



Simplifying Business Support:

Submission from the West Midlands Regional Business Community

Response to the Department for Business, Enterprise and Regulatory Reform's Consultation on Business Support

September 2007

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Contact Details:

Peter Wall, Chair, West Midlands Business Council's Business Support Working Group

T: 0121 455 9231 info@wmbusinesscouncil.org.uk

James Watkins, Executive Director, West Midlands Business Council

T: 0121 245 0140 info@wmbusinesscouncil.org.uk

Executive Summary

We believe the policy proposals – as set out in the consultation paper – can assist with simplifying and improving business support delivery for micro, small and medium sized businesses.

However, as stated in our submission, if implementation of these changes takes place against the grain of the new West Midlands business support structure that is now bedding in, this could lead to a lower take up of business support – which could, in turn, hold up the development of the regional economy.

While we support the aims and aspirations, our proposals in this submission, such as:

- Criteria based assessments to focus business support
- Business Relationship Manager key for continuity of business support
- Further specialist business support services
- Services tailored to the size of the business

would lead to significant value for money, reduce waste and improve delivery.

Quality business support services for micro, small and medium sized firms are key to a growing economy.

The West Midlands regional business community supports the aim of the Department for Business, Enterprise and Regulatory Reform to deliver a world class business support service to help ensure a world class economy.

Introduction

The West Midlands Business Council brings together 23 mainly business representative organisations to speak with one voice on the key business issues across the West Midlands region. Further information on the West Midlands Business Council can be found in Annex A.

For the development of the regional economy and to ensure future prosperity and jobs, the need for a high quality business support service lies at the heart of achieving these key objectives.

However, while we welcome the opportunity to respond to this consultation we question the timing of this work. Since this consultation is taking place at the start of the bedding in of changes to the publicly funded business support structures in the West Midlands region it in some instances pre-empts whether or not new arrangements might be working.

We believe that constant changes in business support across recent years have led to a long period of uncertainty and have sent confused signals to the market as a consequence. This, we believe, has negatively impacted on both the take-up of business support services and to some extent the perception of their quality.

Therefore our first and overriding recommendation to the Department for Business, Enterprise and Regulatory Reform is to **ensure a period of stability and continuity in publicly funded business support structures. If any changes are to take place this must go with the grain of the regional reforms that have already taken place – not lead to a new bout of uncertainty.**

Recommendations from this chapter:

- **Ensure a period of stability and continuity in publicly funded business support structures. If any changes are to take place this must go with the grain of the regional reforms that have already taken place – not lead to a new bout of uncertainty.**

Elements of Business Support

Question 1 – Do you think the business support outlined in Figure 2 and at Annex A adequately covers the key needs of business and helps achieve public policy aims outlined in this document?

Question 2 – Where do you see duplication in publicly funded business support?

Question 3 – Where do you feel support is adequately provided by the private sector, thereby reducing the need for public sector support?

Question 4 – What publicly funded business support do you regard as being of the highest priority?

Question 5 – Do the business support themes make it easier for you to know what publicly funded support is available to meet the needs of your business? Are they the right themes?

Question 6 – To what extent will reducing the amount of branded business support make it easier to know what is available to meet the needs of your business?

Question 7 – How can the delivery of business support be better arranged to minimise customer confusion and achieve economies of scale?

Private Sector Role and the Role of Publicly Funded Business Support

Business support, as the consultation paper rightly states, is more than just publicly funded support.

Private sector training providers, accountants, surveyors and others in business are also on hand to provide support to SMEs and micro businesses.

Therefore to answer the questions in this section, we need to consider the role of publicly funded business support within the environment of other options being available.

We believe it exists to have two clear roles:

- To tackle market failure
- To help raise GVA rates across the West Midlands region and across the country

However, as stated in para 1.13 of the consultation paper “*publicly funded business support should not compete with private sector business support*” while

para 1.7 correctly states that business support could “*achieve broader economic, environmental, social or cultural goals*” if handled in the right way.

Therefore we propose that when a business rings the publicly funded business support service as well as the publicly funded sources of help being advised these firms should also be told of the local private sector sources of business support that exists to help small businesses.

