CENTRE FOR RURAL ECONOMY
NEWCASTLE UNIVERSITY

Study to Inform the Mainstreaming of Business Support in the Rural North East

Public Knowledge and the Centre for Rural Economy

Centre for Rural Economy Research Report

Report prepared for One NorthEast

August 2006

The Report

This report was prepared by Jane Atterton and Terry Carroll of the Centre for Rural Economy and Helen Driver, Lorna Johnson and James Saunby of Public Knowledge. It was presented to Jim Anderson at One NorthEast in August 2006.

Table of Contents

9. Appendices

Appendix 1 – Diagram : Case for change – support for rural business
Appendix 2 – Interview Guide
Appendix 3 – Business survey questionnaire
Appendix 4 – Classification of business activities

1. Executive Summary

1.1 Background

Although enterprise creation in many rural areas is relatively high, the overall contribution of rural areas to the regional economy is low relative to urban areas. At the same time, research shows that whilst mainstream business support in the North East has relatively high penetration levels, and individuals/businesses that access this support are more likely to survive and grow, rural businesses are less likely to access mainstream provision. This appears to suggest the economic potential of rural areas is not being effectively exploited.

One NorthEast (ONE), along with the other Regional Development Agencies (RDAs), is tasked to deliver improvements in the rural economy, while at the same time contributing to sustainable development. In support of this, Defra is contributing over £70m per year into the RDA Single Pot. This contribution from Defra comes with the need to ensure resources are targeted to achieve measurable improvements for the rural economy.

As a result, ONE has commissioned this study with the following objectives:

1. To identify why businesses in rural areas access business support to a lesser degree than urban businesses (interestingly, recent research carried out by SQW for Northumberland Strategic Partnership suggested that there is no evidence that rural areas are disadvantaged in terms of accessing business advice and support);
2. Inform the mainstreaming of rural business support within the new Information, Diagnosis and Brokerage model;
3. Recommend solutions to the barriers to accessing mainstream business support.

1.2 Methodology

The study comprises a number of parallel data collection streams, followed by a detailed analysis leading to this final report.

- Literature Review – there is a significant body of work already available that can inform the mainstreaming of support for rural businesses; a review of the available work provides a context and starting point for the other elements of our study;
- Depth interviews with economic development professionals – an understanding of the support activities currently in place for rural businesses is also vital in forming recommendations for future services. This part of the study includes interviews with professionals in the North East, and an evaluation of schemes in operation elsewhere in the UK;
- Snapshot survey with businesses – The final strand of the data collection exercise is a ‘snapshot’ survey with businesses comprising 126 CATI interviews with ‘non-users’ of Business Link services. The telephone interviews provide quantitative data both for use in its own right, and as a comparator for the other data streams. The businesses surveyed are drawn from data supplied by ONE of businesses that are rural ‘non-users’ of Business Link services.
- Analysis of recommendations – the analysis of recommendations is in two stages. Initially, separate conclusions are developed for each of the three data collection streams. The separate sets of conclusions are then compared to identify areas of commonality, unique perspectives not shared with other streams, and areas of apparent contradiction between data streams. This analysis provides the final recommendations.

1.3 Findings

Clarity of vision

High level strategy documents, such as the Regional Economic Strategy and the Enterprise Strategy, for the North East region place great emphasis on business support. However, these priorities emphasise the need for generic business support to be targeted at the skills of individuals and businesses (*e.g.* confidence, innovative practice, networking, etc). Other strategies specific to the rural agenda look at the specific needs of the rural economy and its business support requirements. These specific rural economic themes and objectives are not reflected in the North East's Regional Economic Strategy – an approach that differs markedly from practice in other regions.

The rural economy currently includes a large proportion of small and micro-businesses, and firms operating across all sectors (including agriculture, tourism, cultural sectors, business services, etc.). These businesses do not employ large numbers of people or show strong growth potential. However, they are crucial to the current economic and social functioning of many rural communities. While some rural communities support a combined economy of rural and general business sectors, including providing part of the skill base for the urban economy in commuter areas, the motivations of businesses in "very rural" locations suggest few economic alternatives.

Rural priorities – targeted engagement

It is likely that resources for business support will decline in future and a targeted approach to business support is widely accepted throughout the rural economy as a common sense approach. However, the perception of what this would mean in practice is different for businesses and economic development professionals. Professionals want to see targeted use of resources; businesses want to receive bespoke support from a professional who understands their business.

The development of an enterprising rural economy suggests the critical importance of supporting business start-ups as a central element of the support strategy. However, in the rural economy, there is a difference between the traditional rural businesses, and the developing economy. 90% of farming businesses in our study are established businesses, typically inherited by the current owner. Supporting start-ups is important to the developing economy in rural areas, but far less relevant to the traditional rural economy.

The acceptance of targeted support has received general literature support, but there is far less agreement as to how it is achieved. Proposed methods of targeting can be summarised into three different approaches:

- Focus on support requirements to deliver desired economic outcomes;
- Focus on the support requirements of businesses currently actively accessing support;
- Focus on the support requirements of the existing and developing business community.

The first of these is a "top-down" policy driven approach. Studies generally do not recommend this, and our study suggests it is unlikely to be successful, due to significant barriers to taking unwanted support. The second approach would lead in practice to focusing on the requirements of existing Business Link users and would increasingly marginalise rural businesses, including those who currently actively seek business support from other sources. Strong evidence exists to support mainstreamed support providing access to a full range of business support services needed for the rural economy. It appears that (delivered correctly) this will bring a large number of "non-users" of Business Link services into the mainstream of business support.

Aligning funding and business support is a logical way of ensuring the successful deployment of the grant funding – helping to ensure the ongoing success of businesses that access funding through ensuring effective advice is also provided. This demands an appropriate quality of support – appropriate to each business, and appropriate to the funding being received. Conditions for basic start-up funding need be no more than sign-posting of support available, and assessment of the entrepreneur's readiness to start a business. Higher levels of funding should be accompanied by a greater level of assessment and signposting to appropriate support – either from the public or private sector.

Delivery mechanisms

The development of delivery mechanisms for rural business support is a complex problem, compounded by the high relative cost of delivery of services to rural businesses, the need for both specialist and generic advice, and the evolving need to improve the generic business skills of traditional land-based rural businesses. The mainstreaming of rural business advice provides the opportunity to address these issues, but must overcome other barriers to be successful.

There has been a perception that rural businesses did not engage with mainstream public sector business support because they were too geographically remote. Our study does not support this. It appears that the current Business Link locations in market towns and local business centres are appropriate for rural business support and should be retained throughout the region.

The use of the Internet as an initial or ongoing form of contact has been considered and is in use in some regions. However, it has been suggested that there are limitations to this due to the low use of the Internet by rural businesses. Recent studies in the North East have shown very little use of the Internet to access information and advice. However, our study found that the majority of businesses had Internet access in some form thus there is a significant opportunity to use the Internet as a point of contact for business support that is currently not utilised.

As farms increasingly need generic business advice regarding dealing with competition, improving innovation, etc., the use of generic business advice routes as gateways to specialist advice appears to offer opportunities to improve the overall level of support (Smallbone et al 2002). However, the SQW (2005) study in Northumberland found concerns regarding the brokerage system, which suggested it may not be entirely fit for purpose for rural businesses. "Mainstreaming" rural business support offers a timely opportunity to present generic and specialist business advice to rural businesses, but care must be exercised in using inappropriate brokerage systems to control access to specialist support – this must form a critical role in any mainstreamed business support model.

The institutional arrangements for delivery of front line business support are not uniform across the North East, an in contrast with delivery models elsewhere, there are no 'rural specific' agency arrangements in the region. In reviewing delivery structures to unify across the region there would be merit in exploring whether the Rural Enterprise Agency model could be adopted. The geography of the region suggests that such a model is well suited to the four rural districts of Northumberland and the Durham Dales. Irrespective of the institutional arrangements, partnership working across the region is crucial to ensure that information is shared, that appropriate support and training is provided to businesses and that duplication and confusion are reduced. It is critical that private sector support providers are involved in any partnership working as they have been shown to be vital service providers for many businesses.

Marketing of services

If the mainstreaming exercise is to be successful then the clear marketing of the services offered is vital. This has a long way to go and current approaches do not appear to provide an acceptable starting point. Our study suggests that a significant number of rural businesses do not use current mainstream business support simply because they don't know what is available. Of those who did use support, the strongest route to finding out about support was "word of mouth". The improvement of marketing and communications was the most cited response for suggestions for improving business support in our study of rural businesses.

Better monitoring and evaluation
Current methods of monitoring and evaluation are not seen as effective, and concerns about the quality of support are common among all elements – professionals and businesses alike. There is a perception that improved monitoring and evaluation is an important element of improving standards, but all monitoring and evaluation can have a significant impact on direction that must be considered carefully.

A focus on impact is seen as important, but this must be shaped by the top-level strategic aims for the rural economy. Monitoring criteria need to be flexible and sensitive to broad rural development objectives. Rather than using targets such as the number of businesses supported, or the increase in turnover following business support, the criteria for monitoring business support could be developed from the aims of relevant strategies such as the North East's Regional Economic Strategy (RES), the Sustainable Food and Farming Strategy or the new Rural Development Plan for England (RDPE).

The 'rural proofing' commitment introduced by the Government in the 2000 Rural White Paper to ensure that all of its domestic policies take account of rural issues is applicable to all levels of government. Given the challenges identified for rural businesses in accessing business support (often referred to as the 'rural premium') rural proofing is clearly relevant to the design and delivery of business support services.

A common client handling system across the Business Link network and associated agencies would help to ensure that all enquiries are handled consistently and that client needs are matched with the most appropriate resources available. This would allow more effective monitoring of the types of rural businesses accessing support and their specific needs.

1.4 Recommendations

1. There is a disconnection between key economic policy statements in the North East relating to rural development and business support that needs to be rectified. Therefore, as a first step, the Enterprise Strategic Action Plan which is to be prepared to guide implementation of the North East RES should have a clear rural dimension. The Action Plan should capture and endorse the vision and strategic priorities for the rural economy which are now set out in the North East Rural Delivery Framework; the Regional Implementation Plan for the RDPE; and the Regional Sustainable Food and Farming Strategy. In its references to the rural economy, the Action Plan should acknowledge that there are different territorial characteristics and support requirements;

2. In due course, there should be a return to the practice in the North East of producing annually a single and concise Rural Action Plan, led by the RDA. This could explain, inter alia, how the configuration and deployment of business support services have contributed to the region's targets for delivery of a successful, diversified and sustainable rural economy;

3. The provision of business start-up advice and basic financial support should remain a key component of rural business support in view of its important contribution to the creation of a diverse and economically vibrant economy;

4. Previous studies have highlighted some elements of business support which are likely to be most useful to rural businesses (e.g. advice on marketing, ICT, addressing training and workforce development needs, networking, etc.). These needs could be addressed through generic business support programmes or through specific rural initiatives. Initiatives that focus support on particular social groups in rural areas, such as young people (e.g. as a means of slowing out-migration), women (e.g. the provision of childcare) and older people (taking advantage of the marked ageing population trend in rural areas) should also be reinforced;
5. Grant funding should be aligned with both generic and specialist business support to ensure the

effective economic return on grant funding and to support the development of stronger relationships between Business Link and the rural business community. The support provided must be of a quality appropriate to the needs of the business and the level of funding;

6. To achieve the most cost effective use of scarce resources, for the greatest overall impact on the North East's rural economy, specialist and focused generic business support services should be targeted on the needs of rural businesses in the following key areas:

    a. The diversification of agricultural businesses;
    b. The formation of primary producer groups and the creation of local supply chains;
    c. The development of quality improvements in the tourism sector to align with the expectations of a higher-value market segment;
    d. An increase in micro-enterprises in key, high economic value sectors, including the bio-energy sector and knowledge intensive businesses;
    e. Businesses with a strong community role (e.g. village shops).

7. Front line rural business support services should continue to be based in the region's Market Towns, either within a high profile main street location (advice centre) or business park. These front line locations should provide the access point to generic business advice for all businesses in the rural areas, as well as specialist advice for the specifically rural businesses (such as farming, rural tourism, etc.). There should be continued experimentation with outreach facilities (e.g. the Durham Business Link Mobile Office Unit) and special events for target groups and communities in outlying areas;

8. There is significant opportunity to use the internet as a point of contact for business support, and serious consideration should be given to the introduction of a Rural Gateway for the North East. The implication, however, is that the advisers who act as the first point of contact are suitably trained regarding rural business needs and that a solid network of internal and external specialist rural advisers to whom clients can be signposted is in place. The creation of a Gateway needs to be accompanied by a marketing plan, be allied to generic ICT training for rural micro-businesses and have clear linkages to other web-based information points (e.g. Rural Voices);

9. The sub-regional partnerships and North East Business Link should consider the case for the creation of one or more agencies in the region with a specific remit for the delivery of support for rural businesses. At the very least, the formation of the regional Business Link organisation should include the creation of a specialist team with a specific remit for the delivery of support for rural businesses. The Cumbria Rural Enterprise Agency model is considered to have particular merit in terms of geographical coverage, staffing structure, governance and its network of contracted specialist advisers. This type of agency may have better prospects of engaging

2. Background

In his review of rural policy and delivery, Lord Haskins was very critical of the complexity of institutional structures and schemes that seek either to regulate or support rural businesses and communities. The Government response has been to embark on a programme of modernization and rationalization of structures and funding streams. This provides a significant element to the background to this study.

It is important, however, to set the study in its widest context. Research suggests that enterprise and business creation are more prevalent in rural areas. At the same time research also shows that whilst mainstream business support in the North East has relatively high penetration levels, and individuals/businesses that access this support are more likely to survive and grow, rural businesses are less likely to access mainstream provision. Reasons cited for this include poor accessibility, lack of 'out of hours' availability and inflexible support mechanisms in mainstream support agencies.

RDA's have a strong, central role in developing business support overall and are required, by DEFRA, to demonstrate how support for rural and land-based industries will be mainstreamed from 2007 onwards. This element needs to dovetail with, rather than duplicate mainstream provision, but also needs to provide a bespoke service to fill gaps and enhance current provision. This requirement of RDAs was highlighted in a speech made by Barry Gardiner MP at the Institute for Public Policy Research (IPPR) North conference in London, June 2006, in which he said:

> *"It's clearly important that we have a robust way to task the RDAs to deliver improvements in the rural economy, while at the same time contributing to sustainable development. At the moment Defra is putting over £70m per year into the RDA Single Pot. We need to make sure that these resources are targeted to achieve measurable improvements whether in driving up skills levels, provision of quality business advice, or provision of workspace for business growth and development...The Government as a whole is working to tackle disadvantage to promote equality of opportunity. This means recognising the differences between rural areas as well as the differences between rural and urban. And we need to recognise the common ground. In this context, DEFRA needs to be an active, influencing department ensuring that mainstream delivery meets rural needs – mainstreaming rural within government".*

It is against this background that One NorthEast commissioned Public Knowledge (a division of Dipsticks Research) to undertake this study.

2.1 Project Objectives

The objectives of the study commissioned by One NorthEast are to:

1. Identify why businesses in rural areas access business support to a lesser degree than urban

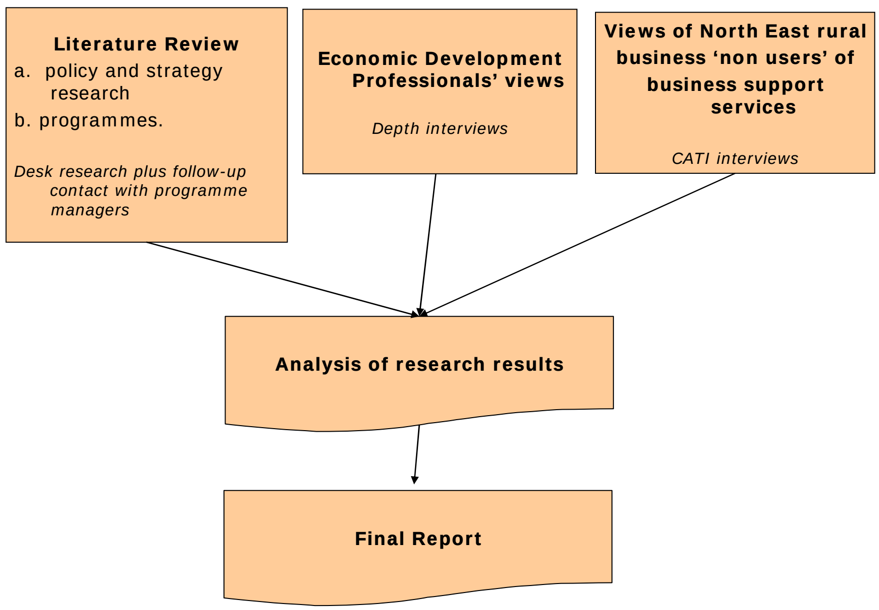
businesses (interestingly recent research carried out by SQW for Northumberland Strategic Partnership suggested that there is no evidence that rural areas are disadvantaged in terms of accessing business advice and support).

2. Inform the mainstreaming of rural business support within the new Information, Diagnosis and Brokerage model

3. Recommend solutions to the barriers to accessing mainstream business support.

3. Methodology

The study comprises three parallel data collection streams, followed by a detailed analysis leading to this final report.



3.1 Literature Review

There is a significant body of work already available that can inform the mainstreaming of support for rural businesses: a review of the available work provides a context and starting point for the other elements of our study. The literature review covers the key themes in the provision of business support within rural areas including:

- The reasons for market failure in the provision of business support in rural areas (in terms of both supply and demand).
- The support needs of rural businesses and how these can be best addressed through changes to existing programmes. For example, increasing their flexibility and 'proactiveness', improving the joint working of different support providers, improving the availability of information etc. Research has found a clear link between the performance of business and the extent to which the owner accesses support (although many businesses in rural areas are 'lifestyle businesses' and are not necessarily looking to grow). Nevertheless, there is a need for some rural business owners to be better informed about the benefits of business support.

- The other sources that businesses might use for support (including customers, suppliers, friends and family) and how they work alongside, or in competition with public sector and other more ‘formal’ support providers.
- The variations across rural areas (some previous research has suggested that businesses in the most remote areas are the least likely to access business support).
- The relationship between local and national business support providers.

3.2 Depth interviews with Economic Development Professionals

An understanding of the support activities currently in place for rural businesses is also a vital in forming recommendations for future services. This aspect of the study consists of two elements:

- The first element involves a series of 16 face-to-face and telephone interviews with economic development professionals, including Land Agents and Banks, to establish their perceptions of the barriers and opportunities for mainstreaming rural business support.
- The second element is a review of six schemes operating elsewhere within the UK, which are specifically designed to provide support to the rural business community.

3.3 Snapshot survey with business

The final strand of the data collection exercise was a ‘snapshot’ survey with businesses comprising 126 CATI interviews with ‘non-users’ of Business Link services. The telephone interviews provide qualitative and quantitative data for use in its own right, and as a comparator for the other data streams. The telephone interview is short (max 12 mins) and has a call back option to maximise participation. The businesses surveyed are drawn from data supplied by One NorthEast of businesses that are rural ‘non-users’ of Business Link services. Such ‘non-users’ are those business owners/managers that have not accessed Business Link support, although they may have accessed other public sector business support.

The survey had a number of aims, the first of which was to create a profile of rural ‘non-users’ of Business Link services in terms of the following:

- Size of business
- ‘Rurality’ of business
- Location within the region
- Age of business

- In-migrants vs locals
- Highly self-reliant vs firms seeking information and advice from a range of public, private, collective and informal sources
- Attitudes to growth

In addition the survey looked to differentiate within non-users whether they are able to access services and whether they are motivated or willing to do so. As One NorthEast is interested in all barriers to uptake of mainstream business support by rural business, whether they are in its control or not; the survey questionnaire is designed to identify not only ‘hard factors’ that explain why rural businesses do not access business support such as poor accessibility, ‘out of hours’ availability and inflexible support mechanisms but also the ‘soft factors’ such as perceptions or need for independence and personal control or other personality traits or characteristics.

3.4 Analysis of Recommendations

The analysis of recommendations is in two stages. Initially, separate conclusions are developed for each of the three data collection streams. For clarity, the issues are discussed under five key themes:

- Clarity of vision
- Rural priorities – targeted engagement
- Delivery mechanisms
- Marketing of services
- Better monitoring and evaluation

The conclusions against these themes feed into the shaping of the overall recommendations for the project.

The separate sets of conclusions are compared to identify areas of commonality, unique perspectives not shared with other streams, and areas of apparent contradiction between data streams. This analysis provides the final recommendations presented in section 7.

4. Literature Review

The review of published work associated with the provision of rural business support provides the starting point for the development of recommendations for the North East.

This section of the report assesses the key academic, policy and strategy documents on the issue of rural business support. The review begins by briefly reviewing the history and development of business support in rural areas over recent years in Section 4.2, before discussing patterns of access to and use of business support revealed in previous studies in Section 4.3. Section 4.4 discusses the evidence supporting and contradicting the widespread perception that rural businesses are less likely to access and use business support services than urban businesses. Section 4.5 provides some concluding comments, summarising the main points raised in the studies reviewed using a number of key themes.

4.1 Supporting a vital economic contribution

As Defra note in the Rural White Paper Review (2004) the economy in rural areas makes a significant contribution to the national economy. Rural districts of England have over 577,000 businesses, 30% of England's total, and they make a substantial contribution to Gross Domestic Product (GDP). 85% of rural enterprises are microbusinesses (with 1-9 employees). Whilst there are similar proportions of microbusinesses in rural and urban areas, rural microbusinesses employ a greater share (41%) of the total labour force than their urban counterparts (less than 30%). In the North East region, 84% of all VAT-registered businesses have less than 10 employees and in 2002, rural businesses in the region contributed 15.3% of all new VAT registrations, equivalent to 7.4% of the existing business stock (Countryside Agency 2005, p. 54).

The 2000 Rural White Paper (DETR/MAFF 2000) included a commitment to improve business support, and more specifically, to help farmers by supporting small abattoirs and farm diversification. In the wider context, the Government's role in bringing about productivity growth includes working with stakeholders regionally and sub-regionally to create the best possible environment for private enterprise and investment. In the Review of the Rural White Paper, Defra (2004) note that the impact of the White Paper commitments was weakened by the fact that they were not particularly outcome-focused and did not encompass the full range of economic activity in rural areas. For example, it was not clear what business support for farmers would deliver. The Rural White Paper also fell short in its analysis by unduly separating agriculture as an industry distinct from the rest of economic activity in rural areas, whereas in fact it is but one, albeit an important one, component of that economic activity taken as a whole.

Business 'support' typically refers to the external resources that a business draws upon in order to extend or strengthen its internal resource base (Smallbone and North 1999). For the purposes of this study, business support includes all activities related to the development, start-up and running of a business. It specifically excludes enterprise animation and education. It is important to note at the outset that much of the work that has been done on business support has focused on knowledge-based external resources, i.e. information and advice (Phillipson *et al.* 2002, p. 1-2). A range of other support is available to businesses, including financial support, workspace provision, training and business promotion but these are not as widely discussed. Although only one component of business support, knowledge-based services are critically important as the services that are most widely available and most widely used. They are also often the route by which firms gain access to other services, and are the prime means by which government communicates with small firms about relevant programmes, schemes and regulations[1] (Phillipson *et al.* 2002, p. 1-2).

Businesses may draw on a huge range of sources of support for their business, often at different stages of the organisation's development. These sources may be both informal and formal, including specialist business support agencies (such as Business Link), government funded organisations and other public sector agencies (such as the Department for Education and Skills, the Inland Revenue, Job Centre Plus, Regional Development Agencies (RDAs), the Learning and Skills Council and local authorities), private sector actors (including banks, accountants, trade associations, private consultants, solicitors, suppliers, customers and business associates), and family and friends. Some support is delivered locally (such as that provided by enterprise agencies), whilst some is provided at regional or national level (such as the Department for Trade and Industry or the Small Business Service [SBS]). Formal support providers may be less prevalent in rural areas, thus rural firms may draw more often on informal sources of support such as family and friends. It is important to examine how public sector providers complement and interface with private and informal support providers (this distinction is not hard and fast as government has delivered support through private sector or 'hybrid' [part public/part private sector] organisations) (Phillipson *et al*. 2002, p. 2).

Smallbone and North (1999) note the importance of appreciating that support *'needs'* may differ from support *'wants'* as businesses may not be fully aware of what their business is lacking in order to fulfil its potential. In rural areas, the key question is whether or not rural businesses can access the range of support that they *need*.

---

[1] The Small Business Service was also designed as a conduit through which the concerns and requirements of small firms could be fed back to government (Phillipson *et al*. 2002, p. 1-2).

4.2 A brief history of business support in rural areas

4.2.1 General rural business support

Until 1996, the Rural Development Commission (RDC) provided support services for rural businesses in England, including a loan fund, direct provision of workspace, a marketing development scheme, training courses in rural skills and many others. A key element of the RDC's service was its directly employed Business Advisers and contracted specialist advisers, operated from a network of local offices. Through its Business Advice Service, the RDC took a fairly proactive approach to providing a wide range of advice and tangible support. Most of these services were concentrated on the Rural Development Areas designated by the Commission as the rural areas with the greatest economic and social needs and covering about one-third of England. Research evidence suggests that the work of the RDC (particularly the visits made by advisers to businesses to offer advice and assistance) was well received by owners and managers. They welcomed the chance to discuss problems with a trusted and committed adviser who was able to get to know the business over a number of years (Smallbone *et al.* 1993).

The RDC's business service was *"one of the most enduring and distinctive features of its work"* (Phillipson *et al*. 2002, p. 17). During most of its 70 year existence, industrial policy had tended to be sectoral, centralised, big-firm oriented and urban and regionally focused, but, in contrast, the Commission's approach was non-sectoral, decentralised, small firm oriented, responsive and rural focused.

Business support became more systematic and interventionist under Major and Heseltine and the position of the RDC was squeezed (Phillipson *et al.* 2002, p. 17). The approach that the government was adopting towards business support policy (largely non-sectoral, decentralised, small-firm oriented, responsive and territorially focused) challenged the continued rationale for a separate structure for business support. The RDC was drawn in to co-operate with Business Links, including through the joint branding of services, secondments of staff and the co-location of services, although its focus was wider than Business Links. The Commission had always taken a view on the need to diversify rural economies away from their dependency on agriculture, but they did not give support to farm businesses which was seen to be MAFF's domain. However they were eclectic regarding what other activities were appropriate to a rural area. Firms with 5-25 employees with growth potential were targeted, but support was also offered to other firms considered to be of crucial importance to the local economy, where closure would have significant effects on employment opportunities or which offered key local services, such as village shops and garages. There was some scepticism at the RDC regarding the ability of Business Links to fully understand the problems faced by rural firms (Phillipson *et al.* 2002, p. 18).

