

## **KEYNOTE SPEECH**

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### **THE KEY FEATURES OF A SUPPORT POLICY FOR ENTERPRISE AND BUSINESS: THE UK AND SCOTTISH EXPERIENCE**

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#### **The Need**

Because of the perceived importance of smaller firms for economic development, virtually every country in the developed and developing world is now intervening in some way to promote enterprise. In doing so governments want to create; jobs, wealth and tax revenues as a result. An enterprising population and the development of same is the big objective.

In the UK however, such interventions often lack an overall strategy in the sense of a coherent set of objectives and the coordinated means of achieving them. Aspects of enterprise, entrepreneurship or small business policy and intervention are often dispersed across different government departments and, as a result, support schemes have tended to grow piecemeal. Their objectives appear to include increased wealth and economic growth, job creation, and other benefits including greater social cohesion through the provision of economic and social opportunities for the population. This lack of a coherent set of objectives is pretty much tied up with the inability of policy makers to really understand the SME sector and the failure of academics and researchers to really influence what policy makers decide. In the UK most researchers into small business will say that their failure to influence government policy is a great regret for them.

If we look at the big picture that is SME policy there is actually no real failure of consensus about what is needed.

We need to:

1. Create more start-ups – the enterprising population link.
2. Get a greater percentage of start-ups to survive and to grow – management development link.
3. Support actions and interventions to support the first two points – the policy link.

Agencies are often established to deliver much of the direct intervention, but the dispersal of policy and the involvement of different organisations can result in a confusing variety of apparent sources of help. Attempts to coordinate this and give it some form of structure can follow the 'one-stop-shop' approach of trying to concentrate services into one physical location, or the 'first-stop-shop' approach of ensuring that different sources of support are well signposted from single access points.

The means of achieving enterprise, entrepreneurship or small business policy objectives include two broad approaches, which are not mutually exclusive: They are:

- creating a favourable environment for enterprise, which can involve actions in the areas of the economy, fiscal policy, skills, infrastructure, regulations and societal attitudes;
- intervening to support the enterprise process, by direct and indirect support to individuals and businesses. This is often tailored to specific stages of development and to subgroups such as pre-start and start-up, high-tech businesses, geographic areas of disadvantage, population subgroups and exporters. The forms of assistance used include financial assistance (such as grants, loan guarantees, business angel and venture capital finance), information and advice, management development and training, marketing, R&D, networking, and technology transfer.

## The European Union

While differences in delivery systems and policy emphasis exist, there is, across Europe, much more that is common than is different. In essence the majority of measures in the EU countries are concentrated on three instruments:

- grants and tax reliefs;
- counselling and information services;
- subsidised loans.

There is little evidence of tension between support for new enterprises as opposed to established and growing ones. In the EU the two approaches are considered to be complementary. A noticeable trend in a number of EU countries and in the European Commission itself is an increasing emphasis on 'the entrepreneurial economy' and internationalisation. Small business policy in most countries of the EU is closely linked to regional policy. The UK has tended to be an exception with most policies being national in coverage. However with the establishment of a Parliament in Scotland, Assemblies in Wales and Northern Ireland and Regional Development Agencies in England, there is a strong trend towards greater regionalisation within the constraints of the UK-wide regulatory and fiscal regime.

Recent research indicates that, while policy fields and instruments may be similar from country to country, their implementation and delivery mechanisms can vary considerably, resulting in significant differences in the perception of their effectiveness. Overall, however, there has undoubtedly been a fundamental shift in many countries over recent years with the locus of enabling policies being increasingly at the local or regional level, as opposed to the federal or national level.

In January 2008, the European Commission launched a public consultation on the content of its proposed European "Small Business Act"

The Paper addressed two key issues:

- Why do so few people start a business relative to those who express their interest in entrepreneurship?
- Why do so few enterprises grow and at such a modest rate?

These two key issues exactly mirror the main two issues that have faced the Regional business support agencies in the UK for the last 20 years. In my own country of Scotland these are the continuing main issues facing the economy and the business support agencies.

Following the debate on the Green Paper, the Commission launched an Entrepreneurship Action Plan based on the feedback it received. The Plan<sup>i</sup> outlined key actions related to five strategic areas:

- Fuelling entrepreneurial mindsets.
- Encouraging more people to become entrepreneurs.
- Gearing entrepreneurs for growth and competitiveness.
- Improving the flow of finance.
- Creating a more SME-friendly regulatory and administrative frameworks.