This would meet the Government’s objective of integrating all business support sources of help together via a single access point and avoid unfair charges that publicly funded businesses is undercutting private sector sources of support. It would also address specific local circumstances.

For instance, when the Black Country Chamber of Commerce offered support to businesses affected by the large Shannon Mills fire in Walsall town centre in August 2007, this help took place outside publicly funded business support - but a single access point to gain business support could provide links to this form of local assistance.

In addition, public funded sources of business support should not shut out potential private sector sources of support.

For instance, specific areas of support – such as access to emergency loans or grants after a natural disaster should be available to the business within specified parameters - whoever is the adviser to the firm is - and the help should not be limited solely to businesses that use Business Link advisers.

Another example are the business support services provided by a relatively small group of publicly funded “approved” providers, under criteria that other experienced providers have not been covered by.

This is, unintentionally, anti-competitive and does not provide value for money for the tax payer by shutting out the private sector sources of support in some circumstances.

Size of Business

However, such a step - on its own – would not achieve the results we all want of simplifying business support since a small business may feel that a plethora of services – public and private – offered by making one phone call is too confusing.

That is why we would go one step further – and **recommend that different sized of businesses require different forms of help.**

So, for instance, micro businesses may be more likely to use publicly funded business support because of cost pressures and more likely to need intensive start-up support.

Small firms may be more likely to need developmental help such as access to finance.

Medium sized firms may also need help with access to finance but their needs may also fall into the area of skills and employment issues.

Therefore **we propose that different packages of support are on hand for different sizes of firm.**

Support should not be viewed as a one-off event but a continuous process that can lead to the development of that business. Therefore **access to a business relationship manager is key so that the business can – from time to time – call on the services of an adviser who knows and understand their business and can provide support**, if needed.

Specialist Support Services

Again, though, we appreciate that this, in itself, is not a simple solution to the need to simplify business support and to avoid duplication and confusion in the market place.

We recognise that under whatever system of funding that may exist for publicly funded business support, resources will inevitably be finite.

Therefore focused business support services are needed to provide greater added value. Manufacturing Advisory Service – West Midlands (MAS – WM) is a good example of a specialist business sector specific support service that meets the defined needs of that sector's business community.

Therefore **a range of specialist business support services – such as the Centre for Tourism Business Support in the West Midlands – could be developed to enhance GVA levels with these services accessed by a single access point**, such as the Gateway system in the West Midlands.

Criteria Assessment

Again, this only goes some way to focus business support to address the finite amount of resources that will always exist for these services.

A basic level of business support for micro firms and start-ups is fundamental and is being provided, in the case of the West Midlands, by the Gateway service.

To decide on the level of resources for further support we would propose the following strategic approach.

The first stage in this approach is **all business sectors are key to collectively high GVA rates and therefore deserve business support**. Business sectors, traditionally seen as low GVA, such as with many rural businesses, have the same potential to develop as high GVA sectors, such as aerospace. The low GVA sectors can often be key to providing the economic bedrock for high GVA sectors to flourish.

Therefore, particular businesses in what are seen as being in low GVA sectors should not be sidelined when it comes to business support.

The second stage is to **establish a criteria setting process**. The criteria would assess whether the basic fundamentals of a business seeking support are in place for it to have the potential to develop and grow. The outcome of such an assessment would decide the level of public resources to be devoted to developing that business, including whether private sector providers of support could be more appropriate.

This approach adopts the very best principles of business – deciding on the basic fundamentals for investment readiness so that resources can deliver an effective return – in this case this return would be in the form of increased GVA and jobs created.

It also ensures that public money is not wasted and that firms do not follow a wasteful paper chase of chasing different grants that may not deliver the outcomes that the wider business community and the Government would want to see.

Gaps in the Provision of Business Support

There are gaps in the business support services that currently exist. These are in the areas of:

- **Regulatory Compliance:**

Practical help to businesses to help meet their regulatory obligations. Business surveys repeatedly demonstrate that regulatory compliance is one of the major concerns for business and therefore business support advice in this area is critical;

- **Business Crime**

Business crime costs the West Midlands region £14,000 per hour – according to the Government Office for the West Midlands.

