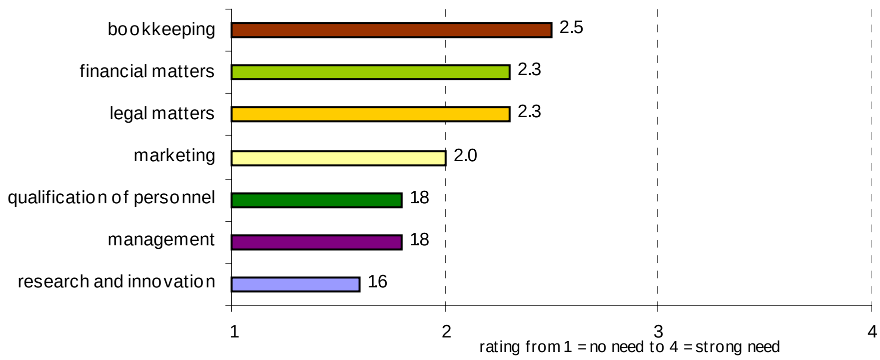
[4] Unioncamere/Ministerio della Industria , Commercio e Artigianato, Italia: *Support Services to SMEs in Italy*. Sponsored by the European Commission within the Framework of the Concerted Action Working Group on the Visibility and Quality of Support Services, 2000.

With respect to enterprises' need for external support in specific business areas, it is mainly with bookkeeping, financial and legal matters, that they seem to need help, as can be concluded from Graph 3. By contrast, there does not seem to be much demand for help with research and innovation, management or personnel qualification matters, which are nonetheless core business areas as regards the development and competitiveness of an enterprise.

2.2.2. Need for external support in different business areas

In order to further assess what kind of support services the smallest enterprises require, the following analysis on the need for external support in different business areas was carried out.

Graph 3: Need for external support, by business area



Source: IfGH/ENSR Small Business Survey, 2001

According to Boter et. al. (1999) (5), an important reason why services in the area of bookkeeping/auditing are of such importance to smaller enterprises is that in many countries legislation obliges the majority of companies to have their annual accounts compiled professionally. Especially new and growing enterprises rely on external help in this area, as can also be seen from Table 6. As can be seen from Table 4, it is mainly enterprises in the banking, finance and insurance sector that demand help with bookkeeping and legal matters. Help with financial matters is needed by the majority of businesses in the transport and communication sector. Support in the field of marketing, on the other hand, is needed more by wholesale and retail trade as well as by manufacturing and construction businesses. In the tourism sector, businesses have a high demand for help with the qualification of their personnel.

[5] Boter, H./Hjalmarsson, D./Lundström, A.: *Outline of a Contemporary Small Business Policy*. Stiftelsen Forum för Småföretagsforskning - FSF (Swedish Foundation for Small Business Research). Örebro, 1999.

Table 4: Need for external support in business areas, by sector*)

sector	business area						
	bookkeepin g	financial matters	legal matters	marketing	qualification of personnel	management	research & innovation
banking, finance and insurance	60%	46%	56%	18%	34%	23%	16%
business services	47%	48%	46%	33%	34%	30%	22%
repair and other services	52%	42%	48%	18%	22%	14%	22%
manufacturing and construction	52%	46%	46%	39%	26%	17%	18%
tourism	47%	51%	46%	22%	58%	24%	17%
transport and communication	55%	63%	45%	30%	33%	18%	15%
wholesale and retail trade	43%	45%	36%	41%	25%	19%	12%
total	51%	49%	46%	29%	33%	21%	17%

*) share of enterprises with a need (3 or 4 on a scale from 1 - no need - to 4 - strong need) for certain types of support services

Source: IfGH/ENSR Small Business Survey, 2001

As illustrated in Table 5, small enterprises mainly demand help with legal and personnel qualification matters; micro enterprises particularly need help with bookkeeping and legal matters and sole proprietors especially need support with bookkeeping and financial matters. While larger enterprises often have accounting departments within their company, and therefore do not use services like filing tax returns or help with audits on a regular basis, smaller enterprises make regular use of such services, as has been noted by Deutsche Ausgleichsbank (2000) (6). Moreover, Hermosilla (1997) (7) found that, besides accounting, smaller firms are also more likely to demand basic services, such as legal or financial advice.