The initial proposal for Business Links was that they should be the point of entry for firms seeking business advice and support where they would be signposted to specific schemes or specialist services operated by others. However, after the 1996 consultation exercise, the Government moved to make Business Links the main provider of publicly-funded business services, and to greatly simplify and rationalise business support schemes. The RDC was required to contribute money to the ‘challenge’ element of the Local Competitiveness Budget and safeguards were put in place to ensure that rural business support was an explicit objective of the new Local Competitiveness Challenge Fund. The impact of the Fund on rural businesses was monitored and the RDC was involved in assessing bids to the Fund in each region.

In 1997, the RDC was forced to axe what remained of its business support services including its dedicated rural Business Advisers, although it retained regionally based liaison officers to work with Business Links. Assurances were received that Business Links would give priority to the needs of rural businesses and that the performance of Business Links in this area would be monitored (although a national monitoring system was never introduced). The creation of RDAs in 1999 spelt the demise of the RDC and its functions were divided between these new organisations and the Countryside Commission, which became the Countryside Agency (Phillipson *et al.* 2002, p. 21).

The Business Link network was launched in 1992 as a national chain of ‘one-stop-shops’ for the local provision of business support services in England. They are the key publicly supported service for advice and information for small and medium sized businesses. Each Business Link is a private-sector led partnership operating as a franchise with an agreed business plan reflecting local circumstances, although each must operate to a common set of principles and purposes and provide certain core services. Business Link is effectively a national network of local business advice centres (Bennett and Robson 1999, p. 163).

Business Links work in partnership with other providers of business advice and information, including the Training and Enterprise Councils (TECs), Chambers of Commerce, local authorities and Local Enterprise Agencies. The extent and degree of involvement of these organisations varies across Business Links. Businesses are provided with a single point of entry into a wide and integrated range of advice, support and information services. The focus was to be on growth-oriented firms and those with between 10 and 250 employees (Bryson and Daniels 1998, p. 267). However, their Service Guide (DTI 1997) stated that they did have certain core responsibilities towards microbusinesses, and that, although the focus was on businesses with growth potential, there was no minimum size for these businesses. Business Links offer a Personal Business Adviser (PBA) service whose tasks include identifying firms which show growth potential and providing customised assistance by developing close working relationships with them. These PBAs have been regarded as a successful element of the Business Link service, although also as leading to the creation of potentially damaging relationships of dependency (Bryson and Daniels 1998, p. 267, 276).

Phillipson *et al*. (2002) explored the types of businesses helped by Business Links. Monitoring data in 1999 revealed that 47% of the firms using Business Links from January to March had 1-9 employees, although the Business Links operating in the North East quoted higher proportions than this. In principle rural microbusinesses are not excluded from the Personal Business Adviser service, although Phillipson *et al.* (2002, p. 33-34) found that the three Business Links in the North East with some rural areas in their catchment tended to stress other elements of their work when talking about the services they provided to such firms.

4.2.1.1 The role of the Small Business Service (SBS)

In 1999, the Government announced its "new champion" for small businesses (explicitly including microbusinesses), the SBS. The SBS was designed to be a strong voice for small business at the heart of Government, to improve the coherence and quality of government support for small businesses and to help small firms on regulation. The main tone in the Government's Consultation Paper was one of overcoming market and government failure, in short, recognition of the factors that mean that small businesses *"can find access to the information and finance they need more difficult. They find it harder to absorb the costs and risks of investment and R&D... They have far fewer resources to get to grips with Government regulation; and less opportunity to influence Government thinking* (DTI 1999, Foreword p. 3).

Where Business Links were premised on the notion that the market was failing to provide effective services to individual SMEs, the White Paper issued in 1999 saw the introduction of a much more targeted approach to the market failure arguments (including targeting certain social groups and disadvantaged areas), the aim of developing local economies rather than just individual businesses, and a broader conception of the role of business support beyond that of business competitiveness: the *"Small Business Service is intended to contribute to the Government's wider economic and social objectives, and to sustainable development more generally"* (DTI, 1999). This position represented a significant advance on that taken by previous governments (Lowe and Talbot 1999, p. 9) and was particularly important for rural areas and the promotion of microbusinesses as it recognised the strategic role played by many micro-businesses in local service provision, such as in providing childcare services or transport provision. The Consultation Paper also proposed a national fund to support microbusiness initiatives, albeit with limited funds available in only some areas.

The rhetoric behind the SBS Consultation Paper was about the centralising of business support, moving away from the Business Link concept of a service controlled and directed by local business leaders

(Lowe and Talbot 1999, p. 13). Guidance on how the local franchises for the SBS would be allocated were issued later in 1999 and set out how existing Business Links would be invited to bid in the first instance. Open bidding would only be allowed if their submissions were deemed unacceptable. The SBS was required to target firms of all sizes including micro and start-up businesses, the self-employed and those thinking of starting-up their own businesses. However, the White Paper made no mention of rural businesses as a focus for activity and the 'hard-to-reach customers' (DTI, 1999, p. 4) were socially defined groups rather than geographically marginalised groups. Neither did any of the SBS documentation make explicit mention of farmers. Again the franchisees were asked to focus on firms with growth and high growth potential. In the North East, the bids from Northumberland and Tyne and Wear Business Links proved successful, although those from County Durham and Tees Valley were not.

Lowe and Talbot (1999, p. 19) argued that it was difficult to judge how well Business Links perform in relation to rural areas as there was no systematic monitoring of their performance in this regard (despite a Government commitment to do this). Whilst some rural organisations have been critical of the level and quality of services provided by Business Links (see for example, CLA 1997), Lowe and Talbot (1999) suggest that Business Links cannot be accused specifically of non-delivery to rural firms. In fact, many different schemes and initiatives have been adopted by Business Links, including projects that address specific rural issues or groups of firms or counsellors to address microbusiness needs located in rural offices.

4.2.1.2 Funding for Business Support

A study conducted by PACEC in 2004 for the SBS estimated that in 2003/04 the central Government budget for business support programmes was £3,926million (excluding the EU budget, mainly CAP). The main budgets were with the Learning and Skills Council (£1,672 million, including budgets for vocational qualifications), DTI (£425 million), DCMS (£336 million), DWP/Job Centre Plus (£331 million), Defra (£297 million) and SBS (£271m million).

In general, funding for small business support tends to be directed to the northern, less economically successful regions (PACEC 2004, p. 25). The PACEC report concluded that expenditure on business support appeared to be focused on meeting government objectives to reduce regional disparities in enterprise activity and productivity rather than a function of business stock or population. This was expected given the nature of formulae used to allocate funding (which takes socio-economic factors into account) and the targeting of specific areas (for example, European Regional Development Funding). The report notes that the North East received 8% of funding, when it accounts for only 5% of resident adults and 3% of England's business stock. The South East and London had allocations lower than would be predicted from business stock and population size (PACEC 2004 p. 50).

Much of the funding for business support, such as from RDAs, GOs or LSCs, is routed through Business Link operators such that when services were mapped at a regional level, Business Link operators were the largest funders of business support for SMEs, followed by RDAs (PACEC 2004, p. 2). In the North East, the GO European Unit was found to also have a large budget for business support (through ERDF and ESF). Enterprise agencies and local authorities were also important delivery agents.

The PACEC study explored the characteristics of business support services at the regional level, focusing on the North East, the West Midlands and the East of England. Some eight hundred services were identified in the three regions, with Enterprise Agencies/Development Companies and Local Authorities found to be delivering the greatest number of services (each delivering one fifth of services, followed by Business Link Organisations delivering 14% of services). Although Business Link Organisations and RDAs were found to have the largest budgets for business support, Local Authority funding was found to be the most frequently used source of funding for individual services in the case study regions, followed by European funds (ERDF and ESF) delivered through the GOs (PACEC 2004 p. 34).

Support to small businesses can be delivered in different ways, but the most frequently used methods were information/signposting and advice. Most types of delivery organisation offered generalist services (65%), such as the development of existing businesses and management and support to start a business. The promotion of entrepreneurship and strategy development/business planning were also important. Across the three study areas, the main more specific services were for innovation, HR and workforce development, and marketing (PACEC 2004, p. 35-6).

The PACEC study found that around 40% of services in the three case study regions were for all firms, with around 60% of services targeted at specific types of firms (particularly small firms and microbusinesses), accounting for 68% of service budgets. Business Link Organisations and local authorities were found to undertake the least targeting of services, with only around 50% of their services targeted at specific businesses. In terms of sectors targeted (accounting for 22% of services), manufacturing, recreation and leisure, communications and construction and business services (particularly ICT and creative industries) were the most important. In terms of social groups, young people, women and BME owner managers featured most strongly (PACEC 2004 p. 38). Amongst the delivery agents, the education sector was found to target its services more than the others, with 80% of its services targeted at small and microbusinesses and those with growth potential. One third of services were delivered for firms at the sub-regional or county level, reflecting the influence of Business Links and one third at local authority level. A small minority of services were delivered at the neighbourhood level (PACEC 2004, p. 39-40).

4.2.1.3 The North East Business Support Network

In April 2004, the North East Business Support Network was established as a result of an extensive review of publicly-funded business support in the region. The Network will implement changes to the way that businesses access publicly-funded business support across the region. It has an advisory board made up largely of private sector individuals with experience in service and manufacturing industries. It has embarked on the implementation phase to turn the outcome of the review into a workable model. This is a three year process which will be completed by 2007. The management of the Network is being dealt with by One NorthEast drawing on organisations that make up the Network.

On 1st April 2005, Business Links were re-aligned with the RDA meaning that One NorthEast took over the role of contracting and managing Business Link services in the region from the SBS. Business Link remains a national brand, managed by a board which includes representation from all of the RDAs while the delivery of its services is being overseen at a regional level. The aim of the new contract will be to develop services which are tailored to the needs of the customer and to ensure that business support interventions accord with the Regional Economic Strategy.

Business Link will be used as a single point of entry to a wider network of service providers. Four partnerships have been provided in Northumberland, County Durham, Tees Valley and Tyne and Wear to provide access to independent and impartial business advice and support under the Business Link banner. New working relationships have been established between existing Business Link operators, enterprise and development agencies, local authorities and others, to provide a more cohesive service to customers. The aim is that information and help will be easier to access and that support can be even more effective through the combined strengths of the partners. The vision of the Network is *"A single network that is easy to access and easy to use. It will set the standard for delivering business support and constantly seek to evolve in response to customer needs. Ultimately it will make a positive difference to the North East economy"* (One NorthEast 2006).

4.2.1.4 Performance of Business Links and the SBS

A number of studies have assessed the performance of Business Links and the SBS in a number of different areas of work. The key messages from some of these studies can be summarised as follows:

- **Bryson and Daniels (1998)** found that SME owner-managers had too many strong ties with their local business community. In contrast, they had few weak ties with individuals located elsewhere in the United Kingdom thus restricting their ability to search for business service expertise outside their local area. This work drew heavily on Granovetter's (1973, 1982) strong and weak ties argument in which strong ties *"breed local cohesion and overall fragmentation"* (Granovetter 1982, p. 106) as individuals will have limited contact with other parts of the social system. Weak ties act as bridges between different parts of the social system providing access to information and expertise unavailable through their strong ties. The spatial monopoly held by each Business Link does not encourage them to participate in the development of a national knowledge and enterprise network. The study found a limited potential for Business Links to share ideas and information with most exchange tending to be informal, ad hoc and underdeveloped. The Business Link PBAs (with whom SMEs formed strong ties) tended to be drawn from the local area and to have most of their contacts within the local area which restricted the possibility for firms to acquire access to new forms of knowledge and expertise. There was the risk of a dual economy developing whereby small firms were tied into local providers of more generalist expertise (see also Malecki and Poehling 1999, p. 251), whilst large firms were able to access specialist external expertise irrespective of location.

- **PACEC (2004)** carried out research to map the main government services for SMEs in England, building on and updating the Cross Cutting Review (CCR) of Services for Small Businesses in 2002. Amongst other things, the CCR recommended that expenditure and information on the variety of services provided to businesses should be collected and analysed in more detail by the SBS and the Treasury, and that information collected by the RDAs on the demand and supply of business services should be brought together by SBS. The information would enable better informed decisions on future spending, on, for example, the balance between universal and specifically targeted services.

- **The Rural White Paper Review (Defra, 2004)** noted that a conference in June 2003 for rural business advisors, including representatives of Business Link Organisations, RDAs, local authorities, and the private sector held by the SBS, Defra and the Countryside Agency (and work undertaken before it), highlighted that sources of business advice and funding were confused and needed rationalisation. However, it was also noted that this was not specifically a rural problem, but a general problem that small businesses everywhere have with Government advice services. In 2003, a commitment was received from the DTI's SBS that there would be parity of access for rural businesses to Business Link services. Between July and October 2003, the Small Business Council had their first meetings with rural business owners to learn their concerns. In November 2003, a further conference explored the development and integration of advisory services for land-based and other rural businesses (Countryside Agency 2006). One suggestion made was that a single point of entry could be provided for all rural businesses. Another could be multiple entry points into a single service. Most importantly, the Review noted that whatever delivery mechanism is used, there is a need to improve the understanding of rural businesses and rural entrepreneurs, the services they really need and the barriers they face in accessing such services (Defra 2004, p. 7-8).

- **Mole (2002)** suggested that the knowledge and experience of the PBAs at Business Link provides the expertise for a bespoke support service to small businesses. However, the PBAs also have the expertise and the closeness to delivery to exercise a great deal of latitude in the implementation of small business policy through Business Links. As a result, policies can be amended, and those that do not have PBA support are unlikely to be implemented effectively (p. 179). Mole also argues that PBAs have much discretion in their complex, informal role. Face-to-face contact is crucial as all clients differ, and is also important as a means of building trust (p. 191).

- **SQW (2005)**, in their review of business support in Northumberland, found that Business Link is an efficiently run and cost effective organisation which is performing well against key organisational output measures. It has effectively adapted its operational focus to reflect the current funding and output driven context in which it is delivering. This context has inevitably encouraged an emphasis on relatively low value added pre-start and start-up activity though it should be observed that this pattern of activity is not dissimilar from the client group with whom Business Link work elsewhere in England or, with the overall profile, of start-up activity which occurs without Business Link support (p. 2-3). Around 80% of businesses in this survey were satisfied with the service received from Business Link for Northumberland (BLfN). The study makes three clear recommendations:

  - The need to continue and develop a generic level of business support and advice which fits the profile of past performance, whilst satisfying the output driven requirements of funding partners;

  - The need for BLfN to be aware of a more extensive level of geographic coverage, particularly in Wansbeck and Berwick which present particular challenges, and, subject to the challenge, to encourage both productivity and participation which are not always convergent;

  - The need, in line with the Business Support Review, to ensure that, wherever possible, businesses with high value added potential are identified in key investment sectors, including technology and professional services, land-based businesses (agriculture and forestry) and tourism and hospitality. These sectors emerged during the review as being locally and sectorally relevant to the future business structure of the County (p. 3)

- **Smallbone *et al.* (2002)** studied the approach of Business Links to rural businesses and drew a number of interesting conclusions which can be summarised as follows:

- 55% of Business Links surveyed claimed to have a specific policy towards rural enterprises, which was typically associated with the Farm Business Advisory Service (FBAS) or another targeted policy initiative related to training, mentoring, access to finance, marketing or ICT. The remaining 45% of Business Links tended to argue that they treat all businesses the same or that their catchment was predominantly rural.

- Only 38% of Business Links had some form of information or data on rural enterprises within their catchment.

- More Business Links identified distinctive support needs of rural enterprises than reported specific policies towards them. Their perceptions of the distinctiveness focused on sectoral characteristics, emphasising agriculture and related business activities, such as tourism and leisure. Other factors included the barrier effects of distance, such as the difficulties in recruiting skilled labour to peripheral locations and the lifestyle nature of many rural businesses.

- The priorities of Business Link respondents with respect to improving support provision for rural enterprises focused on raising awareness amongst small rural firms of the services offered and technology-related initiatives designed to increase access and use of ICT by rural firms.

- Examples of specific rural enterprise support initiatives identified include farm- and land-based initiatives such as farm diversification schemes, sustainable development plans, and the activities of the Farm Business Advisory Service (FBAS) seeking to integrate support for farmers into the mainstream. Other initiatives focused on general assistance for rural SMEs, specific types of business support typically involving IT training or marketing assistance, and initiatives for focusing on the needs of disadvantaged groups such as women.

- Just over 70% of respondents to the survey felt that current approaches were adequate in dealing with the needs of rural enterprises. Suggested improvements at the time of Smallbone *et al.*'s (2002) study included raising awareness levels of the support available (such as through wider advertising and promotion on the web), an increased physical presence in rural areas and better linkages (speed of communication). A rural adviser at one Business Link felt that there should be a wider, regional approach pooling resources across the region saying *"A regional service would be able to offer wider rural business expertise than is currently available within the confines of (local) Business Link"* (Smallbone *et al.* 2002, p. 30-1). Specific types of support that could be better promoted included ICT training, and efforts to overcome the barrier effect of distance from major markets. In terms of delivery methods, one farmer in the survey suggested that a clinic approach would be better.

4.2.2 *Specialist Business Support*

4.2.2.1 Agriculture

Up until the 1980s, British agriculture had a sophisticated and integrated business support structure. Farm business support was an instrument of state intervention and was closely tied into other instruments such as capital grants and state-sponsored R&D. Since the 1980s key assumptions on which farm business support have rested have been overturned as the central role in the direction of agriculture has declined and agricultural production is more shaped by market forces and consumer demand (Phillipson *et al.* 2002, p. 22).

MAFF's extension services derived from the organisational structures established during the Second World War to mobilise British agriculture with free advice provided to farmers on a regional basis. After 1971, as the Agricultural Development and Advisory Service (ADAS), it became more specialised in its frontline advice and more responsive to new demands for conservation and business management advice. By the mid-1990s ADAS was charging for its services and the decision was taken to privatise it. It was finally sold in 1997. ADAS still delivers so-called public-good advice to farmers (Phillipson *et al.* 2002, p. 23). The FBAS was developed by MAFF in conjunction with the SBS. It was launched in October 2000 under the Action Plan for Farming and is delivered by local Business Links.

Policy responses to over-production have centred on farm diversification and improved marketing schemes which tend to have specific business support measures attached to them. However, these have usually been delivered as part of agricultural policy with little thought given to the integration of diversifying farmers (or indeed farmers more generally) into the new generic structures and measures for the support of small businesses. The programmes have also generally been regionally focused and operated under the Objective 5b programme. Outside Objective 5b areas there has been no publicly provided business support.

By the late 1990s, business support for agriculture had greatly shrunk from what it had been. ADAS had been privatised and the only publicly funded technical support for farmers that remained generally available was for conservation, pollution control and organic farming. Farmers were being encouraged to diversify, but it was not clear to whom they could go for advice to do this. Although business support for small firms has been given prominence since the establishment of Business Links, the eligibility of farmers to access these services was never clearly specified (Phillipson *et al.* 2002, p. 52-3). In their study, Phillipson *et al.* (2002) asked about the services provided by Business Links to farmers in the North East. There three Business Links in the rural North East responded that, if a farmer approached them, the enquiry was dealt with either directly or through signposting to a more appropriate information outlet. In the first half of 1999 these authors found that Business Links were rarely approached by farmers, but by late 1999, the level of involvement of Business Links with farmers had increased somewhat (Phillipson *et al.* 2002, p. 34-5).

In 1999, Lowe and Talbot (1999, p. 20) also noted that the relationship between farmers and Business Links was unclear. Prior to the SBS Consultation Paper, individual Business Links generally made their own judgements about the extent to which they should have farmers as clients. However, in most cases where they were accepted as clients, advice was limited to farmers' diversified activities or generic (rather than agronomic) business advice. The SBS Consultation Paper made no mention of farmers and omitted MAFF from its list of *"Government departments which provide services to small business"* (para 5.17). This was at a time when farmers were being encouraged to diversify, when efforts were being made to reintegrate agriculture into local and regional economies (Lowe and Ward 1998) and when some of the business support infrastructure for agriculture was being privatised or dismantled (Lowe and Talbot 1999, p. 21).

The England Rural Development Programme (ERDP) has had a vital role to play in supporting small businesses in rural areas (usually, but certainly not exclusively farm businesses) and provided a major step towards reshaping support for rural areas. The Programme covers 10 key schemes (7 of which are land based and 3 of which are project based) which can be integrated to provide new opportunities for farmers and others to protect and improve the countryside, to develop sustainable rural enterprises and to help communities to thrive. The project based schemes have covered a wide range of projects covering tourism, diversification, marketing of quality agricultural produce, rural service provision, increased production capacity in the processing industry and increased training availability in key rural and business skills. The land-based schemes have continued to improve wildlife habitats and landscape, while reducing agricultural impacts on the countryside (Defra 2004, p. 8).

Research by Phillipson *et al.* (2002) on rural microbusinesses and business support found that there was clearly a segregated pattern with regard to farmers compared to other rural microbusinesses. Farmers tended to use their own dedicated support structures, such as the NFU, the Country Landowners Association (now the Country Land and Business Association) and MAFF/FRCA (now the Rural Development Service and ADAS). In general, farmers were found to be well covered by business support, although their access to generic advice seemed more limited.

4.2.2.2 Tourism

Before being dissolved, the Northumbria Tourist Board (NTB) provided advice and information to businesses. Phillipson *et al.* (2002) interviewed an NTB officer who was clear that there was a role for both the NTB and for Business Links, and that each should play to its strengths. Business Links should provide generic advice on aspects such as tax, finance and business processes whilst NTB was able to give specialist advice on the tourism market, customer needs and the policies, grants and regulations of which tourism businesses ought to be aware. Ideally the two organisations should play complementary roles, with, for example, NTB providing a new business with advice on local market circumstances and opportunities, and Business Link assisting with the preparation of a sound business plan. (I am not sure if this section is appropriate as NTB no longer exists and the paragraph is written as though they did)

However, the study also revealed problems with the use of Business Link by tourist businesses, with some seeing themselves as falling outside the scope of business support because of their small size or service sector status. Some tourist businesses were also not aware of Business Link services whilst some felt that they only dealt with large firms. There also seemed to be a situation where Business Links did not always regard tourism businesses as 'real businesses' and were not well informed of their needs (Phillipson *et al.* 2002, p. 47-8).

It is crucially important that the recently created Area Tourism Partnerships (ATPs) develop strong connections with the Business Link network to ensure that the tourism sector can access support for all aspects of their business. Earlier this year The Regional Tourism Team produced a document outlining a proposed model for connecting the ATPs and Business Link. The document recognises the diversity and breadth of the tourism sector in the North East and the dominance of small and microbusinesses, particularly outside the region's urban centres. Previous research has suggested that many people setting up in tourism have no experience or training in the industry, and often no prior experience of self-employment. Skill levels also tend to be relatively low. Tourism businesses tend to approach friends and colleagues for advice, but also seek assistance through Tourist Information Centres, local authority Tourism Officers or the Regional Tourism Team. However, the system of support was confused, leaving many tourism businesses frustrated.

The new model proposes to increase the capacity of ATPs to deliver business and skills support. This model may include one person who is employed by Business Link but operates from the ATP office. Tourism businesses seeking support through the ATP will be signposted to this individual and businesses seeking support through Business Link will be signposted to the relevant person in the ATP. The brokerage process will then be followed, underpinned by the North East Service Provider Register. The model also recognises the need to work closely with other support providers, including for example, the International Trade Adviser from UKTI operating on a regional basis to cover rural industries (e.g. craft, giftware, etc.) and the tourism sector, who has access to ERDF funding for businesses demonstrating export potential. (Regional Tourism Team 2006).

4.3 Accessing business support

The use of external, professional advice and business support has been linked to successful business growth (see for example, Bryson *et al.* 1997). It is important therefore that existing firms and those considering self-employment in both rural and urban areas can access the appropriate, high quality advice, support and training that they need. A number of studies have explored variations in the types of support accessed (e.g. public, private or informal support) and the extent to which firms with different characteristics (such as firms of different sizes, ages, operating in different sectors or with varying growth aspirations) access and use business support services. Differences may also exist as a result of characteristics (such as the origin) of the firm's owner/manager or as a result of the location of the firm. This section discusses these patterns of use revealed in previous studies.

4.3.1 The types of business support accessed by firms

In their study of small businesses in rural and urban areas of England, Curran and Blackburn (1994) found that accountants, followed by solicitors, were the most likely outsiders to be used as sources of advice by businesses (the data for this study was collected very soon after Business Links were formally established)[2]. Relationships with accountants were related mainly to financial advice rather than solving other business problems, linking business owners with an information and support network or indeed linking them with new customers. Similarly, contacts with solicitors tended to be restricted to solving legal problems, such as advice over premises or drawing up a contract. Owner managers tended to regard the cost of such advice to be high (Curran and Blackburn 1994, p. 96).

In their study of rural businesses, Keeble *et al.* (1992) also found that private sector sources, including banks, accountants, solicitors and business consultants, were the chief source of advice. Similarly, in Bennett and Robson's (1999) study of SMEs, 42% of all external sources used were accountants, banks and solicitors and 83% of respondents reported using an accountant for external advice. Customers and suppliers were the next most important sources cited, together accounting for 17% of all external advisers. In total, private sector accounted for 86% of all responses in Bennett and Robson's study. In Bennett and Smith's (2002) study of SMEs, accountants were by far the most widely used source of advice (used by 74% of their sample).

---

[2] It is important to note that frequent contact with a support provider does not give an indication of the form or quality of the advice/support received.

Curran and Blackburn (1994) note that relations between small businesses and banks have received a great deal of attention from government, the media and researchers. Banks are a crucial source of funding for businesses, yet the 'quality' of the relationship between a business and its bank depends on the maturity of the business and on the ability of its owner to build up a relationship. Businesses may find it difficult to uncouple the advice dimension from other contacts such as the bank's monitoring of the business. Indeed, some business owners may be deterred from visiting the bank as many ideas or problems have financial implications (Curran and Blackburn 1994, p. 96).

Curran and Blackburn (1994) also explored government and quasi-government sources of advice and support and found that they only had limited impact in terms of connecting with small businesses. Moreover, local points of provision did no better than more remote regional or national delivery points. Local educational establishments did less well than enterprise agencies as sources of advice, and the TECs (established shortly before this study) were found to be failing to reach small firms despite their local orientation and the publicity and effort devoted to small business initiatives. Curran and Blackburn (1994, p. 99) also found low levels of usage of local authorities for business support and advice (see also Smallbone *et al.* 1993). Bennett and Robson's (1999) study found that the role of government-sponsored suppliers such as Business Link filled about 14% of the total responses, with a lower take-up than almost all private sector sources of advice. Alone, Business Link only accounted for 5% of all responses[3]. In this study, the RDC and other regional agencies was the least used category of all, with only 4.7% of respondents, and accounting for 1% of all responses (Bennett and Robson 1999, p. 166-68). In Bennett and Smith's (2002) SME study, Business Link and consultants had been used by a slightly higher proportion (28%) of respondents.