Areas where business require support are often inter-related and indeed some are hidden or masked by the most pressing need. Too often, though, some businesses consider advice on skills, crime or other matters is provided in a “silo” approach thus recognition of all the issues facing the business does not happen and the support given may solve a superficial problem but not the underlying cause.

We believe that crime prevention advice should not be provided as an issue in its own right but as part of the general advice given to businesses as to how to undertake the risk assessment process when preparing its business plan and rolling out its future business planning processes.

In that way, crime prevention advice can be incorporated in everyday business practices rather than in a format which is unhelpful to firms who have to do so much to move forward in a wide range of areas.

- **Risk Assessment**

Helping firms to undertake a full risk assessment that meets their particular needs. For instance, such an assessment could help ensure that firms that are located in flood plains have systems that back up data in case of flooding.

- **Mezzanine Funding and Diversification**

Mezzanine funding can be critical to ensure firms overcome short term cash flow problems such the Advantage Bridge Fund that was used to help supply chain firms with short term cash flow problems after the collapse of MG Rover.

We consider this a particularly significant issue for the West Midlands with manufacturing firms diversifying from large volume production – with much of this work going to low cost countries – to high value manufacturing as well as a move away, in some areas of the West Midlands, from manufacturing to other business sectors.

- **Rural businesses**

Previous Farm Business Advice Service schemes have had the capacity to look at a particular farm holding, benchmark the farm business and then look at the opportunities for diversification, whilst understanding the interaction with the existing farming and land management business. The start up offering, as detailed in this consultation seems much more generic and will not provide advice at a meaningful level.

Research into the needs of land based businesses has shown that the first point of contact is vitally important, and if that person is unable to relate to the caller, and understand the context of the call then the contact will not proceed.

There are some business sectors, such as the equestrian industry that seem to fall through a gap, they are not considered by business link to be “mainstream” but are not agricultural businesses either, therefore access to benchmarking is difficult.

Annex A in the consultation document refers to a Capital Investment Grant being made available to businesses within assisted areas. The rationale for this intervention is the higher cost of doing business due to the limited numbers of workers, and/or the greater distance to market. These characteristics are true of many rural businesses yet there does not seem to be a plan to assist these in a similar way.

There is also the intention to assist those businesses in the service sector which supply a national rather than a local market but we believe the emphasis on local markets should not be lost as this would fit with the focus on supplying and buying local food and initiatives such as public sector local procurement.

The impact of state aid rules on the agricultural sector must be properly understood, on a number of occasions rural businesses have been either encouraged to apply for a grant when they were not actually eligible or incorrectly excluded from applying due to misinterpretation of or the failure to understand the rules.

R&D

An issue that is mentioned in the consultation document is the issue of product development and R&D.

This is clearly critical and we welcome the development plans of MAS-WM to develop a product development consortium service.

However, the lack of knowledge of schemes that brings together businesses and universities with R&D is a matter that the business support structures could address.

A one stop shop service – enabling businesses to find out which universities could assist them with R&D work could be integrated into the regional business support structure. This should be able to include universities outside the RDA area where the business is based.

Lessons can also be learnt from the Milk Development Council (MDC) as to how R&D can be more effectively delivered to businesses on the ground.

The MDC – an arms length Government body – has a number of “extension officers” – who meet with dairy farmers to demonstrate how the latest advances in R&D can assist their business. This is an excellent example of practical working to enhance an important business sector and **we would urge for such a model could be implemented for a range of business sectors.**

Energy Efficiency

Finally, we believe energy efficiency advice can be improved.

The Government has stated its intention to expand the emissions trading scheme but too many businesses across the region have not been given technical or even introductory advice as to how carbon emissions trading can assist their businesses.

In addition growth can be assisted by the carbon emissions scheme. Exports can be assisted if it is shown in the carbon trading scheme that a reduction in greenhouse emissions in a developing country can off-set against the emissions emitted in the UK.

We would encourage the business support structure, including UK Trade and Investment, to advise clients of these carbon trading possibilities.