Table 5: Need for external support in business areas, by size class*)

enterprise size	business area						
	bookkeeping	financial matters	legal matters	marketing	qualification of personnel	management	research & innovation
small enterprises	36%	40%	46%	35%	46%	27%	23%
micro	44%	41%	45%	38%	36%	22%	18%
sole proprietors	57%	54%	42%	32%	20%	20%	16%

*) share of enterprises with a need (3 or 4 on a scale from 1 - no need - to 4 - strong need) for certain types of support services

Source: IfGH/ENSR Small Business Survey, 2001

6 Deutsche Ausgleichsbank: *Analysis of the market of support services with the view of improving its efficiency in the context of the working group on the visibility and quality of support services. Country Report: Germany*. Supported by the European Commission. Brussels, 2000.

7 Hermosilla, A.: *El Consumo der Servicio por la Industria Espanola. La Encuesta der Servicios a la Industria*. (Service demand by Spanish industry. Survey on services to industry.), in: Economía Industrial, no. 313, pages 77-91. Madrid, 1997.

As shown in Table 6, start-ups, growing and mature enterprises mainly need help with financial matters as well as with bookkeeping. However, whereas the emphasis among start-ups is clearly upon financial matters, among the more mature businesses the primary need is to do with bookkeeping. Growing enterprises, though generally expressing a lower overall need than start-ups, have a stronger demand for help with personnel qualification, as well as research and innovation matters, than both start-ups and mature enterprises. Based on expert opinion, enterprises in the transfer phase have the greatest need for external support in legal matters, but also in management. As financial problems are only the symptoms of a crisis, most enterprises in this phase of development rather need support in bookkeeping (especially in controlling), management (strategic planing) but, of course, also in legal matters (when the crisis is acute).

Table 6: Need for external support in business areas, by phase of development*)

phase of development	business area						
	bookkeeping	financial matters	legal matters	marketing	qualification of personnel	management	research & innovation
start-ups	55%	61%	45%	42%	29%	30%	18%
growth	55%	51%	42%	29%	33%	22%	23%
mature	43%	41%	37%	37%	25%	18%	13%

*) share of enterprises with a need (3 or 4 on a scale from 1 - no need - to 4 - strong need) for certain types of support services

Source: IfGH/ENSR Small Business Survey, 2001

Yet again, needs concerning the content of external support also vary from country to country when the differing business areas are taken into account: The pattern described in Graph 3 holds true for most countries under consideration. In Germany and Greece, however, enterprises seem rather to need help with financial matters as well as with marketing. Support with financial matters is furthermore strongly demanded by enterprises in Austria, Norway and Luxembourg. British, Spanish, Portuguese, Norwegian and Swedish enterprises, on the other hand, seem to need more help with personnel qualification matters (in contrast to Belgian, Irish, Dutch or Italian enterprises). Few enterprises in the European Union and Norway indicate a need for help with research and innovation matters. In almost all countries enterprises believe they need no help within this business area, the exceptions being Sweden, Finland, Portugal and the Netherlands. In these countries research and innovation is not among the two business areas enterprises least need help with.

One reason for the comparatively low take-up of support services by enterprises of all size classes might be that the majority of support services have no target group orientation 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 (70%) would prefer using support services that are specifically targeted at enterprises of their respective size class. More than a third of these enterprises even indicate that it is ‘very important’ for them to be offered support tailored to their specific size class. When compared to the supply side of support services, however, it can be concluded that the demand for size class-specific support services is significantly greater than the actual supply: Almost all support services offered address all SMEs in general without differentiating between sub-groups such as micro enterprises or sole proprietor’s businesses.

The majority of micro, small and sole proprietor's businesses (77%) also consider it important that support services are specifically targeted at their respective sector. In particular, this holds for enterprises in tourism, business services, transport/communication and trade. Less than average need for sector-specific support is, in contrast, expressed by manufacturing enterprises. When compared to the supply side of support services, it can be assumed that the demand for sector-specific support services is significantly higher than their actual supply: almost all support services offered in Europe address all sectors alike, rather than being focussed on specific ones.