Other more informal sources of advice available to small firm owners included Chambers of Commerce and trade associations, but Curran and Blackburn's (1994) study also revealed fairly low levels of involvement of such organisations amongst small business owners.

Bennett and Robson (1999) found that 38% of SME respondents in their survey had used a business friend or relative for advice/support. Malecki and Poehling (1999) also found that small firms tend to become involved in informal arrangements with other small firms, as a natural consequence of familiarity amongst individuals and because they prefer to learn from others like them. Suppliers and customers were also used as sources of information, whilst government agencies were only consulted when a problem arose, particularly with regard to regulatory issues.

The type of business support accessed is likely to be associated with the type or 'quality' of relationship between the individuals involved. Bennett and Robson's (1999, p. 159-160) study argued that advice is

[3] Bennett and Robson (1999, p. 171) acknowledge the complex situation at the time in terms of the delivery of business support, with some Business Links in fact part of the local chamber or TEC, or both. They suggest looking at Business Links, TECs/LECs and chambers as a single group and acknowledge that they are an important addition to the market of external advice, but very much secondary to that provided by the specialised private sector advisers.

a special kind of business service that delivers a largely intangible product. The production of advice is usually an exchange process involving learning and exchange on both sides. Advice services therefore often depend a great deal on personal relationships and exchanges, which in turn are regulated by the different institutional environments (and thus the different levels of trust) of each type of advice supplier. Private sector suppliers (such as solicitors, banks and accountants) and public sector suppliers (such as Business Link) depend on a high level of institutional or professional trust, but friends and associates fit within a regime of high personal or social trust and low institutional trust. As mentioned above, in some cases, friends and relatives act as the preferred and most valuable route for many of the smallest owner-managers (Department of Employment, 1991). This may be the best way of getting value at a low price and with a high level of trust, with also a high level of confidentiality and retention of personal control by the owner (Bennett and Robson 1999, p. 161). Through their business networks, owners often draw on customers and suppliers as sources of advice and support such that coercive market power may be supplemented or indeed replaced by supportive, high trust exchanges (equally such relations can, in time, become formal business transactions).

In terms of the impact of different external advice sources, Bennett and Robson's (1999) study found a marked differentiation in the significance of external suppliers. Only customers and accountants achieved an impact rating of 'important' or greater, followed by friends, solicitors, suppliers, consultants and banks. There is then a gap before intermediary collective and government-backed bodies are reached.

In Scotland, Argirova and Michaelis's (2003) study asked SMEs about sources of advice that they had used in the past year. Almost half of the 835 SMEs surveyed (49%) had not used any form of external advice. Mirroring the results of studies reported earlier in this section, the most common source of advice used was accountants (25% of firms). However, this was followed by Highlands and Islands Enterprise/Scottish Enterprise (Business Information Source), solicitors (8%) and consultants (7%). In his study of firms in East Cleveland, Kalantaridis (2006, p. 35) also found that around half (42.4%) of businesses had not accessed any external sources of information and advice. The most popular source of information and advice was customers (12.2%), followed by family and friends (8%). Some 27% of respondents in this study reported that they had worked with Business Link at some point in the past (a figure higher than that reported in other studies, such as FBS [2006]). SQW's (2005, p. 33) study in rural Northumberland revealed that, of those businesses accessing BLfN, the most common types of support received were services relating to marketing, information technology and finance. Importantly the study also revealed that businesses were keenly aware of alternative sources of support and assistance and able to meet their needs independent of Business Link.

Phillipson *et al.* (2002) in their study of microbusinesses in the North East found a different pattern to that reported in other studies. They classified the sources of support available to rural microbusinesses into four types:

- *Public sources* - including the RDC, local enterprise agencies, Business Link, TECs, MAFF, FBAS, local authorities and the Tourist Boards. These sources were approached by 54.3% of microbusinesses in this study. This is the highest proportion of the four types of support available, in contrast to the importance of private sector sources reported in previous studies and may represent differences between micro- and larger businesses.
- *Private sources* – including accountants, bank managers, consultants and ADAS. These sources were approached by 53.6% of microbusinesses.
- *Informal sources* – including friends and family with specialist knowledge and personal contacts within the industry. These sources were contacted by 36.2% of firms.
- *Collective sources* – such as Chambers of Commerce/Trade, NFU, CLA. Trade and professional organisations of the Farm Holiday Bureau). These were contacted by 34.4% of firms.

4.3.2 The effect of business characteristics on use of business support services

Section 4.3.1 discussed variations revealed in previous studies regarding the types of support accessed by firms. This section explores possible reasons for these variations according to the varying characteristics of firms.

4.3.2.1 Firm size

The size of a firm is often thought to be a major factor influencing the extent to which external advice is sought. Bennett and Robson (1999, p. 169) found increasing external sourcing with increasing size of firm for the use of solicitors, customers, suppliers, consultants, sector associations, enterprise agencies and TECs. Only the use of a business friend or relative was higher for smaller firms (which are of course, more prevalent in rural locations) although 25% of firms of all sizes reported using this source. Customers, suppliers, sector associations and Business Links were about 50% more likely to be used as an external source by larger firms. In their study of SMEs in England, Bryson and Daniels (1998) also found differences in the geography of seeking advice between small and large firms. These authors found that 84% of firms had employed external public or private sector advisers. A total of 46% of these advisers were located within 20 miles of their clients, and 74% were in the same region. Bryson (1997) found that large companies tended to search for the best advice irrespective of location, whereas significant proportions of SMEs searched locally. Larger companies employing advisers from outside their area may have specialist requirements which cannot be met locally, or may have developed weak tie acquaintances outside the local area (Bryson and Daniels 1998, p. 274). Again drawing on Granovetter's (1973, 1982) 'strength of weak ties' argument, over-reliance on local knowledge may result in the acquisition of knowledge which is not necessarily in the best, or right, form.

4.3.2.2 Firm age

The age of a firm is another factor that has been found to influence the extent to which external advice is sought, with start-ups generally showing a higher level of use of public external agents (Birley and Westhead 1992). Phillipson *et al.* (2002) in their study of rural microbusinesses found that younger firms (less than 10 years old) were more likely to access business support (of varying types) than older firms, although for farms, the differences between new and old firms were small.

4.3.2.3 Firm sector

The sector in which a firm operates has also been found to influence the degree to which it is likely to source external advice, and also the type of advice sought. Bennett and Robson (1999, p. 168) found that manufacturing firms were more likely to use suppliers, TECs and Business Links for external advice, whereas service sector firms were more likely to use friends and sector associations.

Curran and Blackburn's (1994) work also revealed sectoral differences in the types of firms accessing the regionally based (now defunct) Small Firms Service (SFS), with electronics and computer services businesses showing the highest level of use of the SFS probably reflecting the owners educational levels and need for advice as a result of their involvement in new technology. In contrast, garages and vehicle repairers, video and leisure and free houses, wine bars and restaurants infrequently used the SFS (Curran and Blackburn 1994, p. 97-8). A similar sector pattern was also found in terms of use of TECs by businesses with computer services, marketing and design firms the most likely to have used this service. Curran and Blackburn (1994, p. 98) also found sectoral differences in firms that had accessed locally based enterprise agencies for advice. Again, it was computer-service firms that were most likely to have used their local enterprise agency, although even amongst firms in this sector, only one third had done so.

Exploring the use of business support amongst rural microbusinesses, Phillipson *et al.* (2002) found a segregated pattern with regard to farmers compared to other rural businesses, with farmers tending to rely heavily on their dedicated support services such as the NFU and ADAS. This segregated situation has potentially negative implications as farmers often need broader advice regarding marketing, advertising and product development and other mainstream business activities. Firms in the education/training, recreation/culture, farming and manufacturing sectors were the highest users of public business support. In contrast, the lowest users were firms in personal services, transport, construction and hospitality. Private sources of support were seen as particularly important for farms, firms in education/training and health/social services, whereas this form of support was less significant for recreation/culture and personal services firms. Much less variability was observed over the use of informal sources. Overall, farms were found to be comparatively well covered by all forms of support, whilst for other sectors, such as manufacturing, public sources of support compensated for deficiencies in private, informal and collective provision.

4.3.2.4 Firm growth orientation

Bennett and Robson (1999, p. 169) found that growth firms (in this case measured in terms of employment numbers) generally had the highest use of most external suppliers, and declining firms the lowest use, although Chambers, TECs and Business Links all had the highest level of use among the slower growth firms. Phillipson *et al.* (2002) also found that a greater proportion of growth-oriented businesses had contacted public sector support providers compared to steady state or declining firms. The authors argue that this probably reflects two influences: expansion/growth is likely to involve new challenges for which external support could prove useful; and the tendency for support providers to target, and equip themselves to deal with, growth oriented firms. However, the study also revealed that one third of firms intending to grow had not approached public sector providers during the past ten years.

4.3.3 What evidence is there that rural businesses access support less frequently than their urban counterparts?

There is a widespread perception that rural businesses do not access business support as frequently as urban businesses. Keeble *et al*. (1992, p. 32) comment:

> *Remote rural locations are widely seen as relatively less accessible to business services, such as banks, accountants, management, marketing and computing consultants, advertising and market research agencies, and training and public relations consultants, given that most of these services are located in towns and/or cities. At the same time, business use of information-based professional services has been growing rapidly, because of the increasing importance of information for business success in a rapidly changing market and competitive environment. Poorer rural access to these services may thus act as a constraint on rural enterprise development, though one very difficult to measure.*

As this quote suggests, one reason for a lower level of use might be the distance of rural firms from both public and private sector support providers (Bennett et al. 2000; Hitchens 1997; Smallbone and Major

2003). Work done by the CBRC found that the supply structure of business advice was a major influence on client choice, a thesis which favours businesses located in urban areas (Bennett and Smith 2001). Hitchens (1997) in his study of firms in mid-Wales also argues that rural businesses may be disadvantaged as a result of the absence of both public and private sector support providers in close proximity. This argument raises questions regarding the need for outreach services and other different methods of delivery in some of the more remote rural areas. The relative shortage of advice providers also raises questions regarding the quality and range of advice available to rural businesses.

A lower level of use/access in rural areas may also be the result of a failure of services offered by business support providers (both public and private sector) in rural areas. For example, there may be a lack of awareness of the scale and needs of rural areas or a mistaken perception that rural economies are dominated by farming, food and tourism enterprises (Countryside Agency 2006). In other areas there may have been too much of a focus on growth sectors, not recognising the fact that many small businesses in rural areas are not looking to grow (these have been referred to as 'lifestyle businesses') but may still be crucial to the local economic and social fabric. Small rural business owners may lack the confidence to approach support providers, particularly if they perceive them to favour 'big business'. Such a situation requires business support providers to be pro-active in promoting their services and the relevance of their services to the wider business community and to be more aware of and develop a better understanding of the barriers to uptake. It is crucial that support is sensitive to the needs of its users so they must be engaged in shaping the support available (if time constraints can be overcome) and the clear benefits of the support to their businesses must be demonstrated.

Other reasons for a lower level of use amongst rural businesses might be that the delivery tools adopted by providers, such as incubators and clusters, may be less appropriate for rural areas than urban areas[4], where businesses are more dispersed and fewer in number. *"It is easier (and cheaper) to support 10 urban microbusinesses than 10 rural microbusinesses"* (CRE 2000b, p. 16). Some studies have also revealed that firms may be both confused about the range of services on offer, but, also unaware of the types of support available to them (Bryson and Daniels 1998). The physical distance between firms in remote rural areas and the support provider in a small town may heighten the lack of understanding and awareness. This lack of awareness represents a major challenge for business support providers.

Smallbone *et al.* (2002) argue that differences between urban and rural firms in the use of business support are a result of the differing characteristics of rural and urban firms and the rural and urban areas in which they are located. These key differences can be briefly summarised as follows:

---

[4] At the same time, Phillipson et al. (2000) suggest the cluster approach as one method of delivering support in rural areas. This is explored in more detail in Section 6.

- *Size:* Businesses in rural areas tend to be smaller than their urban counterparts, with a higher proportion of micro- and one-person businesses (Lowe and Talbot 2000b). Smaller firms have been found in previous studies to access business support less frequently than larger firms. However, the recent study by Kalantaridis (2006, p. 44) in East Cleveland found that none of the medium or large firms surveyed had ever worked with Business Link in comparison to 30% of microenterprises.

- *Sector:* Traditionally strong rural sectors, such as agriculture, have been in decline in recent years, such that the sectoral composition of rural areas is now more diverse and more like that of the country as a whole (Countryside Agency 1999). Manufacturing and service sectors have increasingly provided more jobs in rural areas. Whilst manufacturing firms do use business support services frequently, (see also SQW 2005, p. 25), this is not the case for the service sector firms which dominate rural economies. Kalantaridis (2006, p. 44) reported that enterprises affiliated to the public sector, hotels and restaurants and firms engaged in transport and communication reported the lowest rates of working with Business Link. In contrast, business service firms and those in the primary sector reported the highest rates of working with Business Link.

- *Niche specialisation:* Keeble *et al.* (1992) reported striking differences in the market niche specialisation and orientation between rural and urban firms. Remote rural firms were also found to be significantly more specialised in niches created by rising consumer incomes, whereas those in accessible rural areas were more specialised in niches created by business and technological complexity. Urban-based firms were more specialised in traditional sub-contracting and manufacturing niches. Whilst no concrete evidence is available, it might be expected that firms specialising in niche markets would rely more heavily on external business support, particularly for help in accessing such specialist, and perhaps distant, markets.

- *Diversification:* More and more farmers are pursuing diversification strategies as a result of declining farm incomes. This means that they need more general as well as technical business advice. Farms share many characteristics with other rural businesses, including family ownership, and they must be acknowledged as an important element in the small business population, particularly because of their ability to start new non-farm enterprises (Smallbone et al. 2002, p. 14)

- *Growth orientation and performance:* It has been suggested that rural businesses are less likely to be growth orientated than their urban counterparts (and thus less likely to rely on external business support), as a desire for a rural lifestyle is the dominant motive for setting up a business in that kind of area (Townroe and Mallalieu 1993). There is little systematic evidence to support this proposition, although some differences have been observed in actual growth performance, particularly with respect to employment. In the 1980s, it was rural SMEs that outperformed urban firms in terms of employment growth, but recent evidence suggests that this pattern has been reversed (Smallbone et al. 2002, p. 15-16).

- *The background of entrepreneurs:* Keeble *et al.* (1992) drew attention to the fact that most rural entrepreneurs are in-migrants whereas most urban entrepreneurs are locally born. A study by the Centre for Rural Economy (2000a) found that in-migrants were concentrated in more externally-oriented sectors, whilst locals were concentrated in local service activities. In-migrant business owners have been found to rely more heavily on external business support (and on contacts outside their local area) than local business owners. A study by DTZ Pieda in 1999 found that in-migrant business owners were more consistently reported to be more dynamic than indigenous owners.
- *Innovation:* In the 1980s, rural SMEs appear to have outperformed their urban counterparts in innovation activity (particularly with respect to product innovation), but by the mid-1990s, this urban-rural contrast seems to have disappeared, at least when 'accessible' and 'remote' rural areas are combined. A number of studies point to SMEs in more remote rural areas being laggards with respect to process technology and in the use of the internet (Smallbone et al. 2002, p. 17-18). The main barriers to further use of ICT were found to be lack of time for training and direct use of ICT, a lack of appropriate personal skills and the cost of the equipment (Gray and Juhler 2000). The weak ICT infrastructure in many rural areas is also a barrier. Nevertheless, it seems that rural firms recognise the need to upgrade their skills and boost their competence in the field of ICT. The Centre for Rural Economy study (2000a, p. 43), for example, found that IT was the most frequently reported support need.
- *Labour market:* The small size and occupational composition of rural labour markets can impose constraints on rapidly growing firms. Studies by the RDC in 1997 (1997a; 1997b) found that firms located in remoter rural locations more frequently cited labour shortages, especially of managers, as a constraint (see also Keeble et al. 1992; Smallbone et al. 1997). Bennett and Errington (1995) also found that remoter rural firms make little use of training and business support (see also Smallbone et al. 2002), which may be partly because training providers are generally absent in rural areas or the service provided may be of lower quality or less specialised (Hitchens 1997).
- *Market penetration:* As a result of the low population and business density in rural areas, businesses may have to penetrate non-local markets at an earlier stage of their development than would typically be the case in more urbanised areas (Smallbone et al. 2002, p. 20; see also

Winter and Rushbrook 2003, p. 16). The adoption of pro-active marketing methods in order to expand geographical markets is thus likely to be necessary to achieve growth at an earlier stage for peripheral rural businesses. For this, firms may require appropriate assistance with respect to market development and exporting, marketing and methods of communication.

These are some of the reasons why rural businesses might access business support less than their urban counterparts but what evidence is there that this is indeed the case? Keeble *et al.* (1992, p. 32) found that use of business advice was less for remote rural firms than urban firms in five out of seven business services (although statistical significance was confined to personnel and recruitment only where 12.8% of remote rural firms compared to 18.5% of urban firms had accessed this type of advice). For the other business services (including taxation and financial, computer services and business strategy advice) the level of access was lower for remote rural firms than for urban firms (although in many cases, the level of access was highest amongst accessible rural firms). However, in two cases (advertising and market research), remote rural firms had a higher level of access than urban firms.

Argirova and Michaelis (2003, p. 6) in their study of SMEs in Scotland, found that levels of awareness and use of business support services offered varied between remote rural, accessible rural and urban/small town locations. Exploring prompted awareness of the services on offer from the public sector showed that awareness was higher in the urban/small town area (43%) than in the remote rural area (28%). Prompted awareness was highest at 46% amongst accessible rural firms. In the urban/small town area, 58% of businesses had used advice compared to 39% of businesses from the remote rural area and 49% in the accessible rural area. A recent study by Kalantaridis (2006, p. 3) in East Cleveland showed that the nature of the relationship with key sources of information and advice (*e.g.* the duration of the relationship and the frequency of face-to-face contact) did not differ significantly according to the location of the business, indicating that enterprises in rural areas can develop and maintain close relations with geographically distant partners.

These studies suggest that the patterns of use of business support services by rural and urban firms are complex. There is a widespread perception that rural firms access support less frequently than urban firms and whilst some studies have suggested that this might be the case others have uncovered conflicting patterns. Indeed, the recent SQW (2005) report on business support in rural Northumberland concluded that rural firms are not disadvantaged when it comes to accessing business support. The evidence presented here suggests that different patterns of use are more likely to be the result of the differing characteristics of firms and their prevalence in different locations rather than a result of location itself. The final section of this literature review discusses some further reasons why businesses may not access support as often as might be expected.

Other studies have highlighted a number of other factors that affect the extent to which business owners are likely to access and use business support services. Again, as explained in the text, these factors may have a greater impact in rural locations.

As already mentioned, small firms may be less likely to access business support services. Curran and Blackburn (1994) argued that many small firms do not have the necessary resources - including time and financial resources - to access external advice and support. This is likely to be most serious for microbusinesses, and particularly for one-person businesses, who cannot afford to have an employee away from the day-to-day running of the business for a meeting or a day's training for example. In other words, it is the perceived high opportunity cost of leaving the business to attend a meeting or training event (see also Bennett and Errington 1995). This factor may be especially important in rural areas where businesses may have to travel greater distances to access such services thus requiring more time out of the office than in an urban location. Thus, in addition to the higher costs of delivering business support in rural areas (often referred to as the 'rural premium'), the costs for rural businesses to access this support are also often higher, in terms of money and time.

Coupled with this is a perception amongst many small firm owners that support services are unlikely to be able to help their business or that the advice would be too general (i.e. not sector specific enough) and of a low quality (Curran and Blackburn 1994). As noted earlier, this has been found to be a problem amongst some tourism sector businesses that see themselves falling outside the scope of business support because of their small size or service sector status. Agricultural businesses also tend to go to specialist support providers rather than services like Business Link, partly due to a perception that such generic services cannot address their specific needs.

Curran and Blackburn (1994) also note the importance placed by owner managers on autonomy and independence, which is incompatible with a reliance (perhaps seen by owners as an overdependence) on external individuals for advice and support. The authors report a 'fortress enterprise mentality' amongst business owners in articulating with the wider environment. This may encourage owners to 'muddle through on their own' or to rely on more informal sources of support from friends and family (Phillipson *et al.* 2002).

The level of educational qualifications of an owner manager was also found to be an important influence on the level of use/access of business support, with those equipped with higher qualifications able to seek out help more readily and exploit the available sources (Curran and Blackburn 1994, p. 101; see also Phillipson *et al.* 2002). Also, Kalanataridis (2006) reported that business owners with a university degree were twice as likely to receive support from Business Link than those with primary education or below. Previous research has found that the level of educational qualifications of those starting businesses in rural areas tends to be fairly high, suggesting that this may result in a higher likelihood of accessing business support services amongst this group of owner managers. Bryson and

Daniels (1998, p. 266) also argue that the acquisition of external knowledge depends on the personality of the owner-manager and on his/her experience (i.e. on what he/she already knows). Phillipson *et al.* (2002) found that many microbusiness owners were in-migrants (no doubt at least partly reflecting the interest of public support agencies in encouraging inward investment). In-migrants who did not intend to set up a business when they moved to the area were found to be the group with the greatest orientation towards public business support. Many of these individuals were found to be engaged in export-oriented sectors, using business support to help them access external markets.

Curran and Blackburn's (1994) study also suggested that the lack of significance of the 'local economy' or 'local community' as a focus for small business activities may be another factor explaining the relatively limited use of business support services (their study also went broader than this and also explored the networking relations of owner managers and their membership of organisations such as Chambers of Commerce and trade associations). The authors argue that although TEC boundaries for example were coterminous with groups of local authority boundaries, they were not coterminous with the substantive relations of businesses. In addition, the time demands on small businesses resulted in them not being able to engage with the design of such services as fully as possible or be on the Boards of such organisations. Many small business policies were seen by respondents as top-down and there was a reluctance amongst owners to approach government or government-sponsored agencies for advice as government was seen as the tax collector, steeped in bureaucracy and the (over)regulator of business. Interestingly in the context of this study, Curran and Blackburn (1994, p. 101) were sceptical about the success of a locality based approach and argued that that a sector-based approach would provide a more relevant means of reaching owner managers. They argue that *"small businesses cannot be treated as a homogenous group based on some spurious notion of local economic community or the effectiveness of across-the-board policies"*. Rather than locally based institutions, the message from owner managers was that they wanted advisers with sector-specific knowledge who could respond rapidly. Locality or geographical proximity was seen as secondary, or even irrelevant. Sector differences in the use of outside advice were wider than locality differences, suggesting that different types of business have different levels of need for business advice.

4.4 Conclusions

This section summarises the key findings and issues arising from the literature review.

4.4.1 Clarity of vision

- Given the emphasis placed on encouraging enterprise and entrepreneurial behaviour in the policy and strategy documents of many regions and localities, it is important that **business**

support helps to build the long-term entrepreneurial capacity of individuals and indeed communities to ensure long term economic (and social) advancement. In the North East for example, the Regional Economic Strategy and the Enterprise Strategy ("Everybody's Business) published in 2001 have enterprise high on the agenda. The revised RES ("Leading the Way) published in June 2005 also placed enterprise and business support as a key strategic priority. These priorities emphasise the need for business support to be targeted at the skills of individuals (*e.g.* confidence, innovative practice, networking) as well as at businesses.

- **The availability of start-up assistance is crucial** if the North East is to tackle the gap of 165 businesses per 10,000 population between the region and the national average. To operate at the national average, the North East would require 32,305 more VAT registered businesses. Between 1994 and 2004 there was a growth in the business stock in the North East of 3.6% compared to a growth of 11% nationally so the gap is growing. The North East has the lowest business start-up rates in England and whilst rates have increased year on year, the national rate has grown at a faster pace. Survival rates are about the same in the North East and nationally, so the deficit is due to a lower number of businesses being created. Research in 2004 suggests that low business stock was the single biggest determinant of this low start-up rate (SQW 2005, p. 7-8). The SQW report (2005) suggested that many businesses are starting up unassisted as Business Link was estimated to be involved in only 1 in 3 start-ups. Whilst schemes such as the Northumberland Enterprise Fund (NEF) effectively provide an incentive for a business to complete the start-up process with Business Link rather than draw in other providers, evidence suggests that private sector providers are important to many business owners.

- It is crucial at the outset to **acknowledge the importance of all businesses to the rural economy**, including small and micro-businesses, and firms operating across all sectors (including agriculture, tourism, cultural sectors, business services, etc.). Whilst these businesses may not employ large numbers of people or show growth potential, they are crucial to the economic and social functioning of many rural communities. As a result of this importance, rural and microbusinesses warrant support in as coherent and planned a way as other firms. Whilst some of this support may differ from larger or more urban companies (for example more help to access distant markets or in to access ICT opportunities), many are generic needs, although different means of delivery may be required (Lowe and Talbot 1999, p. 2). Smallbone *et al.* (2002, p. 54) conclude that there is a need for Business Links with rural areas in their catchments to have an explicit strategy for addressing the needs of rural enterprises.

- Smallbone *et al*. (2002) argue that strategic approaches are required to **integrate business support into a wider development framework**, involving the local community and incorporating a wide range of inter-related issues (such as inward investment, housing, transport, etc.). Such an approach is vital in tackling the vulnerability of many rural communities and it would be sensible for business support initiatives to be part of an integrated approach to rural regeneration which avoids duplication and overlapping activities and brings partnership organisations together to achieve an effective and efficient rural regeneration process.

- **It is also important that sub-regional diversity is recognised in the delivery and shaping of business support services**. This was a key conclusion of the SQW study in Northumberland in 2005, in which differentiation was made between those areas influenced by commuting into the region's conurbations (with its implications for the ability of growing rural businesses to attract skilled labour) and those more remote areas which are less affected by commuting.

4.4.2 Rural priorities – targeted engagement

- **The pattern with regard to rural businesses accessing business support is complex.** There is a widespread perception that rural businesses access and use business support to a lesser extent than urban businesses, however, much of the evidence suggests that this may be more a result of the characteristics of many rural businesses rather than their location in a rural area. For example, evidence suggests that small firms and service sector firms – which dominate rural economies - are less likely to access business support than larger firms and manufacturing sector firms. Many rural businesses can be described as 'non-growth' or 'lifestyle' businesses which are also less likely to access support than growth-oriented businesses. On the other hand, businesses owned by in-migrants and those specialising in niche market products, again important in rural economies, may be more likely to access business support.