This lack of knowledge is combined with widespread business concerns that the Carbon Trust is not fully meeting the needs of businesses in terms of energy efficiency advice.

The Trust’s limited resources can only go so far to meet the demands of the business community when, with rising energy prices, the demand for practical advice on energy efficiency measures are greater than ever.

We do not believe this is an insuperable problem.

We would encourage business support structure to take a lead in this area in establishing a regional plan for providing energy efficiency advice. Such a plan would combine the resources of the Carbon Trust, the Energy Savings Trust and the many other organisations, including private sector providers, involved in energy efficiency advice so that there could, in effect, be a significant co-ordinated sales force of energy efficiency advisers on hand to assist businesses.

We are also aware that the quality of the advice provided needs to meet a quality standard. That is why we believe **this plan should be linked into the business support structure where some form of Service Level Agreement** would enable quality standards to be met.

In the medium term, once this objective was **achieved we believe that the needs of SMEs that would like to incorporate new technical methods to improve energy efficiency and use new fuels, such as bio fuels**, would need to be considered. This could include ensuring that a database of project engineers could be set up so that when a firm seeks assistance there is the expertise on hand to help that business.

Recommendations in this chapter:

- **We propose that when a business rings the publicly funded business support service as well as the publicly funded sources of help being advised these firms should also be told of the local private sector sources of business support that exists to help small businesses**
- **Recommend that different sized of businesses require different forms of help**
- **Access to a business relationship manager is key so that the business can – from time to time – call on the services of an adviser who knows and understand their business and can provide support**
- **A range of specialist business support services – such as the Centre for Tourism Business Support in the West Midlands – could be developed to enhance GVA levels with these services accessed by a single access point**
- **All business sectors are key to collectively high GVA rates and therefore deserve business support**
- **Establish a criteria setting process for intensive business support**
- **Gaps in business support services are in the areas of regulatory compliance, business crime, risk assessment, mezzanine funding, rural business needs**
- **A one stop shop service – enabling businesses to find out which universities could assist them with R&D work could be integrated into the regional business support structure. This should be able to include universities outside the RDA area where the business is based.**
- **Lessons can also be learnt from the Milk Development Council (MDC) as to how R&D can be more effectively delivered to businesses on the ground.**

- **We would urge for such a model could be implemented for a range of business sectors**
- **We would encourage the business support structure, including UK Trade and Investment, to advise clients of these carbon trading possibilities**
- **We would encourage business support structure to take a lead in this area in establishing a regional plan for providing energy efficiency advice. Such a plan would combine the resources of the Carbon Trust, the Energy Savings Trust and the many other organisations, including private sector providers, involved in energy efficiency advice so that there could, in effect, be a significant co-ordinated sales force of energy efficiency advisers on hand to assist businesses.**
- **Energy efficiency advice providers should be linked into the business support structure where some form of Service Level Agreement**
- **We believe that the needs of SMEs that would like to incorporate new technical methods to improve energy efficiency and use new fuels, such as bio fuels**

Business Link

Question 8 – How can Business Link be further developed to meet business and government needs consistent with this policy?

Question 9 – How can business support services make best use of Business Link as the primary access channel for business?

In the last section of this submission, we proposed a series of steps to enable Business Link to meet business needs.

As stated above, these steps included:

- Criteria setting process for focused business support
- Business relationship manager for continuity of business support
- Specialist business support services
- Services tailored to the size of the business

In respect to question 9, we proposed in the last section how local private sector business support services could be linked to the single access point for accessing business support.

In the West Midlands, Advantage West Midlands that oversees Business Links discusses with the business community the issues of business support and this dialogue is welcomed.

Oversight

Question 10 – Do you agree with the proposed strategic oversight of business support?

Question 11 – Is there another option that you think we should consider and how would you justify it?

While we understand and appreciate the work that has gone into the proposed oversight procedures, we do consider that this element of the proposed structures require further work.

In particular, in reference to para 5.3, it refers to the representatives who will oversee the arrangements. A notable absence from the list of representatives is that of the business community. For it is business that will be best placed to have an understanding of the implementation of policy on business support. Therefore **we propose business is represented on the oversight structure.**

While we note there is an advisory role for the business community, as stated in para 5.5, it is oversight that would be key if business as a whole is to have any confidence in this process.

