

Institution: University of South Wales
Unit of Assessment: C19
Title of case study: Entrepreneurship Promotion: Federation of Small Business Bi-Annual Survey (2007-2008)
<p>1. Summary of the impact</p> <p>The University of South Wales, through their Welsh Enterprise Institute (including Global Entrepreneurship Monitor) has developed a long and impressive history of Entrepreneurship research. It was because of this record of producing high impact research work that the Federation of Small Business (FSB) survey was awarded and conducted in 2008. The survey examined the barriers to growth of small firms from a wide range of economic and managerial perspectives. The impact of the survey generated numerous policy documents, as well as academic research outputs.</p>
<p>2. Underpinning research</p> <p>The underpinning research explains the background to winning the FSB contract to undertake the survey. The 4 papers listed offer a coherent body of research literature and highlight a range of issues related to the economic development focus in Wales, and the changing focus from Foreign Direct Investment (FDI) towards the development of an entrepreneurship culture, thus illuminating a range of barriers to entrepreneurial growth for small businesses. It was this experience that underpinned the successful acquisition of the 2008 growth survey and its subsequent design and delivery.</p> <p>Paper 1 (<i>Regional Policy and Local Governance Issues: Some Welsh Perspectives</i>) examined regional policy evaluation with special reference to Wales. Its conclusions, placed in the context of economic development needs in Wales, identified a future research agenda for measuring the effectiveness of regional policy.</p> <p>Paper 2 (<i>The End of the Beginning?: Welsh Regional Policy and Objective One</i>) further highlighted that whilst 'West Wales and the Valleys' qualified for EU Objective One status, and were entitled to draw down up to 1.3 billion in EU funds, matched from public and private sources between 2000 and 2006, there were many issues raised by the process of organizing the subsequent programme. These included questions over policy focus in the economically diverse Objective One areas, and identified issues of relevance to growing small businesses, including skills and training, finance, and business support (all of which formed major elements of the FSB 2008 survey).</p> <p>Paper 3 (<i>An examination of the management challenges faced by growing SMEs in South Wales</i>), focused specifically on entrepreneurship and small business development, within the context of construction. Previous studies contended that small fast growth firms are more likely to have developed or acquired managerial practices in areas such as human resource management, finance and marketing. This paper examined how small growth oriented construction firms adopted management practices to sustain growth. The research revealed that while management practices such as marketing, financial management and planning had been implemented to facilitate growth, the importance of these practices often varied across firms. Nevertheless, firms that continued to be growth oriented were more inclined to consider the strategic benefits that certain practices provide. Based on these findings the paper concluded that management training initiatives aimed at improving firm development in the construction industry must be tailored to fit the strategic goals of the firm if they are to engender sustainable growth.</p> <p>Paper 4 (<i>Climbing the Mountain: Management Practice Adoption in Growth Oriented Firms in Wales</i>) further examined how growth oriented firms in Wales within the construction and manufacturing sectors adopted the management practices to build the necessary entrepreneurial capacity to sustain growth.</p>

Overall, this work identified a range of key cultural, economic and managerial issues of relevance to the growth of small businesses which, when added to the work of the Welsh Enterprise institute through the Global Entrepreneurship Monitor, established the expertise of the team to carry out the 2008 FSB Barriers to Growth survey.

3. References to the research

1. Munday, M., **Pickernell, D.** and Roberts, A. (2001) Regional Policy and Local Governance Issues : Some Welsh Perspectives., *Policy Studies*, Vol 22, No 1 (March), pp. 51-60 – **ABS 2***
2. Brooksbank, D., Clifton, N., Jones-Evans and D., **Pickernell, D.** (2001) The End of the Beginning?: Welsh Regional Policy and Objective One, *European Planning Studies*, Vol 9, No 2 pp. 255-274.- **ABS 2***
3. Packham, G., **Miller, C.J.**, Thomas, B.C. and Brooksbank, D. (2005) An examination of the management challenges faced by growing SMEs in South Wales, *Construction Innovation*, 5, 13-25.
4. Packham, G., Brooksbank, D., **Miller, C.** and Thomas, B. (2005) Climbing the Mountain: Management Practice Adoption in Growth Oriented Firms in Wales, *Journal of Small Business and Enterprise Development*, Vol. 12., No. 4, 482-497. **ABS 2***

Note: Authors Packham and Thomas were at the University at the time of publication of the above articles. Author Brooksbank was at the University of Glamorgan at the time of publication but subsequently left in 2008.