Similar considerations hold true with regard to the targeting of support services towards specific phases of development of an enterprise. The majority of micro, small and sole proprietor's businesses (73%) would prefer support services that are specifically targeted at their current phase of development. Particularly, it is believed that it is at start-up, the early phases of development, and the phases of crises that enterprises need most external support. When compared to the supply side of support services it might be concluded that there is indeed a wide range of support offered to enterprises either starting up or in their early phase of development; however, it has to be noted that although almost 60% of all enterprises believe that businesses in crisis are among those needing most external help, hardly any support service provider seems to concentrate on enterprises in this particular phase. This might, however, also be due to a lack of transparency of services due to insufficient promotion, as indeed many support service providers may have agents or consultants specialised in this specific phase of development.

Overall, enterprises express a strong need for tailor-made support services that take into consideration the differing needs of different types of enterprises. Service providers may take account of these needs by providing distinct packages of services for the different target groups, ranging from prospective entrepreneurs through start-ups and growing enterprises to enterprises that are about to be transferred to new owners or are in a crisis. Furthermore, take-up of business support services might benefit from services being targeted at enterprises with respect to size class more specifically than merely addressing SMEs in general. Also, market segmentation by selected sectors might be effective in increasing the utilisation of support services by micro, small and sole proprietor's businesses in Europe (e.g. by putting a stronger focus on tourism, business services, and trade enterprises, which are the sectors to which almost all participants in support services belong).

2.3 Conclusions

Coherent support services in the area of professional information and finance need to be assured

Although enterprises generally indicate a rather low need for support services in the European Union and Norway, some types of service seem to be more important to small businesses than others. The demand for professional information services, financial services and advice/consultancy, for example, seems to be higher than that for training courses or the provision of facilities. Generally, entrepreneurs with secondary or university education show a higher level of need than entrepreneurs with elementary education. Particularly advisory and consulting services and specific training courses are much more demanded by the better educated entrepreneurs than by less educated ones. As for external support in specific business areas it is mainly in bookkeeping, legal, and financial matters that enterprises need help. In contrast, there is less demand for help with research and innovation, management or personnel qualification matters. When compared with the types of service actually offered across Europe, it can be assumed that enterprises' needs with regard to the content of services are quite effectively met.

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

The need of the smallest businesses for support services seems to vary by region. The share of enterprises demanding support services in Objective 1 regions, for instance, is higher than elsewhere. Differences are particularly pronounced as far as financial services are concerned. Whereas 75% of the enterprises located in Objective 1 regions express a need for financial services, 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. Public authorities therefore need to ensure that enterprises can get convenient access to all the support services they need, no matter where they are located.

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

One reason for the relatively low take-up of support services by European micro, small and sole proprietor's businesses might be that the majority of support services have no target group orientation. 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 in the Member States of the European Union and Norway, however, are targeted at SMEs in general, micro, small and sole proprietor's businesses are seldom the subject of 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.

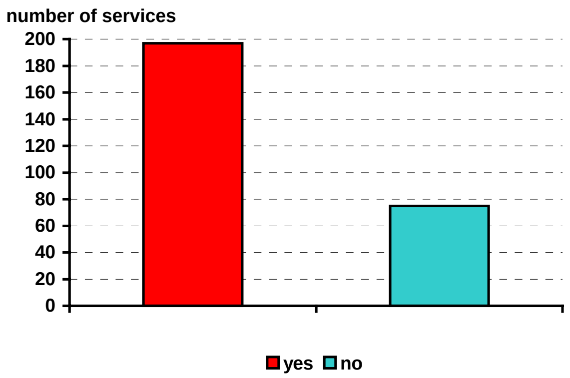
3. DELIVERY MECHANISMS OF SUPPORT SERVICES

3.2. Three Aspects of Service Delivery

3.1.1. Quality of services

In addition to enhancing the visibility of support services, assuring enterprises of the quality of services provided is an important aim in encouraging the take-up of business support services by entrepreneurs. This can only be achieved if service suppliers implement effective mechanisms to constantly assess and improve the quality of the services they provide to micro, small and sole proprietor's businesses. The choice of an appropriate tool depends on several factors. In some cases, the type of the support service requires the application of specific methods. For instance, the more detailed and specific a service is, the more self-developed standards might have to be applied in order to ensure constant quality. On the other hand, quality control might depend on regulations within a country or on the status of the service provider. Often semi-public or private providers who receive public funding are obliged to demonstrate a certain standard of their service offered, for example by having a specific type of certification (e.g. ISO 9000 certificate) or providing regular evaluations of their services. Nevertheless, it seems that regular quality control has not become part of the state of the art in support service provision in many countries of the European Union plus Norway, yet, as can be seen from Graph 1.