There is the related issue of how this oversight would operate.

We appreciate and support the implied intention in this section of the consultation paper for an oversight structure operating nationally.

However, as business support functions have been largely devolved to Regional Development Agencies **we propose oversight also at the regional level.**

In the case of the West Midlands, **the West Midlands Business Council – bringing together 23 mainly business representative organisations – and which has experience of regional oversight responsibility via its role on the West Midlands Regional Assembly would be willing to be part of a regional oversight structure.**

Para 5.3 refers to oversight being devolved to the “*sub national level*”. If this refers to the local level rather than the regional level, we can see merit in this approach but **we propose that this local oversight is linked to the regional oversight structure.**

Finally, in reference to the mention of the role of local authorities, in para 5.3, we would welcome their proposed role. This is because **the role of local authorities with their own business support services can be more easily aligned if linked to the Business Link single access point via the oversight process.**

We recognise that local authorities can be key in addressing local business needs via economic development departments who can respond quickly to local circumstances.

Recommendations in this chapter:

- **We propose business is represented on the oversight structure**
- **We propose oversight also at the regional level**
- **The West Midlands Business Council – bringing together 23 mainly business representative organisations – and which has experience of regional oversight responsibility via its role on the West Midlands Regional Assembly would be willing to be part of a regional oversight structure.**
- **We propose that this local oversight is linked to the regional oversight structure**
- **The role of local authorities with their own business support services can be more easily aligned if linked to the Business Link single access point via the oversight process.**

Costs

Question 12 – If you have experience of using publicly funded business support, what were the costs to you of finding out what was available to meet your needs?

Question 13 – How much do you think our proposals could reduce your costs in looking for and understanding publicly funded business support?

Question 14 – How far do you agree with our initial estimates of the benefits and costs of simplifying business support?

Question 15 – Are there other benefits or costs to the proposals? For example, what other costs and benefits are there for the private sector, the third sector and for public, private and third sector providers of business support?

We appreciate the aim to simplify business support structures.

As stated earlier in this submission, we are concerned at the timing of this consultation when changes to the business support structure in the West Midlands are only now beginning to bed in.

While reducing the number of business support schemes to cut down on waste and improve efficiency is welcomed **these changes must be made with the grain of the new business support structure in the West Midlands if damaging instability and negative signals to the market of further changes holding up delivery are to be avoided.**

These questions are correct to imply that a number of SMEs and micro businesses have found it difficult to access business support. Therefore, we support the overall aim of the consultation paper.

We do take issue with the statement made in para 6.3 where it differentiated the changes business support can make between social enterprise and other forms of business.

Social enterprises are profitable as demonstrated by the multi million pound operations of Midcounties Co-op, Midlands Society Co-op and the Co-operative Bank.

Therefore **advice provided by Business Link should include technical information on company structures including co-operative and mutual structures.**

Recommendations from this chapter:

- **These changes must be made with the grain of the new business support structure in the West Midlands if damaging instability and negative signals to the market of further changes holding up delivery are to be avoided.**
- **Advice provided by Business Link should include technical information on company structures including co-operative and mutual structures.**

Can the Proposals Work?

Question 16 – How far will our proposals make it simpler for business to know what publicly funded business support is available and how to access it?

We believe the policy proposals – as set out in the consultation paper – can assist with simplifying and improving business support delivery.

However, as stated in our submission, if implementation of these changes takes place against the grain of the new West Midlands business support structure that is now bedding in, this could lead to a lower take up of business support – which could, in turn, hold up the development of the regional economy.

While we support the aims and aspirations, our proposals in this submission, such as:

- Criteria based assessments to focus business support
- Business Relationship Manager for continuity of business support
- Specialist business support services
- Services tailored to the size of the business

would lead to significant value for money, reduce waste and improve delivery.

Quality business support services are key to a growing economy.

The West Midlands regional business community supports the aim of the Department for Business, Enterprise and Regulatory Reform to deliver a world class business support service to help ensure a world class economy.