4. Details of the impact

In addition to the academic work outlined previously, the overall programme of academic activity (FSB survey and academic publications) focused on the impact of current policy on key areas such as graduate entrepreneurship, and the roles of universities and public procurement policy on small business development. The research reports were used by the FSB as a basis for policy development and lobbying of UK and Welsh government in order to influence policy direction. As a result, the work was widely utilised in a range of governmental debates from late 2008 onwards, including those on issues such as finance, rate relief, taxation, enterprise zones, and business development plans.

The report entitled "Putting the Economy Back on Track: Business Support and Finance" was used in lobbying government in relation to finance policy development. It identified the banking sector as the key organisation for providing financial support to companies. However, respondents of the survey named banks as one of the major barriers to company growth because of difficulties in accessing credit. The findings of the survey also revealed that small businesses thrive on personal relationships for advice in areas such as start ups; recruitment; marketing and product development. Approximately 75% of the respondents stated that they relied on informal sources of support, such as other businesses, personal advisors, suppliers and family. The data also showed that those small businesses that used banks or the Government as a source of advice were dissatisfied with the service and described access to finance as a significant barrier to their growth. Quoting Packham G, from a press release:

"These findings illustrate that action must be taken immediately for small businesses to gain access to vital funds to ensure their growth and survival. People often do not realise that small businesses are the backbone of the economy, employing 13.5 million people and contributing over 50 % to UK turnover, therefore it is vital that this sector is given the necessary support and backed up by fair and flexible credit."

Following the Bank of England Monetary Policy Committee's 1.5 % cut in interest rates in late 2008, the FSB used the survey evidence to support its call on banks to pass on this reduction so

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that small firms might feel the benefit through financial savings and be helped with their cashflow. John Walker, FSB National Policy Chairman, stated, "Our survey shows that small businesses thrive on personal relationships when seeking support such as marketing, recruitment and access to finance. However, there is evidence that new and growing firms, which require finance from their banks, are experiencing barriers to accessing funds and therefore not getting the same sort of close contact with their banks". He goes on to say, "We would like to see the first meeting of the new Small Business Finance Forum call branch managers to account to ensure that they do more to show how they can support small businesses. The first step to help this crucial sector could be to immediately pass on the recent cut in interest rates which could save small businesses £750 million and help get the economy back on track."

In terms of rate relief in Northern Ireland, the survey data was used to assist in the FSB's response to the consultation on integrated impact assessment of Small Business Rates relief. Specifically, the results of the survey indicated that just over 40% of respondents in Northern Ireland own their businesses premises out of which they operate, while 19.4% lease and 31.5% rent property. 9% work from home. The FSB used analysis to argue that, "Given that most leases and rent agreements include tenant responsibility for rates, the potential for landlords to benefit is minimal".

In terms of taxation and enterprise the survey data was used as a submission to the House of Commons regarding the Northern Ireland Enterprise zone. The 2008 survey data indicated that only one third of the FSB's Northern Ireland membership are incorporated, suggesting that a substantial proportion of them are unlikely to gain directly from a reduction in corporation tax. Thus, the FSB argued that the support for a corporation tax reduction in Northern Ireland suggested that FSB members saw such a move more as a way of invigorating the wider economic environment. This survey dataset was subsequently used by the FSB to assist their response to the Suffolk Economic Summit and Suffolk Strategic Delivery Partnership through providing a range of contextual data related to ownership characteristics, firm size, customer base and growth aspirations.

5. Sources to corroborate the impact

- [Putting the economy back on track: Business Support and Finance, www.fsb.org.uk/policy/assets/business%20support%20and%20finance.pdf](http://www.fsb.org.uk/policy/assets/business%20support%20and%20finance.pdf)
- <http://www.politics.co.uk/opinion-formers/federation-of-small-businesses/article/fsb-survey-names-banks-as-one-of-the-biggest-growth-barriers>
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