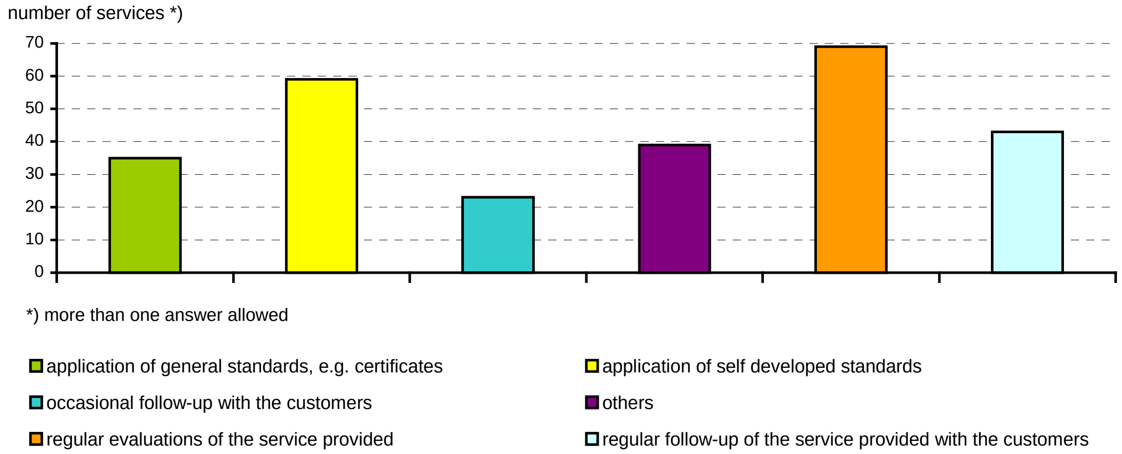
Graph 1: Existence of quality assurance mechanisms



Source: IfGH/ENSR Support Services Database, 2001

Almost two-thirds of the support services offered to micro, small and sole proprietor's businesses in the Member States of the European Union and Norway analysed in the course of this study apply some kind of mechanism for assuring the quality of the services delivered. The most popular methods used for quality assurance seem to be regular evaluations, self-developed standards, and regular follow-ups with the customers (Graph 2).

Graph 2: Types of quality assurance mechanisms



Source: IfGH/ENSR Support Services Database, 2001

However, for individual enterprises it is often difficult to assess the quality of services provided. Particularly smaller businesses with more limited resources face difficulties in judging whether a support service actually matches their needs. Thus, in order to increase enterprises' trust in the provider's reliability, it may be 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 enterprises. Choosing the right measures - the ones enterprises trust most - and making them visible to the enterprises might be crucial in strengthening enterprises' belief in the usefulness of support services and therefore their demand for support of this kind. Therefore, the question of which criteria enterprises apply to judge the quality of a service has been dealt with in the scope of the study. The findings for Europe are presented in Graph 3.

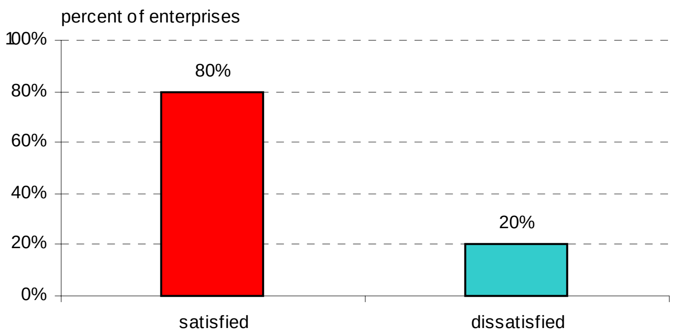
Graph 3: Criteria that indicate high quality to enterprises

Source: IfGH/ENSR Small Business Survey, 2001

When micro, small or sole proprietor's businesses try to assess the quality of a service provider, the criteria they trust most include regular follow-ups with the customer and the application of general quality standards. It seems comparatively less important to enterprises whether support service providers use registered trade marks or apply self-developed quality standards (see Graph 3). When compared to the quality assurance mechanisms actually deployed by providers in Europe, it can be seen that (occasional or regular) follow-ups are indeed used by a wide range of support service providers (see Graph 2). Furthermore, providers often apply self-developed quality standards or/and conduct regular evaluations in order to ensure the high quality of the services they offer.