Full List of Recommendations from this Submission:

1. Ensure a period of stability and continuity in publicly funded business support structures. If any changes are to take place this must go with the grain of the regional reforms that have already taken place – not lead to a new bout of uncertainty.
2. We propose that when a business rings the publicly funded business support service as well as the publicly funded sources of help being advised these firms should also be told of the local private sector sources of business support that exists to help small businesses
3. Recommend that different sized of businesses require different forms of help
4. Access to a business relationship manager is key so that the business can – from time to time – call on the services of an adviser who knows and understand their business and can provide support
5. A range of specialist business support services – such as the Centre for Tourism Business Support in the West Midlands – could be developed to enhance GVA levels with these services accessed by a single access point
6. All business sectors are key to collectively high GVA rates and therefore deserve business support
7. Establish a criteria setting process for intensive business support
8. Gaps in business support services are in the areas of regulatory compliance, business crime, risk assessment, mezzanine funding, rural business needs
9. A one stop shop service – enabling businesses to find out which universities could assist them with R&D work could be integrated into the regional business support structure. This should be able to include universities outside the RDA area where the business is based.
10. Lessons can also be learnt from the Milk Development Council (MDC) as to how R&D can be more effectively delivered to businesses on the ground.
11. We would urge for such a model could be implemented for a range of business sectors

12. We would encourage the business support structure, including UK Trade and Investment, to advise clients of these carbon trading possibilities
13. We would encourage business support structure to take a lead in this area in establishing a regional plan for providing energy efficiency advice. Such a plan would combine the resources of the Carbon Trust, the Energy Savings Trust and the many other organisations, including private sector providers, involved in energy efficiency advice so that there could, in effect, be a significant co-ordinated sales force of energy efficiency advisers on hand to assist businesses.
14. Energy efficiency advice providers should be linked into the business support structure where some form of Service Level Agreement
15. We believe that the needs of SMEs that would like to incorporate new technical methods to improve energy efficiency and use new fuels, such as bio fuels
16. We propose business is represented on the oversight structure
17. We propose oversight also at the regional level
18. The West Midlands Business Council – bringing together 23 mainly business representative organisations – and which has experience of regional oversight responsibility via its role on the West Midlands Regional Assembly would be willing to be part of a regional oversight structure.
19. We propose that this local oversight is linked to the regional oversight structure
20. The role of local authorities with their own business support services can be more easily aligned if linked to the Business Link single access point via the oversight process.
21. These changes must be made with the grain of the new business support structure in the West Midlands if damaging instability and negative signals to the market of further changes holding up delivery are to be avoided.
22. Advice provided by Business Link should include technical information on company structures including co-operative and mutual structures.

Annex A: West Midlands Business Council

- a) The West Midlands Business Council (WMBC) is a UK First – the first time independent business representative organisations have chosen to come together to speak with one voice on the key regional business issues. No other region of the UK has such an organisation;
- b) WMBC is an umbrella organisation for the whole West Midlands region – covering Herefordshire, Shropshire, Staffordshire, Warwickshire, & Worcestershire together with Birmingham/Coventry/Wolverhampton and the West Midlands conurbation.
- c) The member organisations of WMBC are:

Asian Business Forum
Association of Colleges
British Ceramic Confederation
Business in the Community
Chartered Institute of Building
Confederation of West Midlands Chambers of Commerce
Country Land and Business Association
Engineering Employers' Federation
Federation of Small Businesses
Heart of England Tourism
Institute of Chartered Accountants in England and Wales
Institute of Chartered Secretaries and Administrators
Institute of Directors
Institution of Civil Engineers
Midland Association of Restaurants, Caterers and Entertainment
National Farmers' Union
National Federation of Retail Newsagents
Royal Institution of Chartered Surveyors
UK IT Association
West Midlands Co-operative and Mutual Council
West Midlands Higher Education Association
West Midlands Learning and Skills Councils
West Midlands Minority Ethnic Business Forum

For further information, please contact:

WMBC Executive Director, James Watkins, on 0121 245 0138/0776 5803582

Fax: 0121 245 0141

E: j.watkins@wmbusinesscouncil.org.uk

www.wmbusinesscouncil.org.uk