- It is likely that **resources for business support** (such as SRB, ERDF and ESF) **will become tighter in future**. External resources for Business Links, such as from Structural Funds, will also decline over time. The costs of both delivering and accessing business support to small and microbusinesses scattered across rural areas are higher, and it may be the case that these small firms are not willing or able to contribute to these costs. There may be a tendency for support providers to focus on larger (and often urban-based) businesses which are easier to service and to generate income from (Lowe and Talbot 1999, p. 25). Equally there may be tendency to focus on firms who already know about the business services on offer (such as growth oriented firms) rather than those who don't. The message from many previous studies of business support (including the recent SQW report in Northumberland) is that it is important to **maintain a level of support for all businesses, but then target more proactive, specialist services to a selected number of target sectors or business types**. A review of business support by the SWRDA, acknowledged the important contribution made by lifestyle businesses to the South West's rural economy and suggested that agencies should provide *"light touch"* services to the bulk of these businesses, aiming to improve and maintain business competence, rather than excellence.

- The recent study of rural businesses in East Cleveland by Kalantaridis (2006) argues that the **adoption of 'targeted engagement' rather than increasing market penetration might be the best approach to take** to the support provided by Business Link Tees Valley. Some owners do not seek support as they do not have growth aspirations for their business. The cost per unit of encouraging those businesses to access support will be high and may require a different set of actions and approaches than supporting growth oriented individuals. On the other hand, Kalantaridis argues that a focus on firms that require or have actively sought assistance in the past might be useful or on those that are not aware of the services potentially available to them. In East Cleveland, these firms were found to be operating in particular sectors - affiliated to the public sector, business services, wholesale and retail and hotels and restaurants. They were also found to be run by university graduates and to have significant growth potential. Kalantaridis (2006, p. 4-5) argues that targeted engagement is likely to impact on the types of actions included in the Business Link Tees Valley portfolio, which may augur well with the increased emphasis upon GVA at the regional level.

- Kalantaridis (2006) also suggests **other ways in which support could be targeted**. For example, a focus on assistance to enterprises to expand their markets geographically. Another means of focusing support is by sector, targeting firms in particularly dynamic sectors (such as business services and transport and communication in East Cleveland). Sectors that are particularly important in terms of local employment, sales improvements or productivity gains (SQW 2005) for example, could be targeted, particularly if the sector is experiencing difficulties (such as hotels and restaurants in East Cleveland). In Northumberland, a staged approach to business support was suggested, including an offer of generic reactive business support to all businesses, and a more intensive service targeted at strategic priorities and a limited number of high growth/high value businesses. In Northumberland, sectors on which to focus might include tourism, manufacturing, land based industries, food and drink, energy efficiency and renewables. The report concludes that (perhaps with the exception of land based industries where specialist brokers may be required), it is not considered that 'specialist' support is required for these sectors, but rather that mainstream support be targeted specifically and proactively at them.

- A number of studies have cautioned that **a focus on growth-oriented businesses is inappropriate for many rural economies and that a much broader focus is**

required. Many businesses in rural areas are not growth oriented (sometimes called 'lifestyle' businesses) and these businesses tend to be less familiar with the support services available. A focus on growth-oriented businesses is also insensitive to the additional time and cost issues associated with delivering support to rural areas (Phillipson *et al*. 2002). However, this approach does pose a key dilemma for Business Link and other support organisations: to what extent should scarce resources be dedicated in attempting to support organisations that have little or any growth aspirations? The key to such an approach might be to target those businesses that are likely to be more receptive to the services on offer (i.e. those that are not aware of what is on offer, do not know who to contact or have tried and got no response) (Kalantaridis 2006, p. 46-7). The challenge is to provide a much more flexible, proactive service and to formulate appropriate output criteria. Firms with no intention of expanding often provide services that are crucial to the economic and social well-being and cohesion of the community in which they are located, particularly as many are concentrated in highly locally embedded sectors such as construction and transport serving local markets.

4.4.3 *Delivery mechanisms*

- **Rural businesses (including microbusinesses) should be centrally involved in shaping the type and delivery mechanisms for business support services**, perhaps through stakeholder groups. Top down solutions should be avoided and regular monitoring is required to ensure continuous improvement (Smallbone *et al.* 2002).
- Smallbone *et al*. (2002) concluded that there were **considerable advantages in bringing farms and land-based industries into the mainstream of business support**, particularly in terms of improving the delivery of generic business advice to them. More broadly, bringing farms into mainstream business support will help to integrate farming and land based businesses into the wider rural economy. Non-farming businesses in rural areas have traditionally been placed alongside farming businesses which have tended to be better supported by specialist service providers such as ADAS, the NFU and the CLA. Paradoxically, the development of farming businesses may have been hindered as they tended not to access generic business advice, partly because their success in the past has depended on producing undifferentiated products at low cost which required specific, technical advice not generic business advice (Phillipson *et al.* 2002). Farms now face greater levels of market competition as agricultural support is withdrawn and as they are encouraged to diversify and become more entrepreneurial, the challenge is to encourage farmers to pay more attention to generic business advice as well as specialist, technical advice.

- SQW's (2005) study of business support in rural Northumberland suggests that whilst the diagnostic process was felt to be appropriate and robust by the BLfN business advisers who operate the system, there were some **concerns regarding the brokerage element of the system**. This relates to three main areas:
    - The clients cannot always afford the consultants identified;
    - It is not always suitable for rural clients who would prefer to build relationships with an accessible adviser, and;
    - It is a standard process with limited flexibility. The advisers at BLfN noted that in an output driven environment it was not always possible to deliver advice tailored to the specific needs of rural start up activity. In particular, the farming community is keen to talk with advisers and build business alliances and consequently the diagnostic is not regarded as being a sole solution. In addition to consultancy services, mentoring and support are also required. Whilst the diagnostic approach is required to ensure that a full review of clients is completed, it might also be necessary to have a "with and through" approach with clients rather than "for" the client which empowered the client to take action.
- A recent ACREinsight newsletter (ACRE 2006) contains a brief discussion of the Enterprise 4 Inclusion (E41) programme[5]. The programme used a brokerage approach (i.e. matching projects with appropriate support providers), and lessons could be drawn from this programme with regard to using a brokerage approach to general business support:
    - The approach enabled some members of staff within RCCs for example to be matched with projects and to deliver appropriate support and advice
    - The brokerage approach also demonstrated that a project may often need advice from more than one advisor at any one time. In some instances, a project would be assigned a specialist adviser to advise on a specific area, such as marketing. This use of specialist support providers appeared to be effective in enabling projects to progress and particularly to achieve short-term goals.
    - However, for some, the short-term nature of the programme was challenging and projects expressed a clear need for longer-term support and ongoing communication with advisors.

---

[5] This was an action research programme funded by Defra and managed by a consortium including ACRE, the Plunkett Foundation and Co-operatives UK. E4I operated as a grants programme and was open to organisations wishing to use social enterprise approaches to tackle social exclusion in rural areas, in four regions of England. The programme took an innovative approach by offering applicants access to advisory support in addition to a cash grant.

  - Overall, the E4I experience suggests that a brokerage approach and the services offered by organisations such as RCCs could be used in a complementary way to ensure effective and sustained support for rural social enterprises (ACRE 2006).

- **Partnership working** is crucial to ensure that information is shared, that appropriate support and training is provided to businesses and that duplication and confusion are reduced. It is critical that private sector support providers are involved in any partnership working as they have been shown to be such important service providers for many businesses. Good relationships between public and private sector support providers –including (and arguably most importantly) specialist sector-specific providers – are crucial to the success of any brokerage model. In particular, SQW (2005) note the need to reduce confusion in the market place and the need for consideration to be given to the relationship between BLfN and Defra and the (soon to be disbanded) RDS' support to rural businesses.

- **The Government's commitment to sustainability requires creative thinking about how the importance of focusing infrastructure** (of all kinds, not only related to business support) **on rural service centres** (market towns) (Defra, 2004, p. 9-10).

- Some evidence at least suggests that distance from providers may mean that rural businesses access support less frequently than their urban counterparts. Put simply, it costs more for rural businesses than for urban businesses to access support, in terms of both time and financial cost. This may mean that **innovative approaches are required to deliver services to those businesses in the most remote locations**, although the costs of such delivery may be higher. Key issues for policy concern the location, timing and accessibility of services vis-à-vis rural businesses. Approaches might include:

  - Regular, *pro-active outreach services*, such as surgeries in rural villages or travelling roadshows (CEEDR 1998; Smallbone *et al.* 2002). Such schemes could use existing rural infrastructure as delivery points, such as village halls, schools and libraries (Phillipson *et al*. 2002; Smallbone *et al*. 2002);

  - Although much research has shown that visitors place considerable importance on face-to-face contact, *ICT* could be explored as a means of delivering some elements of support or as an electronic gateway to support services. It could also serve as part of a marketing strategy to increase awareness of the services available to businesses. Evidence has shown that rural businesses tend to lag behind their urban counterparts in terms of the adoption and use of ICT[6]. Lowe and Talbot (1999) note that not only are

[6] In their study, Phillipson *et al.* (2002) found that just over half of the rural microbusinesses surveyed had access to the internet, and of those, 9% were unable to use the web. Access was also distributed unevenly across sectors, with a bias towards knowledge-based industries and manufacturing.

fewer rural firms using ICT in a networked way, but the infrastructure in rural areas tends to be poorer than in urban centres. Moreover, Kalantaridis' (2006, p. 35) study of businesses in East Cleveland found that only 2.5% of respondents had used the internet to access information and advice. A similar level (2%) was observed in SQW's (2005) study of rural Northumberland. Any approach to using ICT to deliver business support services would need to take these limitations into account and recognise that not all potential clients will be reached using such a strategy. Promotion, training and assistance in the use and adoption of ICT will be crucial in making effective use of any strategies involving ICT. It could perhaps be considered as one of a raft of measures of delivering business support, including face-to-face meetings and mentoring schemes (Phillipson *et al*. 2002). ICT could be located in existing rural infrastructure provision, such as libraries or post offices.

- *Group-/cluster-focused support* can offer advantages (Smallbone *et al*. 2002). Businesses working collectively can reduce purchasing costs, boost sales potential and benefit from collective knowledge. Lowe and Talbot (1999) also explore the possibility of offering advice to groups of firms, based on sectors (such as land-based, tourism or speciality food businesses), supply chain networks or local economies as a solution to the problem of a large, dispersed client group in rural areas. For remote rural areas where there may not be the critical mass of businesses to successfully adopt such approaches, one-to-one support between rural businesses may be a more appropriate approach, particularly given that some studies have found that business owners prefer to learn from other owners. Public sector information and advice could be channelled through such private sector networks;
- *The use of existing business clubs and associations* may provide an alternative or additional venue for delivering business support on a collective basis (Phillipson *et al*. 2002). This would provide a cost-effective mechanism for delivering support to dispersed rural businesses and would represent a novel, embryonic approach to delivering business support. However, there are limitations with this approach, not least the fact that many rural businesses do not join such organisations (often for similar reasons that they don't access business support, such as time constraints and a desire for independence). The success of such an approach also depends crucially on close working relationships between business support providers and networks. Nevertheless, such an approach could be used for raising awareness of business support and signposting businesses to the support available.

- *More proactive approaches* could be considered by organisations such as Business Link. Whilst many businesses may feel that they know what they want with regard to business support, many are not fully aware of the needs of their business. A more proactive approach by service providers would help these needs to be accurately identified.
- *Indirect approaches* to enable more businesses to access more business support may include providing better childcare or relief services to help more businesses access business support services more regularly (Phillipson *et al*. 2002). SQW's (2005) study highlighted that only 2% of respondents were approached by BLfN suggesting greater effort could be made to attract clients through direct contact.

- A final point to make in terms of delivery mechanisms is that it is important, as far as possible, to **maintain a degree of informality in the delivery (and type) of business support services**. Phillipson *et al.* (2002) argue that business support should not become too formal but rather should remain person-centred and sensitive to the family, household and social context of many businesses in rural areas, as well as the complex psychology of owners. It is crucial important that advisers have good people and business skills.

4.4.4 *Marketing of services*

- It is important that support providers **advertise widely the types of assistance that are available to businesses to improve awareness**. There is a convincing job to be done with some business owners to help them realise that external support might be useful for the survival and growth of their business (Bryson and Daniels 1998, p. 266). Those owners with the strongest desire for independence and with the poorest perceptions of the services on offer will be hardest (and most expensive) to convince. Given the importance of word-of-mouth communication, the quality of the experience at Business Link is vital to ensuring that the external image of the organisation is positive. One approach to improving market presence suggested by the SQW (2005) report is co-locating advisers with other rural service providers, such as banks.
- The adoption of 'targeted engagement' will have implications for the marketing approach taken. Focusing on growth oriented firms might require relationship marketing with a smaller number of leading entrepreneurs (Kalantaridis 2006).

4.4.5 *Better monitoring and evaluation*

- **Measuring the impact of services on clients in terms of their increased profitability, turnover or level of exports should be avoided as these targets are typically harder to achieve through supporting a larger firm than a smaller one and harder to achieve with rural businesses than**

with their urban counterparts (Lowe and Talbot 1999, p. 25). Within the mainstreaming structure, resources could be provided for specific services, such as those targeted at small and microbusinesses in rural areas, or safeguards need to be put in place to ensure that such firms are not excluded or squeezed out from standard provision.

- Rather than focusing on those firms with growth potential, a **focus on firms that contribute most to local economic and social stability or to broader rural development or public policy objectives might be a more appropriate** approach (Lowe and Talbot 1999, p. 3). Monitoring criteria need to be flexible and sensitive to broad rural development objectives. Rather than using targets such as the number of businesses supported, or the increase in turnover following business support, the criteria for monitoring business support could be developed from the aims of relevant strategies such as the North East's Regional economic Strategy, the Sustainable Food and Farming Strategy or the new RDPE.

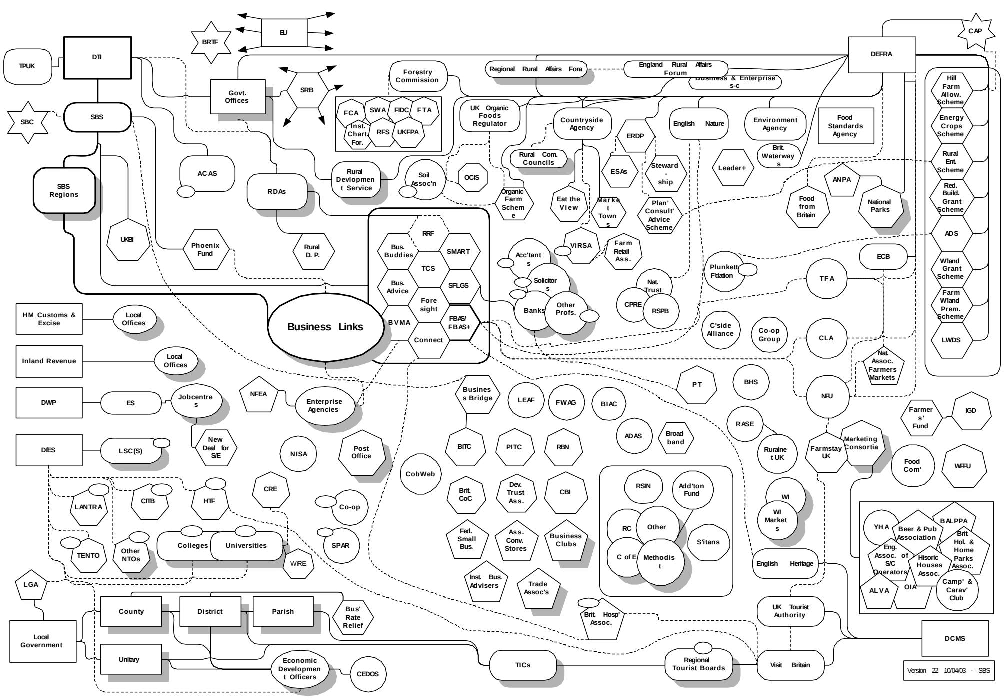
5. Interviews with Economic Development Professionals

Although the existing rural business support structures have been criticised for their complexity, there is a significant existing expertise and infrastructure that must inform future developments. Our analysis of this existing infrastructure is in two parts:

- Face-to-face and telephone interviews with economic professionals in the North East establish their perceptions of the barriers and opportunities for mainstreaming business support.
- The review of other schemes in operation provides an opportunity to benefit from experience elsewhere in the UK.

5.1 Current delivery of business support in the rural North East

The current provision of rural business support is highly complex and this has been graphically illustrated by the diagram below (and reproduced in full detail in Appendix 1). From the customer standpoint, the problem of complexity is compounded because the bodies that feature in this constellation can appear to be undergoing constant re-organisation and re-alignment and the funding schemes and other initiatives they offer also frequently change.



Certain agencies can nevertheless be regarded as mainstays of the system of public sector provision notably Business Link, the two tiers of local government (and their associated agencies) and the RDA/RDS. For this review it was considered important to gather and report the insights of the ‘economic development professionals’ which operate within these key organizations. These are presented below together with the observations of two ‘satellite bodies’ offering niche services (Bizz Fizz and Princes Trust), a land agency specializing in the rural sector, a bank and a firm of accountants specialising in the rural sector.

Before presenting the views expressed during these interviews it is important to highlight some key features of the current provision of rural business support services and how these are evolving. Whilst there are some constants there are also important variations in the approach to delivery across the region as well as some future uncertainties.

5.1.1 Business Link

Business Link is the principal brand for public sector business support. A comprehensive range of services is offered for business start up and development of established businesses. The system is managed by the RDA who contract out delivery to four sub-regional franchise holders. Business Link operations are founded on the activities and expertise of account managers (personal business advisors). A new model comprising information, diagnosis and brokerage has recently been introduced to guide the way in which business clients are handled.

By contrast with the other three sub regions, Business Link services in County Durham are operated by a private sector company (A4e). There four specialist account managers (including one with a rural remit) located centrally (Durham City) with a further twelve spread between six local Enterprise/Development Agencies. These agencies typically operate from Business Park premises in the main towns. All the agencies have a rural dimension but this is strongest in Wear Valley/Teesdale. Business Link Durham also has a fully equipped mobile Office.

In Northumberland the account managers are based centrally (Ashington) and in a network of six Business Link Advice Centres. Four of these Centres are located on the high street of the principal market towns of Hexham, Morpeth, Alnwick and Berwick. Two of the account managers have a specific rural brief and they divide their responsibilities both geographically and sectorally.

Business Link Tees Valley is Middlesbrough based and because of the contrasting geography, population distribution and economic structure of the sub-region the organization has no rural outposts or specialist rural account managers.

5.1.2 Local Government

The District Councils all have an economic development / regeneration remit although staff and financial resources are limited. A common concern for all the Districts is the provision of business premises. Tourism marketing also features strongly. In relation to business support the Districts normally signpost clients to Business Link. There are some grant aid schemes for start up and business expansion, but this is not universal.

The two County Councils perform a more strategic economic development / regeneration role and planning and operational matters have to a large extent been vested with arms length sub – regional partnership arrangements (NSP and CDEP) and/or development companies.

Northumberland CC has a Business Centre which provides a range of services including the administration of the Northumberland Enterprise Fund (small business start ups), an Investment Support Scheme (existing businesses and larger start ups) and a Strategic Account Management scheme (for the County's 70 largest companies)

Business support is delivered on behalf of Durham CC by the County Durham Development Company which covers all matters relating to business start up and expansion, finance and property. The CDEP also has a strong tourism and marketing remit.

Local Enterprise Growth Initiative (LEGI) funding has been secured for four Districts in Durham and is a future prospect for Redcar & Cleveland. This provides the prospect of considerably more resources to be applied to increasing the business stock, reducing business failure and stimulating an entrepreneurial culture in some of the most disadvantaged rural areas of the region.

5.1.3 RDA/RDS

From April 2007 Business Link services will be managed as a single region-wide entity by the Coalition of Ambition, comprising the current franchise holders for Northumberland, Tees Valley and Tyne & Wear together with the North East Chamber of Commerce. The implications for future delivery of business support in rural areas, not least in Durham County, have yet to emerge.

The RDS operated the project based grant schemes (principally the Rural Enterprise Scheme and Processing and Marketing Grants) under the ERDP up until July 2006. Administration of these schemes placed RDS staff in close contact with the farming community in particular in developing their business plans. These schemes are now closed and a new RDPE will be rolled out from April 2007 with expenditure under the socio-economic themes transferred to the RDA. A number of RDS staff will be transferred to the RDA. It is anticipated that a Regional Implementation Plan for the RDPE will determine how these staff are to be deployed.

The RDA is responsible for all matters relating to the development of tourism in the region and has created four Area Tourism Partnerships which represent the public and private sector interests. The remit of the ATP's extends to business support (some 1800 businesses are now registered) and a delivery model which integrates these services with those of Business Link is now being devised. It is envisaged that four specialist tourism advisers, to be employed by Business Link, will be co-located with the ATP's.

5.1.4 Bizz Fizz / Princes Trust

Mainstream public sector business support is supplemented in the region by other agencies providing more tailored services. The Princes Trust targets young unemployed people and offers business start up advice, grants, loans and counselling. Roughly one third of the clients in Northumberland are rural. Bizz Fizz is a national initiative that oversees the provision of business coaches in tightly defined rural localities e.g. Alnwick and Stanhope. The approach is informal and client driven and concentrates on business planning and mentoring for both business start up and expansion.

5.1.5 Inter- Agency relationships

The business support structures briefly described above are clearly complicated and potentially confusing to customers. There are therefore numerous mechanisms in place, both formal and informal, designed to achieve effective co-ordination and communication and make the system work. As illustrations of this the Northumberland Enterprise Fund is managed by the County Council Business Centre but applicants are routed through the Business Link Advice Centres; Business Link services in Durham County are co-ordinated by a Business Support Network and Area Delivery Plans which define shared targets and clarify roles and responsibilities; Business Link organize regular case conferences to share intelligence with local authority and RDS staff; an informal client referral process takes place between the local authorities, Business Link, Princes Trust and Bizz Fizz; the Enterprise Agency for Teesdale & Wear Valley will employ the Stanhope Bizz Fizz coaches financed by LEGI and NRF.

5.2 Interviews with professionals

As referred to in the section on Methodology, a series of 13 interviews took place with representative personnel from the main public sector agencies together with 3 interviews from the private sector. The discussions were conducted to a standard format and were intended to provide some in depth views on the effectiveness of current arrangements for rural business support and how these might be adapted to best suit the needs of the rural economy. The interviews were not recorded to preserve confidentiality and no opinions can be attributed to any single individual or organization. The key points to emerge are summarized here:

5.2.1 Characteristics of the rural economy and factors affecting usage of business support services

The professionals' comments on and assessments of the rural economy reinforce the findings of research studies. The rural economy is characterized by small and micro-businesses and there is a culture of independence and self reliance. Farming and tourism related businesses are numerically strong. The former traditionally use professional firms and other support networks rather than the public sector and there are mixed perceptions about the competence and usefulness to the land based sector of the mainstream agencies. There are many so-called lifestyle businesses, particularly related to tourism, in the creative and craft sector and providing personal services e.g. complementary therapists and many of these are not growth orientated and so often do not actively seek business advice. Farm diversification was expected to continue albeit with some uncertainty over the impact of impending changes to grant regimes.

In these circumstances penetration rates by Business Link and other agencies are therefore bound to be lower than in urban areas. The recent benign macro-economic conditions of recent years may also have an effect insofar as some firms may only seek help in times of recession when business survival is threatened.

The market towns are generally considered to be vibrant and relatively prosperous places and there is good anecdotal evidence of entrepreneurial in-migration and establishment of small knowledge based and high technology companies. Manufacturing is generally in decline although factory closures in the more disadvantaged areas (Tees Valley and Weardale) may themselves stimulate new small business start ups out of economic necessity. Specialist retailers operating in rural towns and villages are known to be suffering difficult trading conditions. There is some scepticism about the ability of tourism to sustain the rural economy (for example the major manufacturing plants at Hexham (Egger) and Barnard Castle (Glaxo Smiths Kline) contribute significantly more to their rural economies than tourism.

Reference was frequently made to the issues of housing affordability and of restrictions on future house building, which, coupled with distinct signs of a growing labour and skills shortage, are having a negative effect on the rural economy.

There was little support for the notion that remoteness affected access to business support services with the exception of deep rural areas such as Kielder or Upper Weardale. It was generally accepted that the location of these services in market towns, coupled with the outreach capacity of account managers, provided more than adequate access opportunities. The barriers to access were thought to be more associated with the ‘cultural’ factors described above and negative perceptions about the public sector and its bureaucratic procedures and frequent changes in funding programmes and organisations.

5.2.2 Support needs and priorities

There are considered to be two broad markets for business advice : business start up (including pre-start up) and development of existing businesses.

The great majority of enquiries or referrals to Business Link in particular fall into the first category and there are well established procedures for the processing of clients and delivery of basic services. The professionals accept that the motivation for contact being made is very often the prospect of grant aid. In view of the economic targets and performance measures, which emphasise new business formation rates, this category of client will remain a high priority. Nevertheless, there was some concern in particular amongst private sector support providers that many start-ups are not receiving the necessary, specialist support that they require. One interviewee commented that private sector suppliers often see businesses for the first time "down the line when they have got into a muddle".

An important point was made that business support agencies needed to maintain the relationship with many of their new clients (variously described as hand holding) through and beyond the critical establishment period. This would in turn have an important influence on business survival rates and also place more businesses in the position of being able to take advantage of and afford the more specialist support measures envisaged in the brokerage model. The short term nature of many public sector organisations and funding streams often hampers the development of long-term relationships and the private sector support providers interviewed felt strongly that a key strength they have is the relative longevity of their organisations.

Established businesses present a more challenging market for the support agencies. The types of support required are likely to be more technical and sophisticated and consume more resources. There was a common belief that more research was needed to identify those business sectors or companies that would produce the best return from any investment, whether in product development, training, consultancy advice or mentoring etc, in the form of higher value jobs, productivity or growth. The expression 'targeted engagement' was used to describe this. One concern expressed with such an approach is that it will simply reinforce dependence on an already dominant local sector. The point was made that local authorities in particular may be more comfortable with the more straightforward relationship which starts and ends with the processing of a grant.

In identifying the types of entrepreneur that might help create the new rural economy reference was made to the potential of in – migrants, 'returners' and the semi-retired attracted by the higher quality of life in rural localities. Marketing campaigns, incentives and business support mechanisms might focus on the particular needs of these groups. The provision of small, well equipped, managed workspace (easy in, easy out) would also make a valuable addition to the market town/rural offer.

The types of support most frequently requested by established rural SME's and micro-businesses relate to new technology (websites, e.commerce, ICT); marketing and financial systems.