However, what is considered a sign of high quality service provision for enterprises differs from country to country: regular follow-ups, for example, are considered important by enterprises of all countries except Greece, Italy and Luxembourg. Strong trust in evaluation is expressed by enterprises in the Nordic countries as well as in Belgium, France, Germany, Spain and the Netherlands. Irish and Italian enterprises, on the other hand, do not seem to share that trust in evaluations. Also, there are countries in which enterprises have high trust in EU quality standards, e.g. Greece, Italy, Luxembourg, and Portugal, while others (Austria, Belgium, Denmark, Sweden, Norway, and the United Kingdom) have reservations about them.

Graph 4: 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

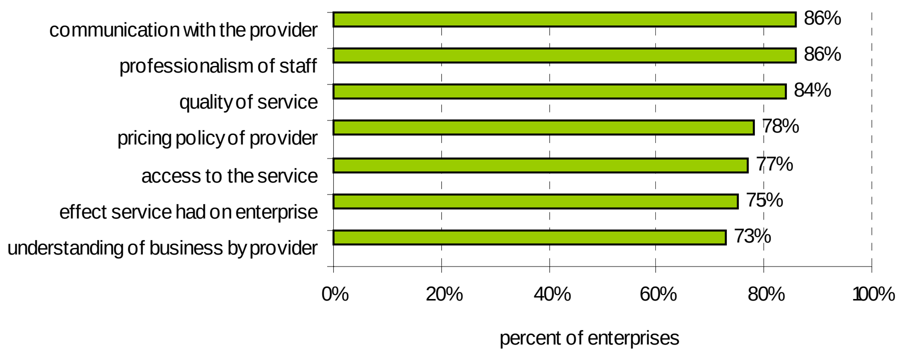
In general, it can be said, that most (80%) of the European micro, small and sole proprietor's businesses which have made use of support services within the last five years are quite satisfied with their latest experience in this respect (Graph 4). Dissatisfaction might occur for various reasons, among others, support services might be linked to the achievement of certain goals that later prove to be difficult to reach for enterprises or administrative procedures might be too time-consuming. ([8]) One reason might be that

[8] Guzmán Cuevas, J.: *Aspectos estructurales de las PYMES, las microempresas y los empresarios en Espana*. (Structural features of Spanish SMEs, microenterprises and businessmen), in: Economía Industrial, no. 300. Madrid, 1994.

enterprises often use over-simple criteria to search for external advice or that they do not have a clear idea of what they are looking for. Also unclear communication of needs and expectations by enterprises might lead to dissatisfaction. ([9])

Accordingly, the share of enterprises that are satisfied varies according to the different facets of support service delivery: More than 80% of the enterprises that have made use of support services during the past five years express satisfaction with the communication with the service provider, the professionalism of the staff as well as with the quality of the service. They are relatively less satisfied with the provider's understanding of their business and with the effect the service had on the enterprise, although three quarters of enterprises still express satisfaction with these aspects of service delivery as can be seen from Graph 5.

Graph 5: 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

Due to relatively high sampling errors it is not really possible to interpret variations at country level from the average value for the European Union Member States and Norway with regard to the satisfaction rate. 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. Due to the high variation in the corresponding values some countries are not included in the country ranking presented.

---

[9] Kailer, Norbert/Scheff, Josef: *Beratung als Dienstleistung: Die Zusammenarbeit von kleineren und mittleren Unternehmen und Unternehmensberatern.* (Consultancy as Service: The Co-operation between SMEs and Business Consultants.) In: Kailer Norbert/ Walger Gerd (Hrsg.): Perspektiven der Unternehmensberatung für kleine und mittlere Unternehmen. Vienna: Linde Verlag, 2000.

[10] Guzmán Cuevas, J.: *Aspectos estructurales de las PYMES, las microempresas y los empresarios en Espana*. (Structural features of Spanish SMEs, microenterprises and businessmen), in: Economía Industrial, no. 300. Madrid, 1994.

[11] Kailer, Norbert/Scheff, Josef: *Beratung als Dienstleistung: Die Zusammenarbeit von kleineren und mittleren Unternehmen und Unternehmensberatern.* (Consultancy as Service: The Co-operation between SMEs and Business Consultants.) In: Kailer Norbert/ Walger Gerd (Hrsg.): Perspektiven der Unternehmensberatung für kleine und mittlere Unternehmen. Vienna: Linde Verlag, 2000.