Other related issues identified for action within the strategy were: reducing the stigma of failure, providing support for women and ethnic minorities, facilitating business transfers, facilitating SME business co-operation in the EU, fostering innovative clusters and reducing the complexity of complying with tax laws. The 'Small Business Act' is the next significant step in putting SMEs at the forefront of decision-making in the EU? The Act<sup>ii</sup> intended to include measures to:

- Unlock SMEs' growth potential
- Reduce the regulatory burden
- Facilitate access to the Single Market/public procurement
- Help provide necessary financial/human resources for SME development
- Help SMEs face the challenge of globalisation and climate change

The document underpinning the consultation identified six areas to be examined:

- Better regulation for the benefit of SMEs
- Putting SMEs at the forefront of society
- SME access to markets
- SMEs access to finance, skills and innovation
- Turning the environment challenge into opportunities for SMEs
- Enhancing the implementation of EU SME policy principles.

We can say that within the UK and the EU there is much that is common in terms of the problem but addressing the problem is not so easy. I will now like to turn to some thoughts on the problem and why it seems to be difficult to solve.

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<sup>i</sup> [http://ec.europa.eu/enterprise/entrepreneurship/promoting\\_entrepreneurship/doc/com\\_70\\_en.pdf](http://ec.europa.eu/enterprise/entrepreneurship/promoting_entrepreneurship/doc/com_70_en.pdf)  
(accessed 3 February 2008)

<sup>ii</sup> <http://europa.eu/rapid/pressreleasesAction.do?reference=IP/08/1658format=HTML> 02/02/2008  
(accessed 3 February 2008)

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## **Reflections on Small Business Policy and Support Issues**

As I have just indicated, the problem seems well understood, and the broad brush of what is needed to address the problem has a fair element of consensus. I have worked for a number of major governmental support agencies both in national UK terms and within Scotland at the Regional level.

### **The Problem is Complex**

I presently advise one of the main business support body in Scotland whose remit is to cover the City of Glasgow. Glasgow has all of the problems listed above. Declining small firm numbers, poor start-up rates, high levels of unemployment official and un-official, We have a population that has problems related to health and life expectancy with a big gap within the city in terms of health between what we call the “haves and the have not’s”. Yet we can also say we have within the business population some world class companies, we also have a number of world class universities – far more than our size would seem to justify, and we also have within the population a very well educated workforce.

This is the classic picture of black and white economic performance within a major city. Not easy for a city wide support agency to address reaching across all these different and contrasting situations.

### **The Responsibility for Support**

In the past 30 years the business support agency framework in my area has moved from being within the Local Government in the guise of the Glasgow City Council, and in itself GCC was, for a period, part of a larger geographically defined body, (Strathclyde Regional Council) to being led by a new business support Scotland wide regional agency, the Scottish Development Agency, to yet another a new set-up based on splitting up Scotland into geographical zones to deliver business support via a new national body Scottish Enterprise whose principal means of business support delivery was through geographically spread agencies called Business Gateways.

Now we are back in 2009 to the main SME support functions being funded by the local City Government, in my case, Glasgow City Council with the creation of five new city based Local Economic Development Companies funded by the GCC and the EU. Throughout Scotland we now have economic and business development delivered by Local Government. It can be very difficult to know what is being done and virtually impossible to have any quality and uniformity of delivery from Local Government to SMEs.

### **Mapping Business Support**

For an example of the range of activity in terms of entrepreneurship and business support within Glasgow and multi-agency tasking involved please see the attached two Mind Map figures for business start-up and existing business support.

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Essentially it is not easy to actually keep up with the sequence of changes of agency responsibility even for someone directly involved. We therefore have a confused customer.

### **The Confused Customer**

As highlighted above it is the case that few actual businesses are really aware of where they can get business support advice, what form it takes and how to access it. It is a confusing picture for them.

Most of the changes discussed above have been brought about in the laudable search of the best way to develop enterprise in all its forms. However, the constant changing of support agency formats and structure is self-defeating.

The confused customer is faced with :

1. Constant changes in policy, agency format and delivery mechanism.
2. Too much in the way of pump priming – no policy seems to last any length of time.
3. Changes are political – each change of government brings about support agency changes and the resulting instability.
4. Because of the nature of almost constant change the quality of support including the quality of business advice is highly variable. This variability of the quality of business advice is a key problem.

If anyone is to learn anything from the UK experience is that somehow enterprise and business support needs political and economic consensus and some form of consistency of policy and delivery. Change may be good in many other areas for individuals and businesses. It has not proved to be good in terms of SME policy.

For a detailed review of Enterprise Policy in the United Kingdom please see:

Source: Bridge, S., O'Neill, K., & Martin, F. (2009) Understanding Enterprise: Entrepreneurship & Small Business, Third Edition, Palgrave.