5.2.3 Working methods and inter-agency relationships

There is a common acceptance that the arena of business support has been bedevilled by too much overlap between agencies resulting in confusion and adverse perceptions about public sector provision.

For the professionals involved at the sharp end of delivering services there were repeated references to the importance of local knowledge, personal qualities, continuity in relationships with business clients, the need for depth of experience and competence in particular sectors and that success and effectiveness are grounded ultimately on trust, competence and reputation. For the system to function properly all the business advisers, account managers, economic development officers and coaches / mentors involved must have good inter agency networks and a willingness to make referrals, share information and collaborate in a positive manner. The system is undergoing radical change but the point was made by RDS staff that in their dealings with the farming community an integrated and holistic view has to be taken of sustainable rural development which routinely involves signposting and joint working and these practices will have to continue at the farm level whatever changes are made to institutional structures.

There is believed to be compelling evidence to support the decision to locate Advice Centres in the high street of market towns. This has had a positive effect on business start up enquiries and raised the profile and awareness of Business Link. However, initiatives to extend the reach of Business Link by providing drop in facilities in smaller rural settlements – Seahouses, Haltwhistle, Prudhoe and Stanhope were referred to – have proved less successful. For these locations the organization of special events on business related issues and targeted at specific sectors are thought to be more cost effective. Even then response rates could be disappointing, as demonstrated by recent experience concerning farmers and the Single Farm Payment. The mobile office unit which Durham Business Link has acquired also appears to require a longer period of experimentation with its schedules and programming to demonstrate its worth.

A number of public sector staff were interested in alternative methods of cultivating new entrepreneurial activity and business growth. At least two District Councils have actively explored the Sirolli Institute concept of enterprise facilitation; a District Council's LEGI bid incorporates the formation of a business mentoring network comprising company chief executives allied to the recruitment of community based enterprise facilitators or 'talent scouts'; and the capacity of Bizz Fizz is set to expand in both Alnwick and Stanhope. Berwick Business Incubator was also mentioned as a good approach (this is a joint venture between Northumberland County Council, Berwick upon Tweed Borough Council and Business Link for Northumberland to create new premises in the centre of Berwick, which will house the Business Advice Centre for Berwick, business start-up units and provide managed workspace, incubation services, hot-desking facilities and internet access). A note of caution was expressed that certain business support methods outside of the mainstream might be very successful whilst not necessarily generating the prescribed statistical outputs which are conventionally used to record success.

A significant number of reservations were expressed about the relevance and usefulness of the brokerage model to rural micro-businesses in particular. Put bluntly many of the businesses simply cannot afford the consultancy advice even though this is part funded. Some businesses may also regret becoming ‘locked into’ certain service arrangements. This reinforces the earlier point made about Agencies needing to maintain a longer term relationship with their clients so that there is a better prospect of businesses being able to accommodate the costs of specialist support.

5.2.4 Issues concerning mainstreaming and differentiation

There is no overriding consensus amongst those professionals interviewed about future institutional structures and mechanisms for providing support to rural businesses. Reorganization in the public sector was now regarded as something of an occupational hazard. There was some expectation that the new regime for Business Link would result in the streamlining of central services but there was no certainty about the deployment of customer facing staff; there was similar uncertainty about the deployment of RDS staff transferring to the RDA.

Discussion of the issues revolved around a number of inter-connected questions:

- Is ‘rural’ a sufficiently distinct component of the regional economy to justify separate provision?
- Would rural businesses be better served if certain sectors of the economy, such as farming or tourism, received differential treatment?
- Is there scope for the introduction of ‘one stop shop facilities’ and how would these be configured and where located?
- Is there a need for some kind of virtual hub or portal or a telephone helpline for the provision of rural business support?
- Are there examples of good practice elsewhere that might be transferred to the North East?
- How will private sector support providers fit into the new model?

The view was strongly expressed that temporary initiatives and the constant repackaging and re-labelling of schemes, often to secure continuity of funding was not helpful. In this regard it has taken considerable time and resources to establish Business Link as the mainstream brand for business support services and it was universally felt that to jettison this now would be neither realistic nor productive. In taking any new initiatives or sustaining existing delivery arrangements therefore a central consideration is how to complement or reinforce Business Link services rather than undermine them. Some respondents felt that mainstreaming under the Business Link banner would serve as a better use of resources, would help to increase transparency and awareness and reduce confusion and bring an end to the “round robin situation” where businesses are passed around different support providers. It would also help to challenge a perception that public sector support is not available to firms in some sectors and to ensure that all businesses had access to generic business support and advice.

The provision of business support for the tourism sector illustrates the point. Four new Area Tourism Partnerships have now been created in the region and one of their expressed aims is to be seen as the primary point of contact for tourism businesses. In rural areas these are overwhelmingly micro-businesses that do not engage extensively with the public sector. Any contact which is made may be to the local TIC (operated by the District Council), the Business Link Advice Centre or the local Enterprise Agency. If the business is farm based then Defra / RDS may be the natural route into the system. The RDA is well aware of the potential overlap in responsibilities and a model is currently being developed which will clarify the working arrangements between ATP and Business Link staff. The interviews for this research did reveal some sensitivities and concerns amongst the various agencies about the potential for confusion when support for one sector of the rural economy is separated in this way.

Much of the discussion focused on mechanisms which would give a stronger rural dimension to the services of Business Link. The need for additional specialist staff in the fields of tourism, farming and retail was highlighted, and even for sub-sectors within these (e.g. farms wishing to undergo various different kinds of diversification and those wishing to remain as they are). The concept of a web based gateway or portal or a telephone helpline (run by experienced and highly trained staff) for rural business advice was thought to be worth exploring. Some respondents also suggested using existing business clubs and associations in the delivery of business support, although concerns were also expressed about the exclusivity of such organisations and their often poor relationships with public sector organisations. The creation of a region-wide Rural Enterprise Trust, perhaps a consortium of rural local authorities, was referred to but at the same time doubts were expressed about any new initiatives of this nature. Reference was made in particular to the discussions about a ‘rural bureau’ in Co Durham which did not materialize. Whatever institutional structures are created at the macro-level this must allow more ‘bottom up’ arrangements and less conventional methods of support e.g. the Upper

Teesdale Agricultural Support Service, Bizz Fizz etc. should be encouraged if they are successful in meeting a particular need. Private sector support providers expressed concern that the already limited contact between public and private sector suppliers (and the tendency to see one another as competitors) may be further diminished in future (two private sector interviewees with over 10 years experience of rural business support between them, could recall only one instance of a client referral from Business Link to their organisation).

In distilling the views expressed about future provision the key messages were that business support should be customer focused (demand led not supply led); accessible (based on local delivery arrangements); involve the minimum of bureaucracy; obtain the maximum value from the collective resources of partners; and recognize the specific characteristics and needs of rural businesses. For the latter to be achieved, the positive involvement of businesses in shaping future arrangements was felt to be critical.

5.3 Review of best practice rural business support initiatives - Delivery models for rural business support

5.3.1 Lancashire Rural Futures

This originated as the Bowland Initiative in 1999 to join up the delivery of environmental and business advice to the farming community and facilitate participation in agri-environment schemes and help farmers gain access to grant aid for diversification projects and steer these through the planning and other regulatory processes.

The initiative proved highly successful and was extended to the whole of Lancashire in 2003/04 (see www.lancashireruralfutures.co.uk). The key features to note are as follows:

- It provides a single point of entry for environmental and business advice for farmers and other rural businesses. There are two offices at Clitheroe and Leyland (reduced from three with the closure of the Bacup office). Some 35 staff are employed which includes environmental, business and community advisers/specialists and administrative support.
- Funding is from a number of partners including LCC, NWRDA, EA, EN, RSPB and Objective 2. Business Link provides payroll and financial services.
- The LEADER programme is co-located with LRF and delivers joint schemes (Rural Sustainable Marketing Programme and Bowland Tourism and Environment Fund)
- The principle clients have been farmers but the assistance given to other types of rural business has grown significantly. Clients receive free advice from LRF (usually covering both environmental and business aspects) but pay for any external services often with the benefit of grant aid

- Relationships with the other rural development agencies are positive with clients often cross-referred

The institutional and funding context within which LRF operates in the North West is set to change, principally as a result of the MRD process, creation of Natural England, introduction of the new RDPE and formation of a region wide Business Link service.

The implications for LRF are yet to unfold and working protocols with Natural England which has yet to become established are unknown. However, with the prospect of much reduced funding and agri-environment schemes consuming the bulk of the available RDPE resource the likely scenario is for a slimmer LRF operation with a much greater economic imperative focusing on support for diversification within the land based sector and assisting the business development plans of other rural firms which have the highest growth potential.

5.3.2 Rural Gateways

There are two notable projects in the East of England and South West of England funded by their respective RDA's (see www.ruralgateway.info and www.sw-gateway.com). They are designed to enhance the rural element of the services provided by the Business Link network.

In the East of England there is a single hotline telephone number all rural businesses (start up and established, land based and other sectors) and contacts are signposted via a specially trained Rural Enquiry Officer to one or more County based advisers operating at Business Link itself, the region's six agricultural colleges or the ADER project (Agricultural Development in the Eastern Region). The services on offer include one to one business appraisals and mentoring; production of professional business development plans; advice on funding sources and facilitation of grant applications; training opportunities; ICT; and environmental advice. Special events and visits are also organized for the exchange of experience and good practice. Advice is provided free of charge or is heavily subsidized.

In the South West the Rural Enterprise Gateway similarly provides rural businesses with streamlined access to information, training and business development support. A particular focus is placed on groups of agricultural and land based businesses wishing to take collaborative action and for which small grants are made available to meet the development costs. The Gateway acts as an umbrella for all kinds of sector based and geographically based business groups. It also features a Knowledge Network which provides an interface between land based industries and the research community. A region wide steering group of individuals working in the rural sector oversees the quality, delivery and take up of Gateway services.

5.3.3 Penwith Whole Farm Advice Service

This scheme has its origins in the farming crisis of the late 1990's and the recognition that agricultural communities in remote rural areas needed to make substantial changes in traditional working practices in order to adjust successfully to radically different economic and social conditions. The scheme provides advice and support to farming families in the administrative District of Penwith, West Cornwall.

The establishment of the scheme has been greatly assisted by Cornwall's status as an Objective 1 area. The accountable body is the Penwith Community Development Trust. The Penwith Farming Forum provides a Steering Group and the scheme operates with very modest overheads; there are two staff, a combined Farm Business Development Adviser/Rural Outreach Worker and one administrator, based at the Penwith Farm Business Centre in Penzance.

The scheme functions as a 'one stop shop' facility to promote rural development, stimulate collaboration between farmers, develop new markets, encourage the uptake of training and signpost farmers to other support agencies. The scheme has a strong social element in the services offered which can include facilitating access to income support and welfare provision as well as a dignified passage to retirement. A diagnostic framework in which farms are placed in one of four categories according to their economic status has been used to guide the type of interventions needed. The interventions range from high level technical advice for the most advanced and economically sound farms to radical and urgent action, often involving third parties (e.g. landlord, bank) to rescue and re-orientate a seriously failing business. The performance of the scheme relies entirely on the commitment and competence of the single Adviser.

An evaluation of the scheme was conducted by the Centre for Rural Research, University of Exeter in 2004. The research concluded that the scheme was clearly impacting positively on clients' management of their farms; it was universally held in high regard; and was delivering the kind of support and interventions that were envisaged. The research was able to quantify some of the benefits but could only refer obliquely to wider outcomes related to the development of social capital. A number of recommendations were put forward for making improvements which largely concerned the strengthening of relationships with other social and economic programmes and initiatives.

5.3.4 Cumbria Rural Enterprise Agency

The CREA is one of four enterprise agencies in the County of Cumbria and services the rural areas of Eden and South Lakeland (see www.crea.co.uk) It was first established in 1987 to assist people who wished to become self-employed and has gradually increased its remit becoming a 'one stop shop' for assistance to businesses of all sizes and in all sectors. In this regard the Agency is a partner in and local delivery company for Business Link Cumbria providing generic business start up services.

The Agency operates from two sites in Kendal and Penrith. It has received a substantial amount of investment as a result of the designation of Cumbria as a Rural Action Zone in response to the foot and mouth crisis of 20021/02. Of particular note amongst the Agency's portfolio of services and programmes are:

- Cumbria Farm Link/Farm Connect – preparation of business plans and the provision of capital grants, consultancy advice and an organic hub
- Farm Tourism Initiative – development of farm based attractions, activities and accommodation including training programmes, marketing, counseling and small grants
- Distinctly Cumbrian – development of local specialist / added value products including distribution, marketing and creation of new supply chains
- Rural Planning Facilitation Service – a free source of assistance to help development proposals negotiate the planning system successfully
- Cumbria Business Environment Network – promotion of environmentally friendly business practices particularly in relation to waste management, pollution control and energy conservation.

The Agency directly employs 30 staff and has contract arrangements with a further 70 advisers who provide specialist services. There is a board of directors with a strong private sector element including major banks and land agencies based locally. As with all agencies nationally operating in this field there is considerable uncertainty caused by the renegotiation of Business Link services and the re-organisation of rural development institutions and funding streams.

5.3.5 Warwickshire Rural Hub

Warwickshire Rural Hub was established in October 2003 as a farmer and rural business led group (http://www.ruralnet.org.uk/~rural-forum/hub_home.htm). At this time, a farmer from Kenilworth (Henry Lucas) approached the existing Rural Forum for Warwickshire, Coventry and Solihull (formed in 1997) which ran a variety of events aimed at supporting and developing rural businesses across the three areas. Members of the Forum include county, borough and district councils in the area and Coventry and Warwickshire Chamber/Business Link. Lucas asked Forum members for their support in establishing a business-led grouping. This group became known as the Warwickshire Rural Hub and it now increasingly acts as the delivery arm of the Rural Forum resulting in a unique partnership arrangement between the two organisations. Through the Rural Forum, support for the project has also been received from Defra, Advantage West Midlands, the Royal Agricultural Society of England and Coventry and Warwickshire Learning and Skills Council.

The primary aim of the Hub is to provide practical and effective business development and support to farm and rural businesses across Warwickshire and Solihull. Membership of the Hub is free to any farm or rural business in Warwickshire or the rural parts of Solihull and Coventry. It is led by businesses for businesses and so its work is strongly driven by the needs of its 850 members, for whom it provides a strong voice when dealing with agencies represented on the Rural Forum. The members are predominantly agricultural businesses (including many diversified enterprises), although the Hub does run events open to rural businesses operating in any sector, including tourism. Members receive quarterly newsletters, regular e-news updates, access to all Hub events, training activities and meetings, business support through the Hub's signposting service and themed business groups and support to develop collaborative rural business-led initiatives. Reports on recent events and information about forthcoming events are provided on the Hub's website.

Recently, the Hub has focused on four key areas of work in order to stimulate innovation in meeting the challenges faced by the farming sector and rural communities, to help improve business performance and develop new, often collaborative, enterprises:

- The food supply chain
- Bioenergy and non-food crops
- Waste management and resource efficiency and
- Innovative rural tourism

Each area of work is led voluntarily by Hub members with the support of the Hub Steering Group (the Group meets regularly and membership is voluntary) and the Hub Coordinator. The Hub also facilitates and supports the development of rural business-led initiatives such as 'Fresher by Miles', a local food marketing company and distribution initiative fuelling Warwickshire's buildings with biomass and plastic recycling schemes. A signposting service is also provided for members. This provides a vehicle for the sharing of experiences and ideas with Rural Hubs elsewhere in the West Midlands, and a means of communicating the needs of members to the Agencies represented on the Rural Forum. Frequently members' questions are directed to other agencies, particularly Business Link, but also a number of other public sector providers, such as Lantra. The Hub mainly engages private sector support providers through its events, where a local firm of solicitors, for example, may be invited to speak and/or attend.

The full-time Hub Coordinator's position is funded by the Hub and the Rural Forum. Other Hubs have now been established in a number of other counties in the West Midlands, including Worcestershire, Herefordshire and Staffordshire. These hubs fund their own part-time coordinators. As far as the future is concerned, some questions were raised about the implications of changes to Business Link and its role in supporting rural businesses. However, Advantage West Midlands (AWM) has increasingly recognized the work of the Hubs in the region and their grassroots, bottom up approach and earlier this year agreed to fund the work of the Hubs until March 2007. The West Midlands hubs have also recently received national recognition for their contribution towards practical rural delivery. AWM will be consulting with the Hubs to decide the regional priorities and shape the Regional Implementation Plan for the RDPE. Although it is early days, it seems that the Hubs will have an important role to play in coordinating, facilitating and delivering elements of the new RDPE and it is hoped that further support will be forthcoming.

5.3.6 The Regional Centre for Tourism Business Support

The Regional Centre for Tourism Business Support was launched in 2003 and is a partnership between Advantage West Midlands and the five Business Links in the West Midlands region. The Centre provides a single point of contact through which tourism businesses can access information, specialist advice and training to develop their business. The Centre was largely born out of the cluster approach adopted by Advantage West Midlands (AWM). Sub-districts were charged with leading the development of particular clusters, and Shropshire was given the tourism/leisure cluster. Shropshire Business Link therefore took the lead in this sector on behalf of all Business Links in the West Midlands.

Foot and Mouth Disease also proved to be a major factor in the decision to set up the Regional Centre as there was a strong feeling that during the outbreak, tourism businesses were not seeking out and using the advice that was made available to them. It was recognised that organisations needed to come together to tackle this reluctance.

The Centre has five Tourism Business Advisers who provide advice and support to tourism SMEs (including pre-starts) with a visitor focus. All of the advisers have had experience in the tourism sector. A Project Manager oversees the running of the project and there is also an Information Manager and Project Co-ordinator. The team's head office is based in Business Link West Mercia and the Centre has its own '0845' number for businesses to call.

Services provided by the Regional Centre include:

- Proactive support – a Tourism Business Adviser can visit businesses free of charge to carry out a diagnostic tailored to the needs of each business. The visit may highlight areas where the business can receive further specialist help and training and can assist the business to access that help and training. The adviser can cover issues such as marketing and publicity, finance, customer care, development and policy and planning.
- Information Resource Centre:
  - Develop a database of all relevant sources of business information for the tourism and leisure cluster
  - Share information with tourism businesses throughout the West Midlands region

  - Develop and share good practice with tourism businesses, through events and meetings organised by the Centre
  - Develop new sources of tourism information where there are currently gaps
- Networking and support – the Centre also develops new tourism networks and support services, where necessary, and facilitates the sharing of best practice.

Businesses can register free on the website at http://www.qualityatheart.co.uk/115_Home.asp and from there can access free industry factsheets. The Centre's website also contains an 'ask the expert' page and information on the Quality at heart programme, a new scheme to help tourism, leisure and hospitality businesses in the Heart of England to improve their quality and gain recognition for excellence.

The Centre has a close working relationship with private sector support providers - although it is acknowledged that there is still some room for improvement in this area – and working through a sub-regional structure gives Advisers a good knowledge of the 'local offer' in terms of both public and private sector providers. The Centre also recognises the need for better coordination and sharing of information between existing support providers rather than new initiatives or strategies. Confusion about what is on offer simply leads to businesses becoming disengaged and lost from the system altogether.

Two reviews are currently underway in the West Midlands which may affect the Regional Centre. One is a review of the Business Link regional model (in which two Business Links are proposed – one dealing with brokerage services and one with gateway services). The other is a review of Heart of England tourism by Tourism West Midlands. The Centre does not feel threatened by either review mainly because it is delivering important outputs for AWM; in fact, it is one of the only regional tourism projects delivering on the RDA's agenda. The Centre is also exploring ways to expand its current role, including taking on a skills coordination role, coordinating events, meetings, training and networks, particularly as there is no longer a tourism lead in the LSC. The Centre is also exploring the possibility of extending its service to undertake second visits to businesses.

5.4 Conclusions

This section summarises the key findings and issues arising from the interviews with professionals and assessment of current systems.

5.4.1 Clarity of vision

The delivery of support to rural businesses takes place through a complex constellation of institutional structures which the Government deemed to be unacceptable and sought to change through its

Rural Strategy of 2004. This triggered the Modernizing Rural Delivery process and the streamlining of funding programmes, with responsibility for economic regeneration and business support assigned to the RDA's. Important accompaniments to this process have been the renegotiation of regional contracts for the delivery of Business Link services and preparations for managing the new Rural Development Programme for England (RDPE) at the regional level.

It is noteworthy that the themes and objectives for the rural economy set out in the above policy documents are not reflected in the Regional Economic Strategy. In Section C which covers Business there is much reference to differentiation, targeting and segmentation but no recognition that rural businesses require any specifically tailored services beyond an acknowledgment that sectors such as farming, fishing, tourism and creative (typically rural) do not tend to access mainstream business support. This approach to rural business support in the North East differs markedly from practice in other regions (see below). It would appear essential that the Enterprise Strategic Action Plan referred to in the RES has a specific rural dimension so that it is closely aligned to the vision and aspirations for the rural business community set out in the RDF and RDPE Implementation Plan.

5.4.2 Rural priorities – targeted engagement

A consultation draft North East Implementation Plan for the RDPE was published in August 2006. This programme will provide an important source of funding for development of the rural economy. A relative strength of the region is the relatively high number of businesses and business start ups per head of population in the rural areas and business survival rates are also higher than the national average. However, the region has a low level of business diversification relative to other English regions and it is recognized that the traditional land based sectors need to identify and adapt to new and emerging business opportunities. There are six delivery themes in the Implementation Plan which include micro-enterprise development; bio-energy; sustainable farming & forestry; and tourism & recreation. Across all of these themes a strong emphasis has been placed on business start up, business growth, the take up of business support facilities and technical advice, formation of producer groups and collaboration within supply chains to deliver the required outcome of a successful, diversified rural economy.

To further underline this Defra has in the last month published its Sustainable Farming & Food Strategy : Forward Look (July 2006). This highlights that the key challenge facing farm businesses and the food chain collectively is 'to move away from a dependence on subsidy towards a more professional business-focussed approach based on greater awareness of market opportunities, including for diversified enterprises, the benefits of collaboration and co-operation, and the acquisition of skills needed to exploit these opportunities.'(Executive Summary, para 3). At para 2.5 there is a specific reference to signposting of farmers to the RDA managed Business Link network to meet their generic business support needs.

The maintenance of longer term relationships with business clients and the provision of more specialist assistance (what the RES refers to as account management) is altogether more challenging and resource intensive and the outcomes and return on this investment more difficult to calculate. The notion of ‘targeted engagement’ is supported in theory provided there is sufficient clarity about the targets (types of commercial activity, businesses with high growth prospects, priority sectors etc) and what services can be offered either directly or via brokerage to external providers.

5.4.3 Delivery mechanisms

It is clear that in future Defra expects relevant agencies to adopt more of a proactive, commissioning stance to the delivery of business support and grant aid rather than the more responsive approach taken in the past. This will require the setting of clear priorities and targets, a task which the agencies have now embarked upon through the RDF/RDPE Implementation Plan process.

The professional interviews did not produce any overall consensus about how institutional arrangements might be adapted to achieve improvements in rural business support. There were mixed views about whether certain sectors of the rural economy e.g. the land based industries or tourism should receive differential treatment. There was however general agreement that more experienced specialist staff were needed in the mainstream agencies and that the ultimate determinant of success or failure of these advisers will be determined by such factors as trust, competence and reputation. It was also agreed Business Link should be maintained as the principal ‘brand’ for business support services albeit that other less conventional methods outside of the mainstream should continue to be allowed to flourish.

There are numerous models in the other English regions for the delivery of business support in rural areas, six of which are highlighted in this report. The important point to emphasise here is that five of those illustrated have a specific rural remit. This is in sharp contrast to current practice in the North East (and seemingly reinforced in the RES) where no specifically rural initiatives or delivery agencies have been taken or created. There is no single template which emerges from these illustrative models. They operate at various geographical levels (region wide, county, district or combination of and sub district). They can simply provide a portal or signposting facility to generic or specialist advisers. They might focus on one particular sector of the rural economy. They might have emerged as a bottom up response to a perceived need by the rural business community, perhaps on the initiative of one individual. The staffing can range from one single facilitator to an establishment of 30+ employees connected to an extensive network of specialist contractors. All of these agencies, however, ultimately depend on public sector funding. The relationships with Business Link, local authorities and the private sector can vary considerably from the informal to the contractual.

5.4.4 Marketing of services

The interviews with economic development professionals operating in the rural sphere have confirmed that there are differing levels of demand in relation to business support. A considerable volume of contact with the public sector agencies relates to enquiries about business start up, frequently motivated by the prospect of grant aid. The generic forms of support provided follow well established patterns, monitoring is relatively straightforward and customer satisfaction reaches satisfactory levels. The market town high street presence of Business Link appears also to have assisted in raising the profile of the organization and in turn generating higher business start up and penetration rates. The peripatetic working practices of the specialist rural advisers have also ensured that rural businesses are not disadvantaged by location. Experimentation to extend the reach of business support services through drop in facilities in more remote locations have proved less worthwhile.

5.4.5 Better monitoring and evaluation

A key mechanism to ensure that that the organizations tasked with implementing the modernizing agenda are working together effectively, to an agreed set of priorities and with the emphasis placed firmly on the needs of customers is the regional Rural Delivery Framework. A preliminary draft was submitted by GONE to Defra in April 2006. One of the three strategic objectives / strands of activity set out in the Framework relates to the development of enterprising rural businesses. The next steps in the evolution of the Framework process will be an organisational mapping exercise, the preparation of action plans for each activity strand and the setting of appropriate indicators to monitor outputs and outcomes.

6. 'Snapshot' Telephone Survey

The 'snapshot' telephone survey of 126 CATI interviews with 'non-users' of Business Link services provides both quantitative and qualitative data to compare against the other data streams to provide the specific and fact-based analysis for the North East.

6.1 Telephone Survey Aims

The survey has a number of aims, the first of which is to create a profile of rural 'non-users' of Business Link services in terms of the following:

- Size of business
- 'Rurality' of business
- Location within the region
- Age of business
- In-migrants vs locals
- Highly self-reliant vs firms seeking information and advice from a range of public, private, collective and informal sources
- Attitudes to growth

In addition the survey looks to differentiate within non-users whether they are able to access services and whether they are motivated or willing to do so. From this the aim is to understand the key group(s) in more detail in order to recommend ways of increasing accessibility to and uptake of mainstream business support by rural entrepreneurs/businesses.