Table 1: 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 sampling error at country level: +/- 15%

**) due to small number of observations sampling error may be up to +/- 25 %

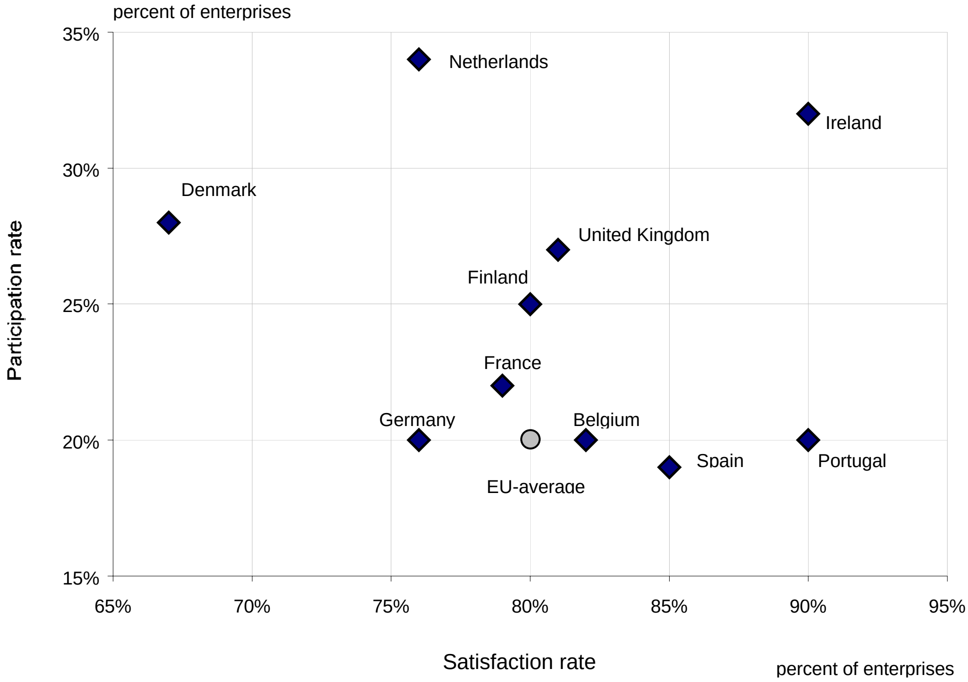
Source: IfGH/ENSR Small Business Survey, 2001

The hypothesis that countries with a relatively high share of enterprises satisfied with their latest use of support services would also show above-average participation rates in support services does not hold. As illustrated in Graph 6, among the countries with exceptionally high satisfaction rates, namely Ireland, Spain and Portugal, it is only Ireland where participation is comparably high. Spain and Portugal, on the other hand, show only average participation rates among micro, small and sole proprietor's businesses. Thus, it can be assumed that in Ireland word of mouth concerning the quality and merits of support services plays an important role, i.e. enterprises which have made use of support services and were satisfied with their latest use seem to encourage other enterprises to use them too. This is supported by the fact that, whilst throughout the European Union and Norway only about 45% of micro, small and sole proprietor's businesses generally consider it vital to receive information on support services through recommendations from other people, the corresponding share in Ireland is as high as 62%.

On the other hand, in Portugal, for example, enterprises are mainly satisfied with the providers' staff and their understanding of the business, whilst the access to the service is least appreciated. This in combination with the low information rate among Portuguese micro, small and sole proprietor's businesses may explain that high satisfaction does not necessarily result in greater participation.

Comparatively high participation in combination with comparably low satisfaction is found in the Netherlands and in Denmark. This can be explained by the fact that enterprises having made use of support services in these countries are particularly satisfied (92% and 89% of enterprises respectively) with the access to the service, which might be less bureaucratic than in other countries.

Graph 6: Satisfaction and participation rates of enterprises with regard to support services, by country*)

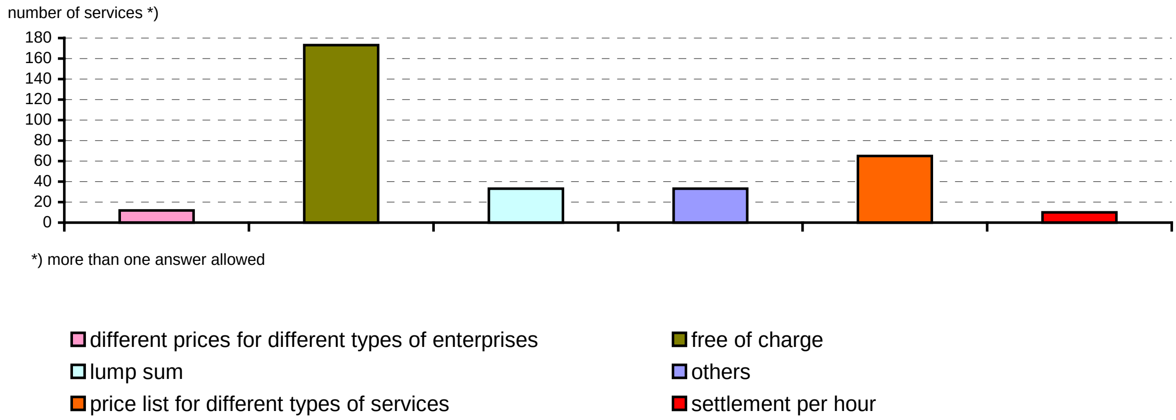


*) Austria, Italy, Greece, Norway and Sweden are not included as the respective figures show high sample errors at country level.
Source: IfGH/ENSR Small Business Survey, 2001

3.1.2. Pricing Policy

Micro, small and sole proprietor's businesses are quite price-sensitive as far as the use of external support is concerned. They often lack financial resources and usually the owner him/herself carefully decides where and how to spend the money available. Even if support services are offered free of charge, time has to be spent on using the service, which results in opportunity costs for small enterprises. A coherent pricing policy for different types of support services could facilitate enterprises' decision on the utilisation of support services. Although some types of support services such as basic information services are more likely to be offered free of charge, while on the other hand incubation units, for example, are more likely to be charged according to given price lists, no coherent pricing policy seems yet to exist in the Member States of the European Union and Norway.

Graph 7: Determination of prices of services identified

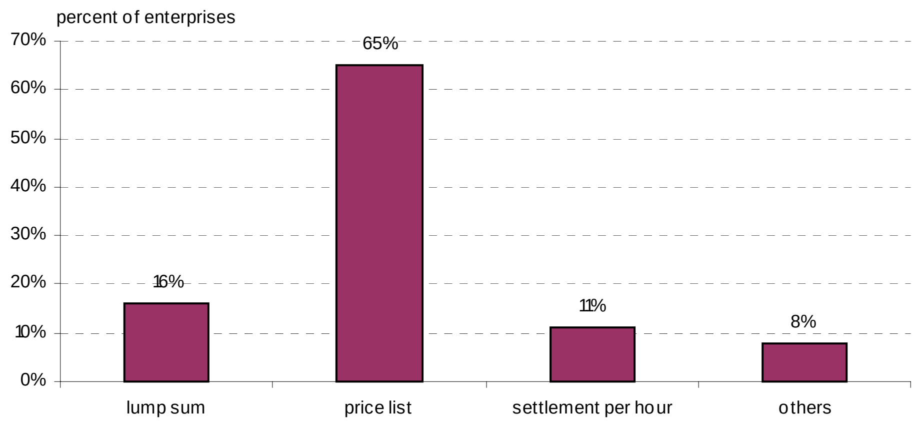


Source: IfGH/ENSR Support Services Database, 2001

As can be seen from Graph 7, a substantial number of support services provided to micro, small and sole proprietor's businesses in the European Union and Norway are offered free of charge (e.g. basic information services). On the other hand, services that provide external advice and consultancy, premises and environment, or SME-specific training are usually charged to some extent. The most common tool applied in the pricing policy of service providers is price lists for different types of services.

As far as the demand side is concerned, Graph 8 below provides information on the form of payment preferred by enterprises.