As One NorthEast is interested in all barriers to uptake of mainstream business support by rural business, whether they are in its control or not; the survey questionnaire is designed to identify not only 'hard factors' that explain why rural businesses do not access business support such as poor accessibility, 'out of hours' availability and inflexible support mechanisms but also the 'soft factors' such as perceptions or need for independence and personal control or other personality traits or characteristics. A simple and effective approach that is encompassed within the survey is to ask rural business people whether they feel they are able and/or motivated to access business support services. From this we have been able to produce a decision support grid of non-users of business support services that can be used to understand the 'hard' and 'soft' factors that affect the different groups:

	Able	Not Able
Motivated (willing)	Group 1: Profile of non-users – reasons for not accessing services	Group 2: Profile of non-users – reasons why ‘not able’
Not motivated (unwilling)	Group 3: Profile of non-users – reasons why not motivated	Group 4: Profile of no-users – reasons why ‘not able’

- Group 1 (able and willing) are likely to be in the ‘softer’ information and perception areas
- Group 2 (willing but not able) are likely to be in the ‘hard’ factor areas but may be purely perceptual
- Group 3 (not willing but able) – why are they not motivated? What is their ‘relative value’?
- Group 4 (not willing and not able) – this group will potentially cost the most to convert, and therefore again, although insight into why they are not motivated and why they feel they are not able to access the services adds to our knowledge, it may again come down to their ‘relative value’.

Once these factors are more clearly understood and defined, a list of practical steps can be identified and ranked, usually under the three headings of changes in service provision, changes in factual information provided and campaigns to change perceptions.

6.2 Distribution of Interviews

The interviews were chosen to provide a distribution by geography and business sector throughout the region.

6.2.1 Geographic Distribution

For the purposes of this project, ‘the rural North East’ is defined as the following districts:

Berwick	Alnwick
Tynedale	Morpeth
Derwentside	Sedgefield
Easington	Wear Valley
Teesdale	Redcar & Cleveland

The CATI interviews are therefore grouped as follows:

Table 1 Geographic distribution of respondents

Area	Districts	Number of Interviews
Remoter Northumberland	Berwick and Alnwick	17
Accessible Northumberland	Morpeth and Tynedale	28
Post-industrial	Derwentside, Easington, Redcar & Cleveland and Sedgefield	49
The Durham Dales	Wear Valley and Teesdale	32

6.2.2 Business Sector Distribution

The survey gives proportionate representation to land based industries, including agriculture, forestry and fishing as well as to other key sectors within the region that have been identified by One NorthEast, including:

- Health and Social Care
- Automotive
- Commercial & Creative
- Knowledge Intensive Business Services
- Tourism and Hospitality
-

To give this proportionate representation to land based industries, the distribution of the CATI interviews across business sectors, based on categories in the datasets supplied by Business Link within the North East were as follows:

Table 2 Distribution of CATI interviews across sectors within the North East

Business sector	Number of contacts
Agriculture and forestry	41
Construction	7
Education	1
Fishing	1
Health and social work	8
Hotels and restaurants, tourism and hospitality	17
Manufacturing	5
Manufacture of food products	2
Other community activities	8
Other community social & personal service activities	3
Real estate, renting and business activities, professional services	8
Retail Trade	15
Sale maintenance and repair of motor vehicles	7
Wholesale trade	1
Transport, storage and communication	2
Total	126

Note that respondents did not always fit easily into the above categories, and many preferred to describe themselves specifically, or indicated that they were in more than one category (presumably partly as a result of farm diversification activities).

6.3 The wider context

Any meaningful analysis of the results of the telephone survey of ‘non-user’ businesses has to take place within the context of the region’s business economy in general and that of the rural North East in particular. This section therefore seeks to provide a brief overview of the ‘shape’ and ‘structure’ of the region’s businesses, with particular focus on those located in the rural areas.

The most recent statistics derived from the IDBR show the following split between “Rural” and “Urban” enterprises according to the ONS definition at Local Authority level. The Local Authority areas have been grouped by Business Link or Sub-Region.

The areas shaded in grey were not sampled as part of this project.

Counts of VAT Based Enterprises March 2005 ONS				
Business Link or Sub-Region	**Local Authority**	**Rural**	**Urban**	**Total**
Tyne & Wear	Gateshead	375	2,810	3,180
Tyne & Wear	Newcastle upon Tyne	160	4,525	4,680
Tyne & Wear	North Tyneside	210	2,510	2,720
Tyne & Wear	South Tyneside	20	1,695	1,720
Tyne & Wear	Sunderland	45	3,530	3,575
Tees Valley	Hartlepool	85	1,025	1,110
Tees Valley	Middlesbrough	10	1,620	1,630
Tees Valley	Redcar and Cleveland	660	1,000	1,660
Tees Valley	Stockton-on-Tees	270	2,500	2,770
Tees Valley	Darlington	490	1,470	1,955
Durham	Chester-le-Street	195	570	765
Durham	Derwentside	660	775	1,435
Durham	Durham	750	665	1,415
Durham	Easington	600	485	1,085
Durham	Sedgefield	510	985	1,500
Durham	Teesdale	1,115	x	1,115
Durham	Wear Valley	880	490	1,370
Northumberland	Alnwick	1,100	x	1,100
Northumberland	Berwick-upon-Tweed	735	360	1,090
Northumberland	Blyth Valley	250	850	1,100
Northumberland	Castle Morpeth	995	305	1,300
Northumberland	Tynedale	1,870	475	2,345
Northumberland	Wansbeck	230	480	705
Total		**12,215**	**29,125**	**41,325**

At an even lower level of detail, ONS provides counts of “Local Units”.

		Counts of VAT Based Local Units by Employment Size Band, 2005				
Sub Region	**Local Authority**	**0-4 Persons Employed**	**5-9 Persons Employed**	**10-19 Persons Employed**	**20+ Persons Employed**	**Total**
Tyne and Wear	Gateshead	2,750	950	600	790	5,090
	Newcastle upon Tyne	3,975	1,360	860	1,100	7,295
	North Tyneside	2,265	685	430	490	3,875
	South Tyneside	1,450	495	315	355	2,610
	Sunderland	2,995	1,135	620	835	5,580
Tees Valley	Hartlepool	955	370	200	230	1,755
	Middlesbrough	1,440	630	365	455	2,890
	Redcar and Cleveland	1,430	510	285	330	2,560
	Stockton-on-Tees	2,465	730	425	640	4,260
	Darlington	1,680	475	315	325	2,795
Durham	Chester-le-Street	675	190	90	90	1,045
	Derwentside	1,155	320	190	195	1,860
	Durham	1,205	390	255	300	2,150
	Easington	870	315	180	200	1,565
	Sedgefield	1,205	370	225	255	2,055
	Teesdale	1,010	140	70	55	1,270
	Wear Valley	1,135	345	170	135	1,780
Northumberland	Alnwick	960	185	105	70	1,320
	Berwick-upon-Tweed	880	275	110	80	1,345
	Blyth Valley	875	300	175	205	1,555
	Castle Morpeth	1,075	260	130	140	1,605
	Tynedale	2,070	410	180	155	2,815
	Wansbeck	620	190	105	120	1,035
		35,140	**11,030**	**6,400**	**7,550**	**60,110**
		58%	18%	11%	13%	

The above table shows that 76% of VAT registered businesses in the North East employ 10 people or less. Additionally, there are non VAT registered businesses which do not appear in the IDBR (since they are not registered for either VAT or PAYE). These businesses often consist of a single, self employed individual. The snapshot survey includes these individuals/businesses thus there is no definitive sample frame against which to hold the survey results. Additionally, the snapshot survey was not intended to have high statistical validity. Nevertheless, the sample profile is shown here against the closest comparable statistics.

Sub Region	Local Authority	0-4 Persons Employed	5-9 Persons Employed	10-19 Persons Employed	20+ Persons Employed	Total
Northumberland	Alnwick	960	185	105	70	1,320
	Berwick-upon-Tweed	880	275	110	80	1,345
	Castle Morpeth	1,075	260	130	140	1,605
	Tynedale	2,070	410	180	155	2,815
Durham	Derwentside	1,155	320	190	195	1,860
	Easington	870	315	180	200	1,565
	Sedgefield	1,205	370	225	255	2,055
	Teesdale	1,010	140	70	55	1,270
	Wear Valley	1,135	345	170	135	1,780
Tees Valley	Redcar and Cleveland	1,430	510	285	330	2,560
	Sample population	**11,790**	**3,130**	**1,645**	**1,615**	**18,175**
	Businesses in selected districts	65%	17%	9%	9%	

The sample was 126 businesses, representing just over half a percent of the VAT registered businesses.

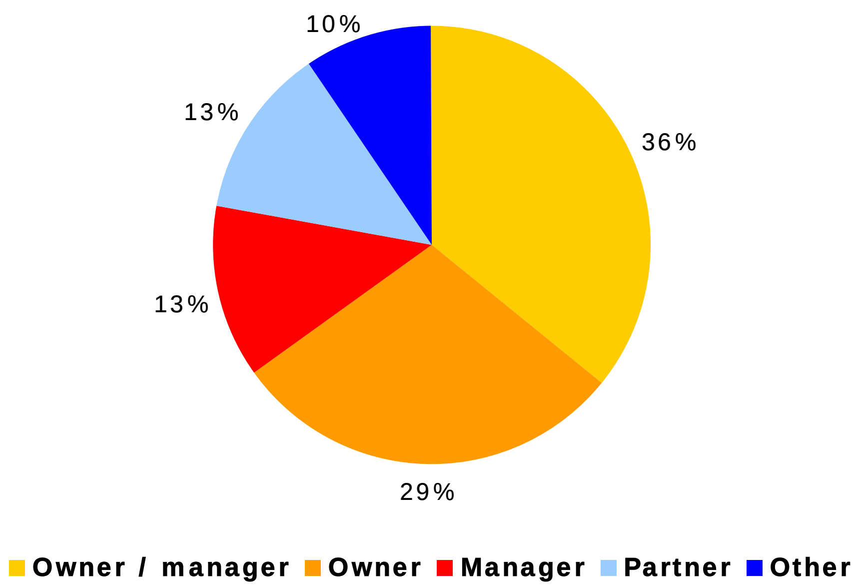
6.4 Profile of the respondents

As mentioned in the section 6.1, the survey aims to create a profile of rural 'non-users' of Business Link services in terms that include the following:

- Size of business
- 'Rurality' of business
- Location within the region
- Age of business
- In-migrants vs locals
- Highly self-reliant vs firms seeking information and advice from a range of public, private, collective and informal sources
- Attitudes to growth

Of the 126 respondents to the survey 35.7% are owner/managers. 29.4% owners, 12.7% managers, 12.7% partners and 12% belong to the 'other' category.

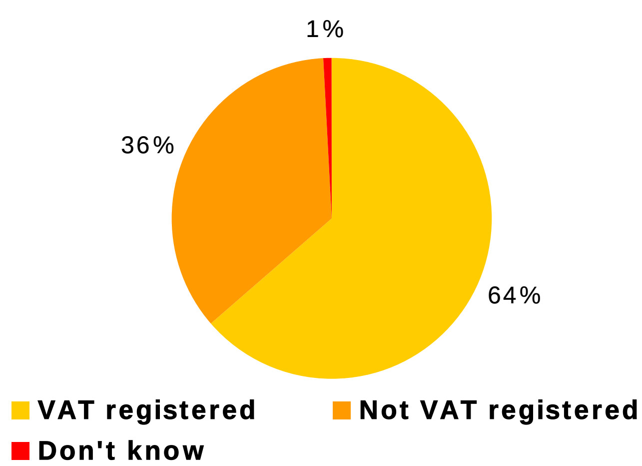
6.4.1 Role of respondent



Base: 126 All respondents

6.4.2 VAT registration status

63.55% of the businesses interviewed are VAT registered, 35.7% are not VAT registered.

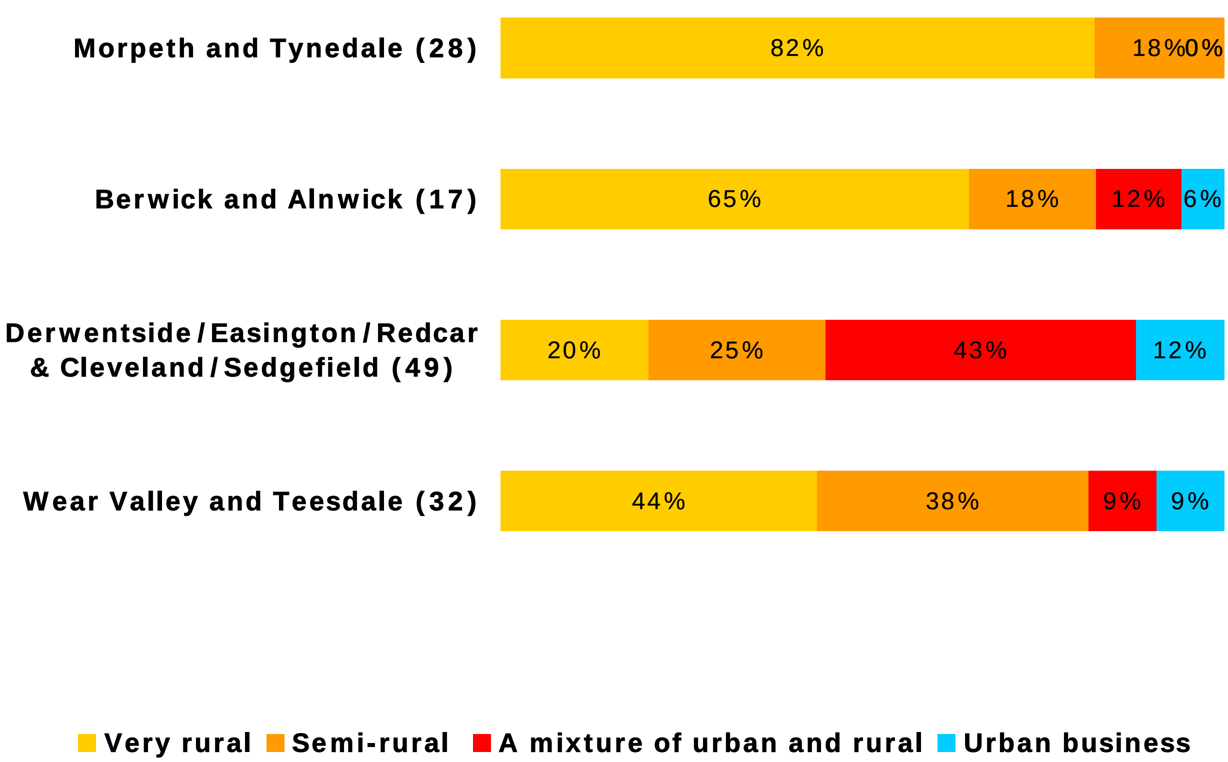


Base: 126 All respondents

6.4.3 Rural classification and geographic distribution of respondents

Table 1 in section 6.2, provides a regional geographic breakdown of respondents. The survey also classified respondents in terms of their 'rurality'. Of those interviewed the largest percentage (46.0%) classified their business as 'very rural'. A further 25.4% classified the business as 'semi-rural', 20.6% as 'a mixture of urban and rural' and 7.9% 'urban'. Of those that classified their business as 'very rural' 61.5% had sought business support/advice. 15.4% of those classified as 'semi-rural' had sought help, 19.2% of those classified as a 'mixture of urban and rural' had sought help and 3.8% of businesses that classified themselves as 'urban' had sought help.

How would you classify this business in terms of rurality?



Base: 126 All respondents

The largest percentage of 'very rural' businesses that were interviewed are located in Morpeth and Tynedale with 82.1% of those interviewed from that area classifying themselves as 'very rural'. 64.7% of businesses interviewed in Berwick and Alnwick classified themselves as 'very rural', while 20.4% from Derwentside, Easington, Redcar/Cleveland and Sedgefield and 43.8% from the Wear Valley and Teesdale all subscribed to the 'very rural' classification.

6.4.4 Age of business

Of all the non-agriculture/farming businesses interviewed (a total of 85) 40.8% have started in the last 10 years up until and including 1996. A further 27.9% started in the ten years between 1996 and 1986 and 14% started in the years between 1986 and 1976.

A number of sectors in particular have seen higher levels of start-ups in the last 10 years, i.e. since 1996. These include the Tourism and Hospitality sector where 66.8% have started since 1996, the Hotels and Restaurants sector (100%), the Construction (66.6%), Manufacturing (60%) Personal/Social services (44%).

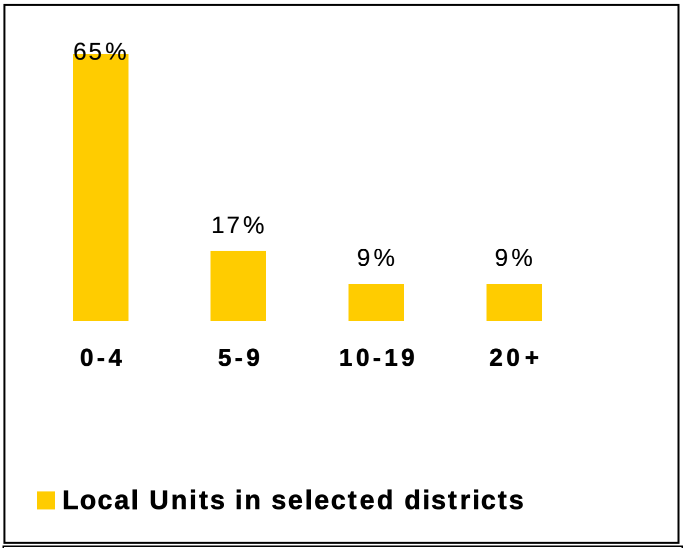
6.4.5 Size of business

The distribution of the 126 businesses according to numbers of employees and turnover is shown in tables 4 and 5.

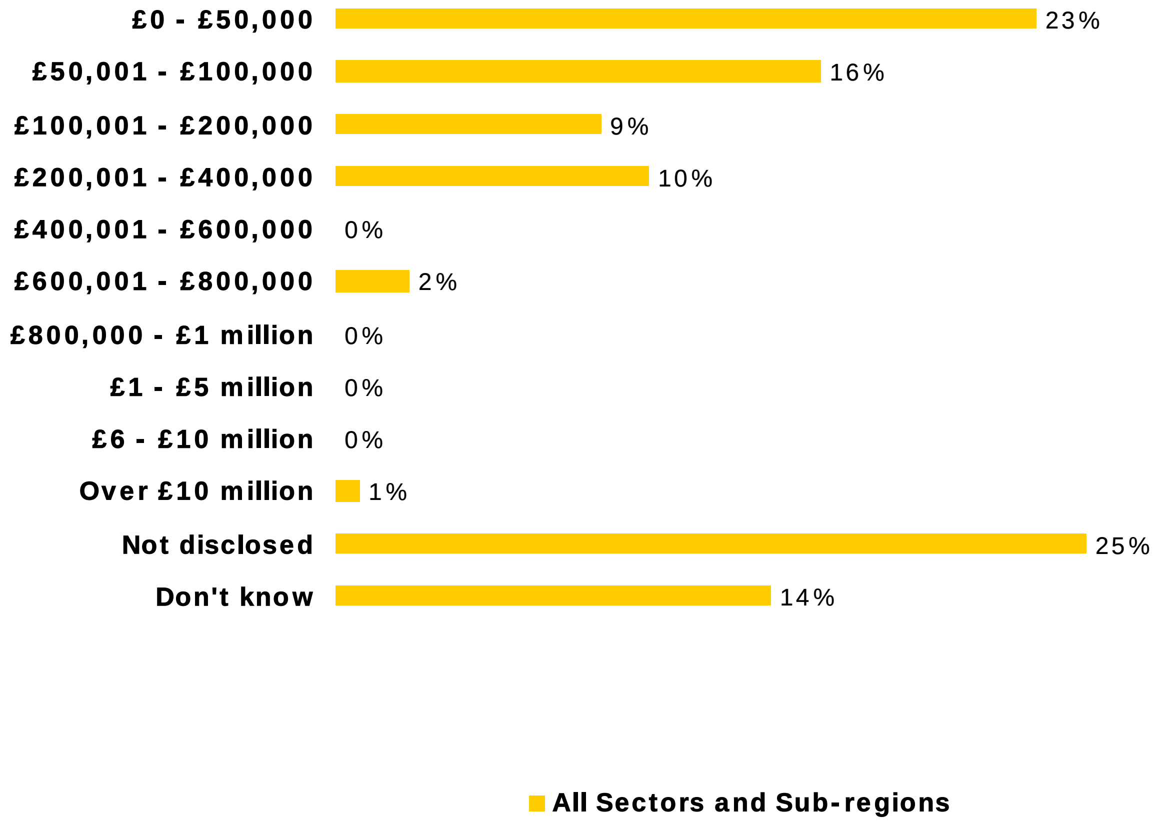
Table 3 Size distribution (number of employees) of respondents

Size of business (employees)	**Percentage interviewed**
1	25.4%
2-5	55.6%
6-10	11.9%
11-20	2.4%
21-30	2.4%
31-50	0.8%
51-75	0.0%
76-100	0.0%
Over 100	1.6%

Table 4 Size distribution (turnover) of respondents



Size of business (Turnover)	Percentage interviewed
£0-50,000	23.0%
£50,001-£100,000	15.9%
£100,001-£200,000	8.7%
£200,001-£400,000	10.3%
£400,001-£600,000	0.0%
£600,001-£800,000	2.4%
£800,001-£1 million	0.0%
£1-£5 million	0.0%
£5-£10 million	0.0%
£6-10 million	0.0%
Over £10 million	0.8%
Not disclosed	24.6%
Don’t know	14.3%

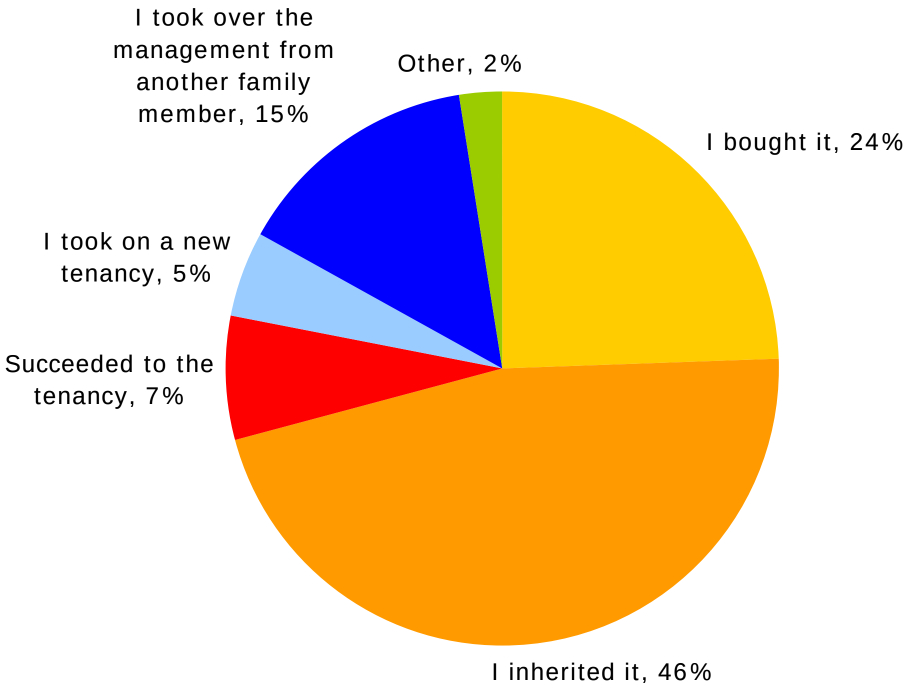


Base: 126 All respondents

6.4.6 Origins of interviewee involvement in the business

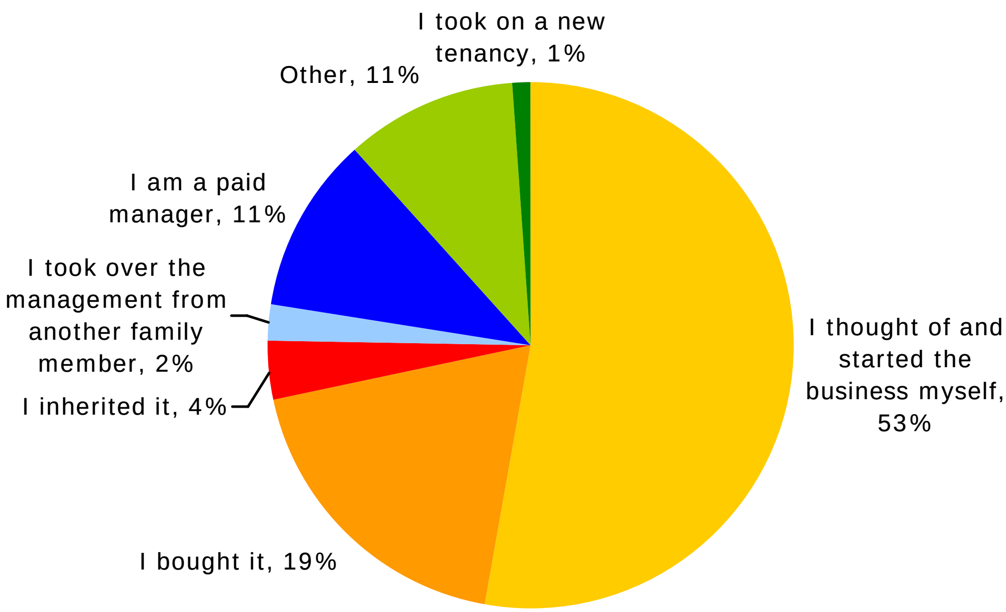
The majority respondents, **not** involved in agriculture/farming, thought of and started the business themselves (52.3%). 19.8% indicated that they 'bought' the business and 10.5% were the 'paid manager'. Of those respondents working within the agriculture/farming sector the highest percentage (46.3%) inherited the business, followed by 24.4% who bought it.

How did you come to be involved in this farming business?



Base: 41

How did you come to be involved in this [non-farming] business?