Graph 8: Form of payment preferred by enterprises



Source: IfGH/ENSR Small Business Survey, 2001

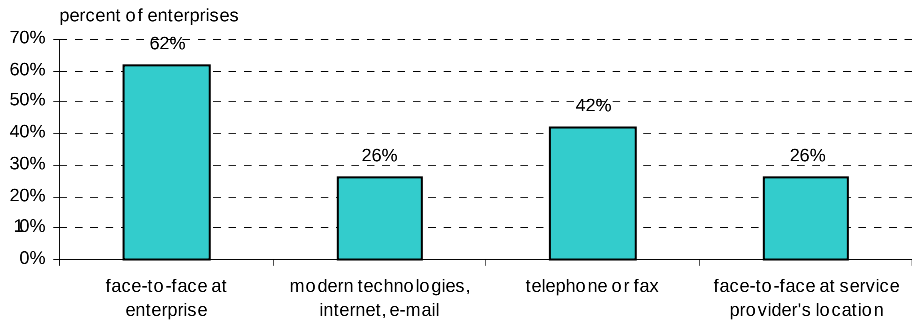
Micro, small and sole proprietor's businesses seem to prefer paying prices according to given price lists, rather than agreeing settlements per hour with the service provider or paying a lump sum (see Graph 8). The latter forms of payment are also rarely used by the service providers, which given that most services offered are actually free of charge (see Graph 7), might explain the comparatively high satisfaction with service providers' pricing policy (see Graph 5).

However, as far as the generally high level of satisfaction among European micro, small and sole proprietor's businesses is concerned, several authors have found a link between the price of a support service and the perception of its quality by an enterprise: free services often also imply that the receiver has lower expectations and therefore might be less critical when judging the quality of a service.([12])

3.1.3. Communication

The ease of the relationship and/or the communication with the service provider has been identified as one of the most important factors for enterprises when using external support. (13) Graph 9 presents information on the forms of communication preferred by most by micro, small and sole proprietor's businesses in the European Union and Norway.

Graph 9: Form of communication with the service provider preferred by enterprises*)



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

As can be seen from Graph 9, European micro, small and sole proprietor's businesses clearly prefer services to be delivered at their enterprise's location when communicating face-to-face with the support service provider. Only a quarter of all enterprises appreciate the possibility to travel to the provider's premises. Furthermore, many enterprises (42%) like to use telephone or fax to get in contact with the service provider. In contrast,relatively few (26%) like to rely on modern information technologies (e.g. e-mail).

---

[12] Boter, H./Hjalmarsson, D./Lundström, A.: *Outline of a Contemporary Small Business Policy*. Stiftelsen Forum för Småföretagsforskning - FSF (Swedish Foundation for Small Business Research). Örebro, 1999. Enterprise Ireland: *Support Services to SMEs in Ireland*. Sponsored by the European Commission within the framework of the Concerted Action Working Group on the Visibility and Quality of Support Services. Dublin, 2000. Unioncamere/Ministerio della Industria , Commercio e Artigianato, Italia: *Support Services to SMEs in Italy*. Sponsored by the European Commission within the Framework of the Concerted Action Working Group on the Visibility and Quality of Support Services, 2000a.

[13] Soy, A.: *Servicos a las Empresas Desarollo Regional y Urbano: el caso de Catalunya.* (Services to enterprises and regional and urban development: Evidence from Catalonia), in: Economía Industrial, no. 313, pages 105-114. Madrid, 1997.

However, the prominence of the Internet or e-mail varies by country: Austria, Denmark, Finland, France, Luxembourg, Norway and the Netherlands have an above average share of enterprises willing to use the Internet when communicating with the support service provider. British, Italian and Portuguese enterprises are comparatively unlikely to appreciate modern information technologies.

3.2. Conclusions

The development of a distinctive professional culture needs to be further encouraged

Most support service providers in Europe apply some kind of quality assurance mechanism. The most popular methods used are regular evaluations, self-developed standards and follow-ups with the customers. Still, the development of a distinctive professional culture needs to be further encouraged among support service staff by the active process of competence management and the implementation of demanding recruitment, training and staff development policies.

Support organisations should have access to the necessary human and material resources

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 provider’s understanding of the business and the effect the service had on the enterprise. In this respect the public authorities responsible for support service provision should ensure that support organisations have access to the 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.

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.

More coherent pricing policies should be developed by service providers

As far as the service providers’ pricing policy is concerned, micro, small and sole proprietor’s businesses prefer paying according to given price lists. Paying lump sums or arranging settlement per hour is far less popular. These preferences seem to be more or less met by service providers. A substantial part of services (mainly basic information services) is offered free of charge; other types of support such as advice or training services are often charged according to given price lists. However, more coherent pricing policies should be developed by service providers for the various categories of support services in order to promote their take-up.