Base: 86

6.4.7 *Aspirations for the business*

The aspirations of respondents for their business is an important 'soft factor' when looking to understand the barriers to businesses seeking business support. When asked 'at the moment what would you like to achieve from running the business', the highest percentage (65.9%) indicated that they wanted to 'make a satisfactory income'. The most frequently chosen responses thereafter are:

- Work in an environment I enjoy 52.4%
- Provide a local service 46.8%
- To be in charge 38.1%
- Develop my own ideas/express creativity 37.3%
- Work with materials/techniques I enjoy 37.3%
- Maximise my income 36.5%
- Employ local people 35.7%
- Have the flexibility to spend my time as I wish 29.4%
- Employ family members 22.2%
- I just want to continue until I find a suitable job 4.0%
- Other* 10.3%

Other reasons given were:

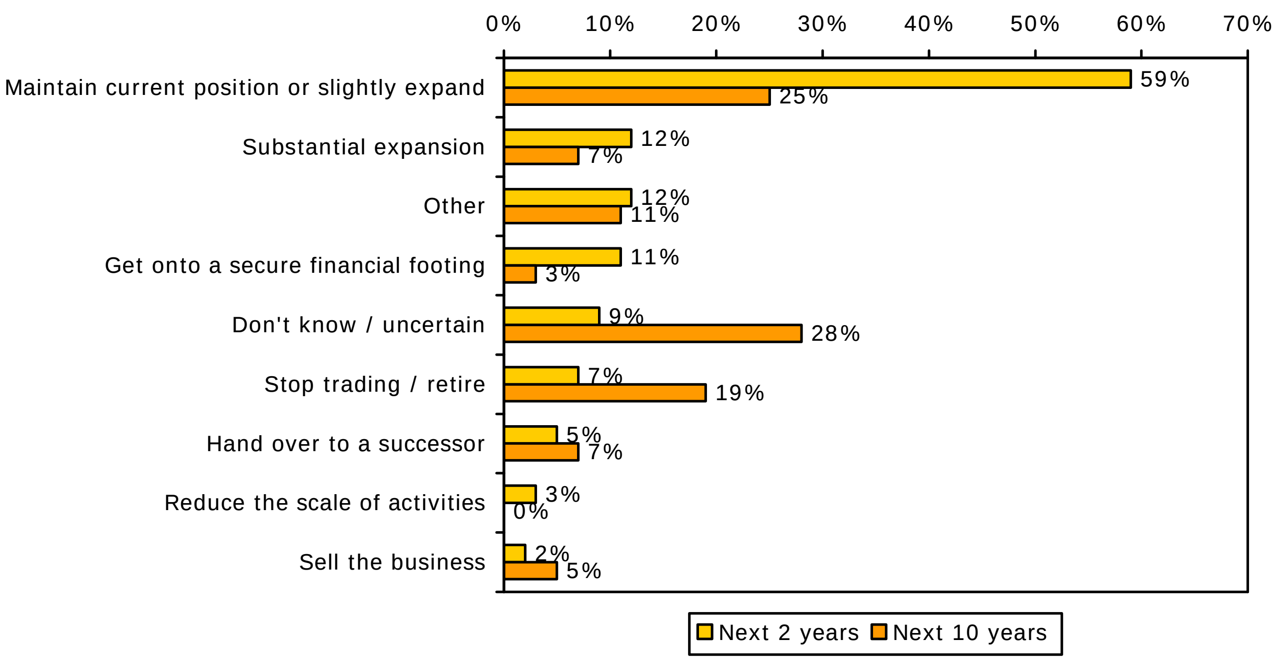
- Maintain high standards and quality
- Keep the outlook of the farm the same, maintain it as being a beautiful place to live
- Retire
- Trying to grow and expand and employ more staff
- Teaching a life skill
- Helping the village
- Non profit organisation- profit goes back into company
- Good health
- Getting through to retirement make reasonable living
- Like a hobby
- To develop a bed and breakfast
- To sell it
- Environmentally friendly

6.4.8 Plans for the business

The survey identifies plans of respondents for their business over the next 2 years and 10 years. Over 2 years the majority of respondents (58.7%) wanted to maintain their current position or slightly expand. This was followed by 11.9% who indicated they planned substantial expansion and 11.9% that indicated 'other' plans. A further 11.1% responded that they planned to get onto a secure financial footing, 8.7% were uncertain, 7.1% planned to retire, 4.8% planned to hand over to a successor, 3.2% planned to reduce the scale of activities and 1.6% planned to sell the business.

Respondents expressed higher levels of uncertainty about their plans for the future of the business over a longer period. Over the next 10 years the highest percentage of respondents indicated they were uncertain (27.8%), this was followed by 25.4% that wanted to maintain their current position or slightly expand, followed by 19% that wanted to stop trading/retire.

What are your plans for the next 2/10 years?



Base: 126 All respondents

6.4.9 Geographical background of respondents

The majority of those interviewed indicated that they have always lived in the area (61.9%). A further 30.2% moved to the area as an adult and 7.9% moved away but then returned. The ranking of these responses remains the same across the regions and also in terms of the rurality of the businesses, turnover, and size. However this pattern is not uniformly evident across all sectors. Whilst respondents within the agriculture/farming, construction, wholesale and retail, transport, personal and social services and 'other' categories are largely local people who 'have always lived here'; within manufacturing, hotels and restaurants, professional services and tourism and hospitality the majority of respondents moved to the area as an adult.

Of those that 'moved away and returned' or 'moved to the area as an adult' the majority (60.4%) had no intention of starting a business when they moved into the area, whilst 35.4% indicated that they did intend to start a business.

6.4.10 Communications and infrastructure

The large majority of all respondents (71.4%) indicated that communications/infrastructure problems are not an issue for them or their business. This majority figure remains across the board in terms of regional location, rurality, turnover, size of business, and across all sectors with the only exceptions being the manufacturing sector and transport sector respectively. In the manufacturing sector 40% indicated that communications/infrastructure is a problem whilst an ambivalent 20% said it is 'not really' a problem. Within the transport sector 50% said that communications/infrastructure is a problem and 50% said it is not.

6.4.11 Internet access at work

50% of all respondents have broadband internet access, 29.4% do not have internet access and 20.6% have dial-up internet access. The highest levels of respondents without any internet access are in the Wear Valley and Teesdale (34.4%). The highest levels without internet access in terms of rural/urban divide are overwhelmingly within urban areas where 70% of respondents do not have internet access.

A majority of respondents in all sectors (with the exception of the utilities sector where only 50% have access) have internet access in some form. The highest levels without access to the internet are found in utilities (50%), wholesale and retail (42.9%), manufacturing (40%), and hotels and restaurants (40%).

Respondents were also asked 'do you use the internet extensively at work, for instance for online trading or advertising?' The responses among all respondents are ranked below:

Do not use it at all for these purposes	41.3%
Use it a little bit	19.8%
Yes – extensively	18.3%
Yes – quite a lot	10.3%
Not very much	8.7%
Don't know	1.6%

The highest use for online trading or advertising is among the 'very rural' and 'semi-rural businesses'. 51.7% of all 'very rural' businesses use the internet for online trading or advertising to some extent and 59.4% of semi-rural businesses also use it for these purposes to some extent. The highest use for of the internet for online trading or advertising is within the real estate sector and the tourism and hospitality sector where 100% and 83.3% respectively use it extensively (although it should be noted that only 1 respondent was contacted within the real estate sector). The next highest figure for extensive use for online trading and advertising is 50% within both the utilities and transport sectors respectively.

6.5 Business support received by respondents

Of the businesses interviewed 41.3% had received business support or business advice, 54.8% had not and 4.0% were not sure.

6.5.1 Influence of Business Type

The highest percentages of companies accessing business support are within the construction sector (66.7%), agriculture/farming (58.5%), tourism/hospitality (50%), personal and social services (44.4%) manufacturing (40.0%), professional services (40%) and 'other' (35.9%). None of the hotels/restaurants interviewed had received business support or advice, nor had businesses within the real estate sector, the transport sector, and the electricity sector respectively.

In terms of turnover, 58.6% of businesses with a turnover of £0-£50,000 had received business support, 40% of those with a turnover of £50,001-£100,000 had received business support, 54.5% of those with a turnover of £100,001-£200,000, 30.8% of those with a turnover of £200,001-£400,000, no businesses with a turnover of over £400,000 had received business support and 48.4% of those businesses that refused to disclose turnover had received business support. Of those indicating that they 'didn't know' their turnover, 11.8% had received business support.

6.5.2 Geographic Influence

In terms of the regional distribution of those that had received business support, 60.7% are located within Morpeth and Tynedale, 47.1% are in Berwick and Alnwick, 30.6% of those are in Derwentside, Easington, Redcar/Cleveland and Sedgefield and 37.5% of those are in the Wear Valley and Teesdale.

The ‘rural classification’ of those that had received business support is as follows:

- 55.2% of very rural businesses have received business support
- 25% of semi-rural businesses have received business support
- 38.5% of a businesses classified as a ‘mixture of urban and rural’ have received business support
- 20% of those classified as urban have received business support

6.5.3 Types of Support Received

Of those businesses that indicated they have received business support/advice, the sort of advice they received is as follows:

▪ General business advice	30.8%
▪ Advice specific to their business	28.8%
▪ Recruitment/personnel advice	1.9%
▪ Training/workforce development advice	1.9%
▪ IT/technology advice	3.8%
▪ Financial advice	9.6%
▪ Marketing advice	5.8%
▪ ‘Other’	17.3%

The figures show that those businesses classifying themselves as a mixture of ‘urban and rural’ or purely ‘urban’ received ‘general business advice’ more than those classifying themselves as ‘very rural’ or ‘semi-rural’ (40.0% and 50.0% compared with 28.1% and 25.0% respectively). However, in terms of advice ‘specific to the business’ 40.6% of ‘very rural’ businesses indicated they had received this sort of advice compared with the next highest figure of 20.0% for businesses describing themselves as a ‘mixture of urban and rural’. Similarly ‘very rural’ businesses also showed the highest figures for receiving advice on training and workforce development, IT and technology (although at 3.1% and 6.3% respectively these are not high).

6.5.4 *Sources of business support*

When asked 'who/which organisation have you ever approached for business support?' the highest percentage (38.9%) indicated 'none'. The next highest figure was 22.2% of all respondents who said they had approached a private sector advisor such as a bank manager, solicitor or accountant. 22.2% also indicated 'other' sources, followed by 19% who had approached Business Link.

Defra was the next most sought after source of business support with 11.1% of respondents approaching this government department. All of the respondents that indicated they had approached Defra came from the agricultural/farming sector. 34.1% of businesses operating within this sector had approached Defra (only equalled by 34.1% within this sector that had approached no-one for business advice) and surpassed only by 36.6% of agriculture/farming businesses that had approached a private sector advisor. The remaining breakdown of sources of business support among respondents is as follows:

▪ Rural Development Commission	8.7%
▪ National Farmers Union (NFU)	8.7%
▪ Rural Development Service (RDS)	7.9%
▪ County Council	7.9%
▪ District Council	7.9%
▪ Local Enterprise Agency	5.6%
▪ Learning and Skills Council (LSC)	4.0%
▪ Business Networking Group	3.2%
▪ Chamber of Commerce	1.6%

The sectoral breakdown of businesses that had approached Business Link for business support is as follows:

▪ Personal/social services	55.6%
▪ Tourism/hospitality	50%
▪ Professional services	30%
▪ Manufacturing	20%
▪ Hotels and restaurants	20%
▪ Other	17.9%
▪ Agriculture/farming	14.6%
▪ Wholesale and retail trade	7.1%

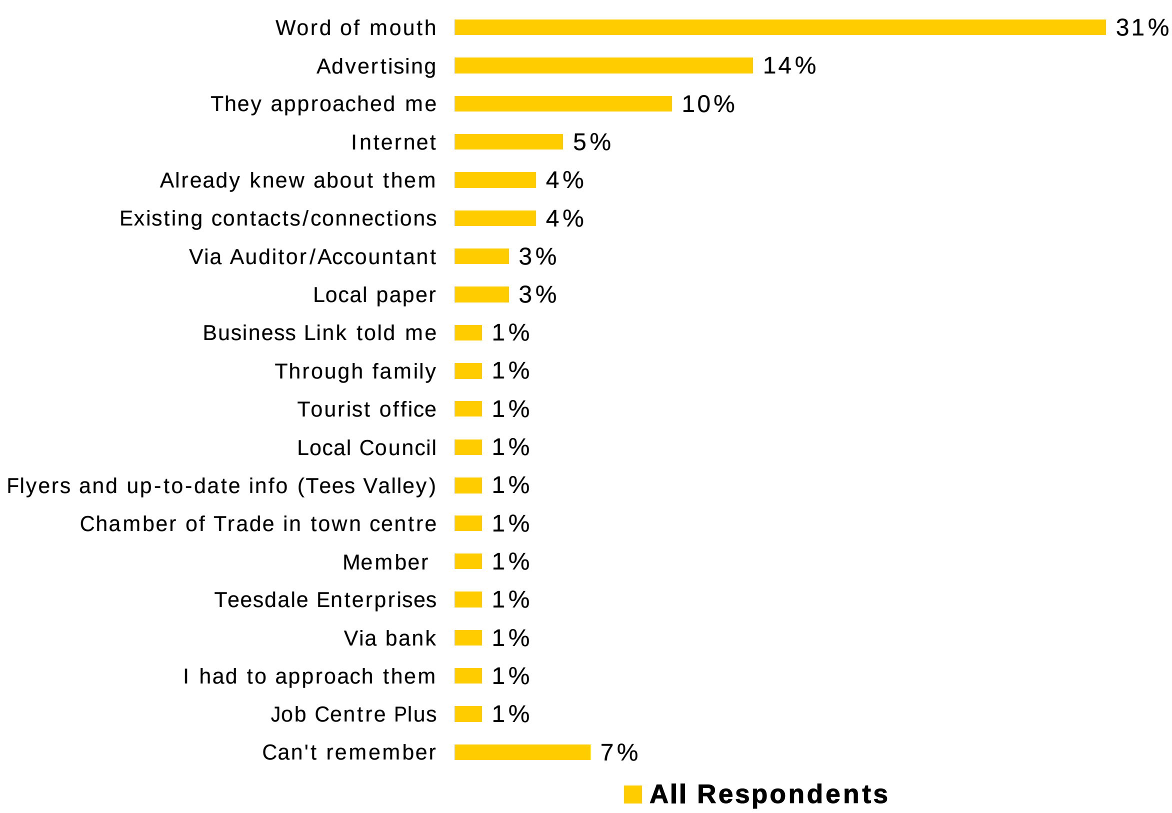
It is interesting to note that of those businesses that had not approached anyone for business support 50% described themselves as 'urban' businesses, 43.6% were 'semi-rural', 36.2% were 'very rural' and 34.6% were a 'mixture of urban and rural'.

Whilst the highest percentages of 'very rural' businesses approached private sector advisors (29.3%) the next most common sources of business support for these businesses were Defra and Business Link with 19% approaching each of these organisations.

6.5.5 *Awareness of Business Support*

When asked how they found out about the source of business support 29.9% of respondents indicated by word of mouth, 14.3% through advertising, 10.4% were approached by the business support agency/organisation, 5.2% through the Internet and 1.3% indicated that they were told by Business Link. The largest percentage however (39%) indicated some 'other' means.

All the 'other' means are shown in the chart below according to the number of respondents who said the same thing.



Base: 126

6.5.6 Levels of satisfaction with the business support received

When asked 'how useful was the support/advice received?' the majority of respondents indicated the support was 'very useful' (36.4%) or 'quite useful' (40.3%). 9.1% said the business advice was 'not very useful' and a further 9.1% said it was 'not at all useful'. Within these figures **all** respondents from Berwick and Alnwick found the advice either 'very useful' or 'quite useful'. Also a total of 88.8% within Morpeth and Tynedale found it 'very useful' or 'quite useful'. Whilst over half of respondents (67.8%) within Derwentside, Easington, Redcar/Cleveland and Sedgefield area found the advice 'very useful' or 'quite useful' there are higher levels within this area (in comparison with the other areas) that found it either 'not very useful' or 'not at all useful' (25.8%). Similarly in the Wear Valley and Teesdale 66.7% found the advice 'very useful' or 'quite useful' but 22.3% found it either 'not very useful' or 'not at all useful'. The mean score for rating business advice is highest in Berwick and Alnwick at 4.3 and lowest in Derwentside, Easington, Redcar/Cleveland and Sedgefield at 3.6.

In terms of satisfaction according to the rurality of the businesses, the highest levels of satisfaction are found in the 'very rural' businesses (83.8% found the advice 'very useful' or 'quite useful') and the highest levels of dissatisfaction are found among the 'semi-rural' businesses with 27.8% rating the advice as either 'not very useful' or 'not useful at all'. The mean score for rating business advice is highest among 'very rural' businesses at 4.0 and lowest among urban businesses at 3.6.

Those who found the advice 'not at all useful' included a garden centre, a fishing tackle and shot gun business, a fitness gym and a manufacturing business. The comments fell into four groups:

- They just didn't help/at all/Everything was wrong: It wasn't any help.
- They just said nothing was available
- The ideas would cost a fortune to set up and there is no guarantee that they would work
- [They] didn't really discuss business, just acted as a means for social events as opposed to promoting business.

Those who found the advice 'not very useful' included pubs, farms, an osteopathic clinic, a tearoom, and a centre offering day care to old or disabled people. The comments fell into five groups:

- They couldn't help because of the type of business
- Wasn't particularly relevant to farming
- I didn't think they were able to tell me much I didn't already know
- Partly my own fault as I didn't pursue it, even if it gave me ideas.
- Because they offer you help, but when approached, they don't want to know/The man we saw gave us no advice whatsoever/...didn't give a lot of support

6.5.7 Types of advice regarded as most useful to respondents

The survey asked respondents to identify from a list of types of advice that 'would have been useful to you in the past', or 'could be useful now' or could be useful 'in the future'. Table 5 below shows the levels of response to this question by all respondents, by those in 'very rural' areas and those in 'semi-rural' areas.

Table 5 Views on usefulness of business support advice among respondents

Areas of business advice	Total respondents	Very rural respondents	Semi-rural respondents
Financial management/taxation	97.7%	101.7% *	87.5%
New technology	86.5%	84.5%	87.5%
Identifying new market opportunities	67.5%	74.1%	62.6%
Public relations	65.8%	67.3%	43.8%
Business strategy	65.1%	70.7%	43.8%
Staff training and development	61.9%	60.3%	72%
Marketing	61.1%	62%	37.5%
Advertising	59.5%	46.5%	62.5%
Management/organisation	57.2%	60.3%	43.8%
Negotiation skills	46.1%	51.8%	40.6%
Employing staff	44.5%	43.1%	37.5%
Developing new products/services	41.3%	43.1%	25%
Market research	37.3%	25.8%	25.1%

*This question was multi-coded so that respondents could reply that a type of advice would have been useful in the past, would be useful now and would be useful in the future, hence some of the values exceed 100%. While useful for ranking, all figures should be divided by three to give a more realistic view.

Another view of this data is to look at the actual numbers within the survey who voted for each cell in the matrix and see which are the first, second and third most useful and least useful subjects across the board. The results of this analysis are shown below:

Table 6 Views on usefulness of business support advice among respondents

Areas of business advice	Useful in the past	Useful now	Useful in the future	Not useful
Financial management/taxation	**36**	**48**	39	62
New technology	27	38	**44**	61
Identifying new market opportunities	14	36	35	64
Public relations	25	33	25	75
Business strategy	34	21	27	68
Staff training and development	19	31	28	78
Marketing	23	26	28	77
Advertising	21	29	25	77
Management/organisation	22	28	22	78
Negotiation skills	20	21	17	86
Employing staff	17	21	17	82
Developing new products/services	15	17	20	88
Market research	16	16	15	**91**

Ranking by number of respondents

First
Second
Third

6.5.8 Factors affecting willingness or ability to seek business advice

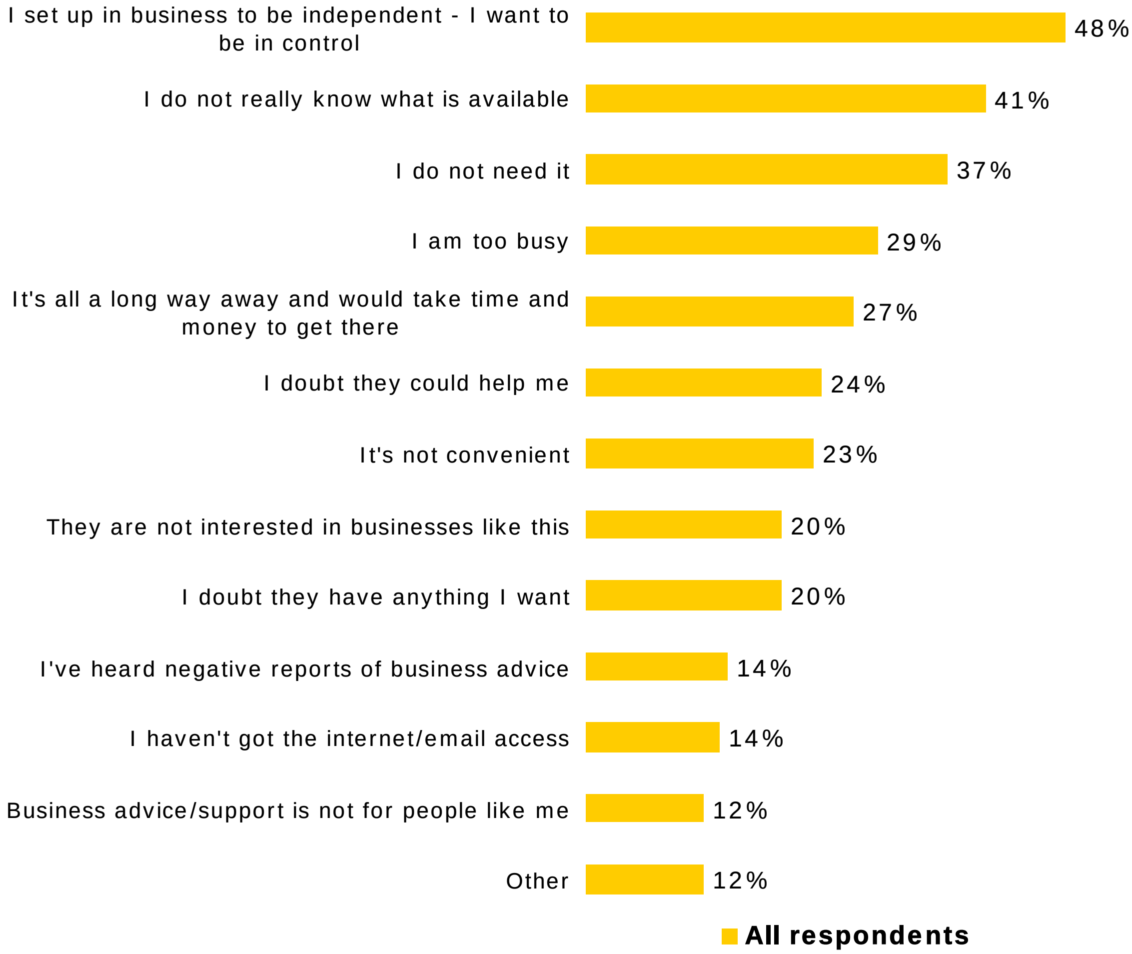
The survey differentiates within non-users whether they are able to access services and whether they are motivated or willing to do so. When given a list of factors that might affect their willingness or ability to seek business advice the most common factor identified by respondents is the desire for independence and control with 48.4% citing this as a factor affecting their willingness/ability to seek business advice. This is followed by awareness; 40.5% of all respondents indicated that they 'do not really know what is available'. The third most cited factor is that relating to perceived need, with 36.5% of all respondents saying they 'do not need it' [i.e business advice].

These three factors consistently appear as the top three factors affecting willingness or ability to seek business advice irrespective of location of business both in rural vs urban terms and across the regions, and irrespective of size and turnover. Even so there are other factors affecting the willingness or ability of respondents to seek business advice and these are listed in Table 7 together with the percentage of all respondents that identified these as factors affecting willingness or ability to seek support.

Table 7 Factors affecting willingness/ability to seek business advice

Factors affecting willingness or ability to seek business support	Percentage of all respondents
I set up in business to be independent - I want to be in control	48.4%
I do not really know what is available	40.5%
I do not need it	36.5%
I am too busy	29.4%
It's all a long way away and would take time and money to get there	27.0%
I doubt they could help me	23.8%
It's not convenient	23.0%
They are not interested in businesses like this	19.8%
I doubt they have anything I want	19.8%
I've heard negative reports of business advice	14.3%
I haven't got internet/email access	13.5%
Business advice/support is not for people like me	11.9%
'Other'	11.9%

29.3% of businesses classified as 'very rural' indicated that distance from sources of business advice is a factor affecting their willingness/ability to seek business support but, interestingly, this is not significantly higher than those from businesses in semi-rural, mixed rural and urban or purely urban areas which scored 26.1%, 23.1% and 20.0% respectively. Lack of convenience as a factor also scored more highly (31.3%) with semi-rural businesses than with 'very rural' businesses (24.1%) but once again urban businesses are not far behind with 20.0% indicating that this is a factor for a fairly significant percentage of respondents irrespective of their rurality.



Comments made under "other" included:

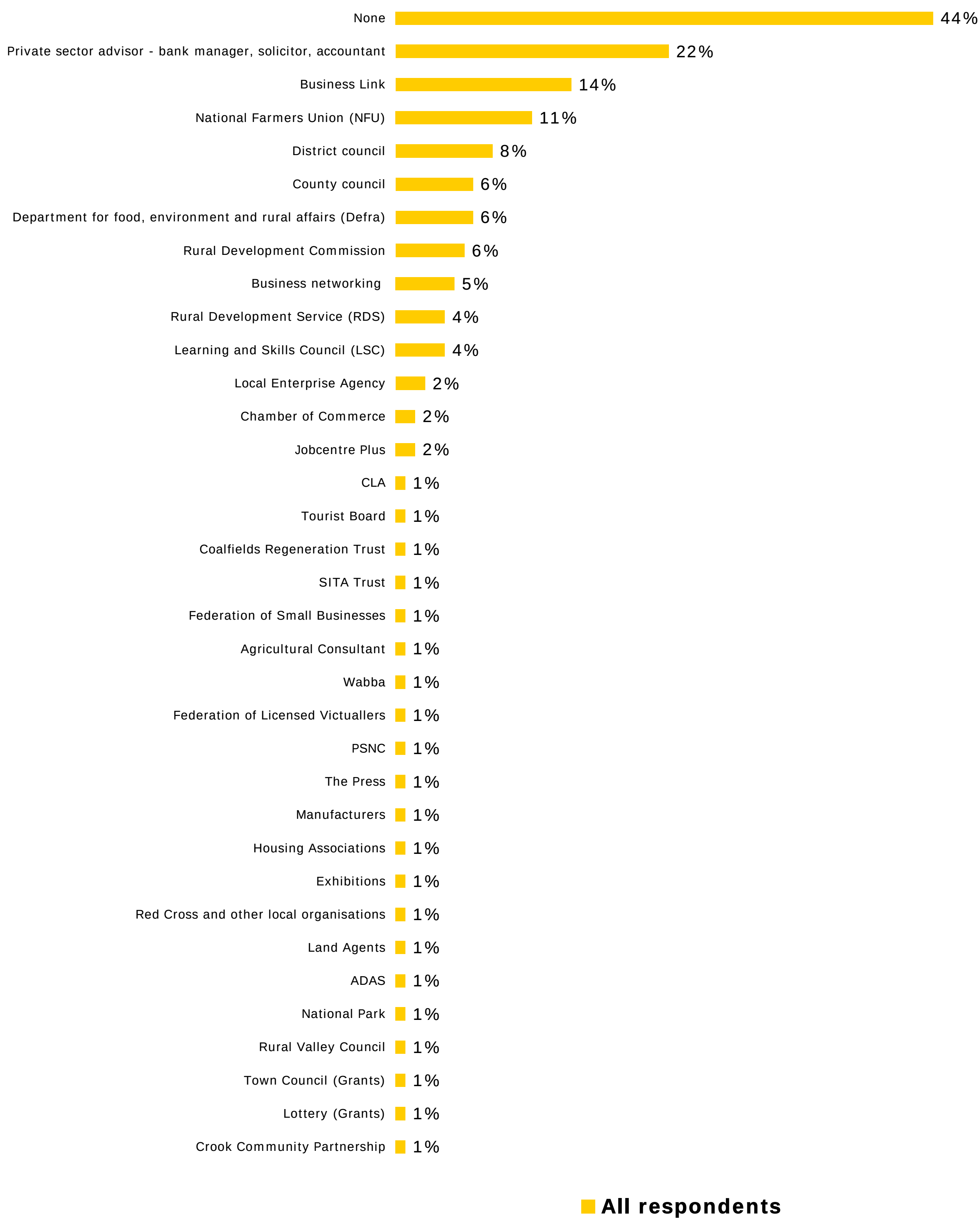
- Self sufficiency (close in meaning to independence/in control)
- Mainly because it's not available
- I would ask advice from One NorthEast
- Difficult to contact people because it's usually an answerphone or people say they will ring back and don't
- ..retired farmers, people in the know doing these jobs, helping the advice
- Don't think Tynedale Council are helpful enough
- My business is just a sideline really

6.5.9 Organisations involved in providing business support to respondents

Respondents were asked 'which organisations/other companies (if any) have actively helped or encouraged you in your business? The largest percentage answered 'none'. Following this 22.2% of all respondents indicated that they had been helped by private sector advisors. The next most commonly used source of business advice was ‘other’ followed by Business Link which had provided business support to 14.3% of all respondents. The highest levels of Business Link support are found in Morpeth and Tynedale (32.1%) and the lowest in Wear Valley and Teesdale (0%). Also in terms of rurality, whilst Business Link has their highest levels of penetration among mixed urban and rural businesses (23.1%) their penetration is next highest with ‘very rural’ businesses (15.5%).

The penetration levels of Business Link are fairly evenly distributed across business size, both in terms of turnover and employee numbers, but the organisation has a more inconsistent level of penetration across the sectors represented by respondents. It is highest within the personal/social services sector (44.4%), followed by 33.3% within the tourism sector, 14.6% within agriculture/farming, 12.8% within ‘other’, 10% within professional services and 7.1% within the wholesale and retail trade. However the penetration levels for Business Link are at 0% for respondents within the manufacturing, utilities, construction, hotels and restaurants, transport, and real estate sectors. This contrasts with business support provided by the private sector whose penetration levels vary between 7.1% and 100% across all sectors with one, unsurprising exception, utilities, where there is no evidence of use among respondents.

In the following graph, all sources have been entered, even if they were mentioned by only one or two respondents.


None
44%
Private sector advisor - bank manager, solicitor, accountant
22%
Business Link
14%
National Farmers Union (NFU)
11%
District council
8%
County council
6%
Department for food, environment and rural affairs (Defra)
6%
Rural Development Commission
6%
Business networking
5%
Rural Development Service (RDS)
4%
Learning and Skills Council (LSC)
4%
Local Enterprise Agency
2%
Chamber of Commerce
2%
Jobcentre Plus
2%
CLA
1%
Tourist Board
1%
Coalfields Regeneration Trust
1%
SITA Trust
1%
Federation of Small Businesses
1%
Agricultural Consultant
1%
Wabba
1%
Federation of Licensed Victuallers
1%
PSNC
1%
The Press
1%
Manufacturers
1%
Housing Associations
1%
Exhibitions
1%
Red Cross and other local organisations
1%
Land Agents
1%
ADAS
1%
National Park
1%
Rural Valley Council
1%
Town Council (Grants)
1%
Lottery (Grants)
1%
Crook Community Partnership
1%
All respondents

These have then been grouped according to the type of person or organisation supplying the advice. 'Collective' is used to mean Chambers of Commerce, trade and professional organisations. 'Informal/Personal' is used to mean friends or family members with specialist knowledge and contacts in the industry. We are aware that some of the organisations are defunct. This may illustrate either that respondents do not know the current title of the organisation and are thinking back to a predecessor, or that it is some time since they used the organisation.

Table 8

Category	**Cited in this research**	**%**
Public Sector	Business Link	14%
	District Council	8%
	County Council	6%
	Defra	6%
	Rural Development Commission	6%
	Rural Development Service	4%
	Learning and Skills Council	4%
	Local Enterprise Agency	2%
	Jobcentre Plus	2%
	Tourist Board	1%
	Coalfields Regeneration Trust	1%
	ADAS	1%
	National Park	1%
	Rural Valley Council	1%
	Town Council	1%
	Lottery	1%
	Crook Community Partnership	1%
Private Sector	Bank manager, solicitor, accountant	22%
	SITA Trust	1%
	Agricultural consultant	1%
	Land Agents	1%
Collective bodies	NFU	11%
	Chamber of Commerce	2%
	CLA	1%
	Federation of Small Businesses	1%
	WABBA	1%
	Federation of Licensed Victuallers	1%
	PSNC	1%
Informal/Personal	Business networking	5%
	The Press	1%
	Manufacturers	1%
	Housing Associations	1%
	Exhibitions	1%
	Red Cross and other local organisations	1%

The questionnaire did not prompt specifically for friends or family at any stage.

6.5.10 Respondents' suggestions for improving the effectiveness of rural business support

There was a three way split between Don't know/no suggestions (36.5%), No change required (9%) and a range of suggestions.

The suggestions have been grouped by theme and counted.

Theme	Number of responses
More/better marketing and communication so that people know what is available/simpler, clearer communication	17
Better quality of advisors (e.g. more experience in successful, relevant businesses)	9
Come and see people rather than expecting them to come to you	8
Don't try and push a one-size fits all solution – a more personalised and tailored solution	6
Better local access e.g. don't expect people to travel to Newcastle for courses	4
Do more via the internet	4
My business is too specialised – don't feel that anything offered is relevant	3
More accessible – e.g. access outside of standard work hours/time of year	3
Single point of contact – current system confusing	3
Less bureaucracy and red tape	2

Some of the comments are "individual" and these are shown below:

- Could have been advised on employment issues and how to expand in the future once the business has been established.
- Government grants
- If an organisation such as One NorthEast collaborated with colleges or education schools. Went more pro-active.
- Reduction in cost
- Someone that is starting off in a new venture- should receive help
- Streamline application procedures
- They should be open to businesses that are already established
- Training to help to employ people and management skills would be useful

6.5.11 *Other things that would help rural businesses in the North East*

Only half of respondents had suggestions on what else would help rural businesses in the North East. The suggestions have been grouped by theme and counted:

Theme	Number of responses
Grant aid	14
Attract more people, more tourism, free or cheaper parking	4
Less red tape	4
More information about the help and support available	3
More support for smaller businesses – level playing field with big business	3
More advertising and marketing/Some kind of website to advertise some of the smaller businesses in the region/It is too expensive for small businesses to join the One NorthEast business directory	3
Finding workshops at reasonable rates. You have to know how to get grants/ Councils could help with rates and rental prices, advertise what is available/Cheaper premises	3
Lower fuel prices	2
More integrated approach to support and policy	2
New road structure/Technical problems with deliveries/need better access	2
Stop opening big services/Larger businesses opening and taking trade	2

Some of the remaining comments were "individual" and these are shown below:

- Diversifying
- Legal advice
- I haven't got education and knowledge
- Communications
- More availability of local produce
- Recognition of farming as an industry in its own right by the government
- IT package for the home for farmers – don't have to go to a training centre
- To be more independent people
- Should be a better balance between environment and profitability
- Have specific sectors for specific types of help
- To understand the area you live in
- Political will involving the food supply
- Change in the negative attitude of business owners

6.6 Segmentation by hard and soft factors

55% said in answer to an early screening question that they have not received any business support or business advice.

The most popular reason given was that there was no need and some respondents indicated that this was because they had an alternative source of advice and support. This was closely followed by a cluster of answers indicating that they “just got on with it”. Some of these answers indicated that while things were going OK, it would not be something they would consider, but if or when things went wrong, they would. One owner/manager cited lack of time. There was also an ambivalent group to whom it had never occurred to ask for help.

The remaining reasons were all to do with perceptions (or actual experiences) of seeking business advice or support. Four had had a negative experience of seeking support, five thought nothing was available, three thought it wasn’t applicable to their business, one thought there would be nothing for a business as small as his, one cited quality of advisors, one said lack of knowledge of what’s available and another felt s/he would not be in control

Owner/managers’ perceptions about themselves and their business (59)	No need (24)	Self sufficient 19	Other source of support (trustees, board, franchise, big organisation) 5
	Just got on with it (11)	Just got on with it (11)	Family firms (1); long established (4);
	Never occurred to them to ask (22)	Never asked (13), Don’t know why (9)	
	Lack of time (1)		
Actual experience of seeking support (4)	Negative experiences (4)	What is actually available	
Lack of knowledge of what’s available (1)	1		
Perceptions about business support and advice (11)	Not available (6)	Nothing available for a business as small as theirs (1), location (1, Berwick), lack of funding (1)	
	Not applicable to their business (3)		
	Advisors not of the right quality (1)		
	Wouldn’t be in control (1)		

This first segment shaded yellow above can be termed “self reliant”. They will appear in the “not motivated” row of the model.

The small segment of those who do not need help because they are receiving it from another source is also in the not motivated row of the model. “Already supported”.

The group who were motivated to try but had a bad experience is small but can be placed in the grid under that name “bad experience”.

The other factors: knowledge of what’s available and perceptions about business support and advice affect the motivated and able group and, if there is genuinely no help available, the motivated and not able group.

	Able	Not Able
Motivated	Group 1: Profile of non-users Factors: Don’t know what’s available Negative perceptions about what is available	Factors Fact that nothing is available
Ambivalent		
Not motivated (particularly while things are going OK)	“Self reliant”:	
Not motivated	“Already supported”:	“Bad experience”: “Lack of time” Group 4: Profile of non-users – reasons why ‘not able’

6.7 Conclusions

This section summarises the key findings and issues arising from the CATI interviews. This part of the study has relatively few clear conclusions in its own right. However, the data provides a valuable comparator to the other streams of the study and is used further in the overall analysis of recommendations.

6.7.1 Clarity of vision

No specific recommendations from this research stream.

6.7.2 Rural priorities – targeted engagement

The most rural businesses interviewed can be categorised as the "most serious" businesses in the study. They are the most inclined to be in business for purely financial reasons, rather than as a hobby or for lifestyle reasons. They also access specialist business support far more than their more urban counterparts (55% very rural compared to 20% urban in this study have accesses business support). Since this aspect of the study is only of **non-users** of Business Link services, it suggests the Business Link support far less successful in satisfying the requirements of the very rural business community compared to their more urban counterparts.

6.7.3 Delivery mechanisms

Farming businesses are far less likely to go through the conventional start-up route than non-farming businesses. 61% of farming businesses were either inherited or acquired from a family member, compared to only 6% of non-farming businesses. Business support processes that rely on generic start-up advice as a starting point for business support are not appropriate for traditional rural business communities.

50% of all respondents in the survey have Internet access, with strongest access to the Internet in very rural areas. 52% of very rural businesses actively use the Internet for trading or advertising. This suggests that there is a real opportunity to use the Internet as a valuable delivery mechanism, though it cannot yet be considered as the sole means of delivery.

Although lack of convenience of accessing support is an issue, distance from sources of business support does not seem to be so significant. 29% of very rural businesses cited this as an issue, compared to 26% for semi-rural, 23% for mixed rural and urban, and 20% for urban businesses interviewed.

6.7.4 Marketing of services

"Word of mouth" was by far the most common way of finding out about sources of business support. The impact of this is unclear – since strong word of mouth social networks are a factor of very rural communities it represents a community strength. However, as a communication method it means that all messages pass through a significant social filter and are compared against established views and expectations. It may be necessary to understand how to manage this established communications channel.

Although word-of-mouth is the most common way of finding out about business support, 41% of respondents cited not knowing what is available as a factor in not accessing support, and better marketing was the most popular response for ways of improving rural business support. A more effective communications channel must be developed for rural communities.

6.7.5 Better monitoring and evaluation

Negative perceptions of business advice remain an issue, though the actual reality and perception are difficult to separate. 14% of respondents cited negative perceptions as a reason for not seeking advice. Of those who had accessed support of some kind, 18% had found it “not very useful” or “not useful at all”, though, there is significant variation of these figures throughout the region. Having better quality advisors was the second most popular suggestion for improving the effectiveness of rural business support. Clear delivery of support to effective standards would appear to be a necessary element of improving the effectiveness of rural support.

7. Analysis of Recommendations

This section outlines the conclusions and recommendations obtained from the analysis of the three separate study streams. The data from three exercises is brought together here under five themes:

- Clarity of vision
- Rural priorities – targeted engagement
- Delivery mechanisms
- Marketing of services
- Better monitoring and evaluation

7.1 Clarity of vision

It is evident, and widely accepted that the penetration of business support in rural areas is lower than in urban areas. However, a long term sustainable solution must support the priorities for the rural economy in the region. The understanding of the economic priorities for the rural economy are far less clear.

7.1.1 A Separate Rural Economy?

High-level strategy documents for the North East region place great emphasis on business support. The Regional Economic Strategy and the Enterprise Strategy ("Everybody's Business) published in 2001 have enterprise high on the agenda. The revised RES ("Leading the Way) published in June 2005 also placed enterprise and business support as a key strategic priority. However, these priorities emphasise the need for generic business support to be targeted at the skills of individuals and businesses (*e.g.* confidence, innovative practice, networking, etc). Other strategies specific to the rural agenda (eg Defra, Sustainable Farming and Food Strategy: Forward Look, July 2006, GONE Rural Delivery Framework draft April 2006) look at the specific needs of the rural economy and its business support requirements. These specific rural economic themes and objectives are not reflected in the North East's Regional Economic Strategy – an approach that differs markedly from practice in other regions. **Is the role of rural business support to encourage the rural community to build skills to contribute to the wider generic regional economy, or is it to support a specific and separate rural economy?**

7.1.2 A Different Business Community

If a separate rural economy is to be supported, then the specific make-up of the rural business community must be accommodated. Currently, this includes a large proportion of small and micro-businesses, and firms operating across all sectors (including agriculture, tourism, cultural sectors, business services, etc.). Whilst these businesses may not employ large numbers of people or show growth potential, they are crucial to the current economic and social functioning of many rural communities. As a result of this importance, rural and microbusinesses have been deemed to warrant support as much as other firms with greater overall economic contribution. Smallbone *et al.* (2002, p. 54) conclude that there is a need for Business Links with rural areas in their catchments to have an explicit strategy for addressing the needs of rural enterprises. **Will the rural economic strategy for the North East continue to support the current make-up of the business community, or be focused on areas of high economic contribution?**

7.1.3 Geographic Diversity

There are different degrees of rurality even within the rural community. The need to recognise this sub-regional diversity was a key conclusion of the SQW study in Northumberland in 2005, in which differentiation was made between those areas influenced by commuting into the region's conurbations (with its implications for the ability of growing rural businesses to attract skilled labour) and those more remote areas which are less affected by commuting. While some rural communities will be sustained entirely by a rural economy, others will support a combined economy of rural and general business sectors, including providing part of the skill base for the urban economy in commuter areas. Businesses in "very rural" locations were the most likely to be motivated by the need to make money – suggesting fewer economic alternatives in the very remote rural areas. The business support services must be able to support all aspects, while matching the delivery requirements to the specific needs of the rural geography (Lowe and Talbot 1999). **How will the business support services approach the geographic diversity, and what does that mean for the services they will need to offer?**

7.2 Rural priorities – targeted engagement

Although there is a widespread acceptance that rural businesses access and use business support to a lesser extent than urban businesses, much of the evidence suggests that this may be more a result of the characteristics of many rural businesses rather than their location in a rural area. For example, evidence suggests that small firms and service sector firms – which dominate rural economies - are less likely to access business support than larger firms and manufacturing sector firms. Further to this, our study showed that non-users of Business Link services in "very rural" areas were the most likely to have sought alternative business advice (61.5% compared to 15.4% in "semi rural" areas) suggesting that not all advice to rural businesses is being captured.

A targeted approach to business support is widely accepted throughout the rural economy. However, the perception of what this would mean in practice is different for businesses and economic development professionals. Professionals want to see targeted use of resources, businesses want to receive bespoke support from a professional who understands their business. However, with a clear vision in place, it is possible to establish the clear priorities, and possible to establish a framework for this now.

7.2.1 Supporting Start-ups

The North East falls far behind the national average of businesses per 1,000 population and has the lowest business start-up rates in England. Although rates have increased year on year, this increase has also been slower than the national rate. Survival rates are about the same in the North East and nationally, so the deficit is due to a lower number of businesses being created. Research in 2004 suggests that low business stock was the single biggest determinant of this low start-up rate (SQW 2005, p. 7-8). In the rural economy, there is a difference here between the traditional rural businesses, and the developing economy in the rural areas. 90% of farming businesses are established businesses either inherited, bought, or otherwise acquired by the current owner; whereas 53% of non-farming rural businesses were started by the current owner (only 6% inherited or acquired from a member of their family). Supporting start-ups is important to the developing economy in rural areas, but far less relevant to the traditional rural economy.

However, there is a general acceptance of the need to establish and grow a more enterprising rural economy (supported in the draft North East Implementation Plan for the Rural Development Programme for England, August 2006 and the draft Rural Delivery Framework, April 2006). **Support for business start-up should be a core element of a rural business support programme, and this should be generic advice, not necessarily focused on traditional rural businesses.**

7.2.2 Economic Targeting

It is likely that resources for business support (such as SRB, ERDF and ESF) will become tighter in future. External resources for business support, such as from Structural Funds, will also decline over time. The message from many previous studies of business support (including the recent SQW report in Northumberland) is that it is important to maintain a level of support for all businesses, but then target more proactive, specialist services to a selected number of target sectors or business types.

The acceptance of targeted support has received general literature support, but there is far less agreement as to how it is achieved. The study of rural businesses in East Cleveland by Kalantaridis (2006) argues that the adoption of 'targeted engagement' rather than increasing market penetration might be the best approach to take to the support provided by Business Link Tees Valley. He suggested focusing on businesses that require or have actively sought support in the past, or who require assistance to expand their markets geographically, or who are in particularly dynamic sectors. Other studies have supported a focus on sectors that are particularly important in terms of local employment, sales improvements or productivity gains (SQW 2005). While others have cautioned that a focus on growth-oriented businesses is inappropriate for many rural economies and that a much broader focus is required (Phillipson *et al*. 2002). The importance of lifestyle businesses to the South West's rural economy is also recognised by SWRD, who suggested that agencies should provide *"light touch"* services to the bulk of these businesses, aiming to improve and maintain business competence, rather than excellence.

The approaches to targeting can be summarised into three different approaches:

- o Focus on support requirements to deliver desired economic outcomes
- o Focus on the support requirements of businesses currently actively accessing support.
- o Focus on the support requirements of the existing and developing business community

Our study showed that the most significant reason for not seeking business advice was the desire to maintain independence and control (48.4% of those who did not seek advice. This is particularly significant for farming businesses - 54%, and far higher than any other reason cited). 36.5% also simply felt that they did not need advice. Given these significant barriers to providing support, the first of these three approaches appears unrealistic. This is supported by other studies that suggest top-down solutions should be avoided (Smallbone *et al.* 2002). **The focus for support requirements must be determined in partnership with the rural business community.**

Our study of Business Link non-users showed that very rural businesses were the most active in seeking alternative sources of advice, and that this advice was far more likely to be specialist advice for their business sector (41% specialist compared to 25% generic). As a result, **focusing Business Link support only on those companies that actively seek it will eventually marginalise the rural business community from receiving generic business advice in favour of only specialist sector advice –** contrary to the Defra Sustainable Farming and Food Strategy.

However, since our study does show that very rural businesses do actively seek specialist advice, bringing specialist advice into the mainstream provides a mechanism to bring rural businesses more into contact with generic business advice. **Support services should be developed to meet the current and evolving business requirements of the whole economy**.

7.2.3 Advice and Funding

Access to public sector business advice by start-ups is motivated greatly by access to grant aid. This has been successfully employed by the Northumberland Enterprise Fund, though even here it is estimated that only 1 in 3 new businesses are seeking the Business Link support that is a requirement for access to the grant (SQW, 2005). There is evidence that poor perceived or actual quality of support is a factor.

Aligning grant funding with access to business advice may appear a cynical way of increasing the take-up of business advice, but this may be to see it "in reverse". Aligning funding and support is a logical way of ensuring the successful deployment of the grant funding – helping to ensure the ongoing success of businesses that access funding through ensuring effective advice is also provided. Aligning support and funding is expected to increase the take-up of support, but **the purpose of the alignment should be to ensure the effective long term economic contribution of the grant funding**. However this demands an appropriate quality of support – appropriate to each business, and appropriate to the funding being received.

Support for basic start-up funding need be no more that sign-posting of support available, and a session with an advisor capable of judging an entrepreneur's readiness to start a business. This provides an initial familiarity with business support that will hopefully lead to an ongoing relationship. **Higher levels of funding should be accompanied by a greater level of assessment and signposting to appropriate support – either from the public or private sector.**

7.2.4 Sector Targeting

Overall, our study showed that general business advice was the most commonly sought support (30.8%). However, there is significant variation depending on the degree of rurality. The desire for business specific advice was particularly strong among "very rural" businesses (where specialist advice is strongly preferred to generic advice). The more urban businesses sought more general advice, and the greatest barrier for them is not knowing what is available – it would appear that their needs are already adequately met, but that better marketing of services is required.

Although the study was of non-users of Business Link support, the agriculture/farming sector shows strong use of alternative business support – only 34% of non-users of Business Link services in this sector had received no alternative support. Support received was split between Defra and the private sector. This suggests a strong demand for sector specific support, not currently met by the Business Link – either directly or through brokerage. **The ability to provide access to high quality sector specific support to farming and other "very rural" business types appears to be necessary if they are to engage with the mainstream business support. Sector-specific business advice for rural business support should be focused on the most rural business types.**

7.3 Delivery mechanisms

The development of delivery mechanisms for rural business support is a complex problem, compounded by the high relative cost of delivery of services to rural businesses (Lowe and Talbot 1999) the need for both specialist and generic advice (our study, SQW 2005, etc), and the evolving need to improve the generic business skills of traditional land-based rural businesses (Smallbone et al 2002, Philipson et al 2002). The mainstreaming of rural business advice provides the opportunity to address these issues, but must overcome other barriers to be successful.

7.3.1 Initial Points of Contact

There has been a perception that rural businesses did not engage with mainstream public sector business support because they were too geographically remote. Suggestions have been made to take the support out to the remote communities (CEEDR 1998; Smallbone *et al.* 2002). Our study does not suggest any need for this. Of those not accessing business support, 27% said that it was a long way to go for support, against 48.4% who didn't want support because they wanted to keep control, and 40.5% who didn't know what was available. Critically, this low importance of distance is little different for all businesses in the study – 29.3% of "very rural" businesses, 26.1% of "semi-rural", 23.1% of "mixed rural and urban" and 20.0% of urban businesses in the study cited distance as a barrier. **The current Business Link locations in market towns and local business centres are appropriate for rural business support and should be retained throughout the region**.

The use of ICT as an initial or ongoing form of contact has been considered and is in use in some regions. However, limitations to this are reported due to the low use of the Internet by rural businesses. Kalantaridis' (2006, p. 35) study of businesses in East Cleveland found that only 2.5% of respondents had used the internet to access information and advice. A similar level (2%) was observed in SQW's (2005) study of rural Northumberland. Howeverm the North East pioneered the deployment of near ubiquitous broadband throughout the region, and our study found that the majority of businesses use Internet access in some form, and that this was significantly highest in the rural businesses (51.7% of "very rural" businesses actively use the Internet for online trading or advertising). The use of the Internet to access business support may, however, be influenced by the quality of support information available – information sites for the North East region do not provide the industry specific information provided in other regions, where the use of Internet portals are considered successful. **Although there will remain an element who do not use the Internet, the desire and ability to use the Internet for business appears to be well established, particularly in very rural areas. There is a significant opportunity to use the Internet as a point of contact for business support that is currently not utilised.**

7.3.2 Diagnostic, Brokerage and Signposting

"Very rural" businesses in our study are most likely to access specialist sector support. For this, they tend to go directly to specialist providers – either in the private sector or public sector. However, as farms increasingly need generic business advice regarding dealing with competition, improving innovation, etc, the use of generic business advice routes as gateways to specialist advice appears to offer opportunities to improve the overall level of support (Smallbone et al 2002). However, the SQW (2005) study in Northumberland found concerns regarding the brokerage system, which suggested it is not fit for purpose. **"Mainstreaming" rural business support offers a timely opportunity to present generic and specialist business advice to rural businesses, but care must be exercised in using inappropriate brokerage systems to control access to specialist support**.

7.3.3 Specialist Support

The use of specialist rather than generic business support is characteristic of rural businesses. This could be for a variety of reasons. However, this study has shown the importance of family history in traditional rural businesses compared to other businesses (61% of farming businesses were inherited or acquired from a family member compared to only 6% of non-farming businesses in the study). This has two effects – the majority of current farming businesses have not passed through the start-up support process which would give them access to and familiarity with generic business advice, and perhaps most importantly, the business is "in their blood", so they only seek the specialist advice that they know they need.

Most businesses in our study that had accessed business support cited the private sector as the source. The private sector was the most important for agricultural/farming businesses, followed closely by Defra. It is possible that "mainstreaming" rural business advice will have little effect, if the support being "mainstreamed" is only the generic element. The specialist element will continue to be delivered by the private sector. *The concern expressed by the public sector that the private sector is not impartial does not seem to be shared with the users of their support – who appear to consider their sector specific expertise to be more important.* **Mainstreaming may only bring the private sector advisors into contact with generic business advice, not the businesses they are advising.**

7.3.4 Partnership Working

Partnership working is crucial to ensure that information is shared, that appropriate support and training is provided to businesses and that duplication and confusion are reduced. It is critical that private sector support providers are involved in any partnership working as they have been shown to be such important service providers for many businesses. Good relationships between public and private sector support providers – including (and arguably most importantly) specialist sector-specific providers – are crucial to the success of any brokerage model. In particular, SQW (2005) note the need to reduce confusion in the market place and the need for consideration to be given to the relationship between BLfN and Defra and the (soon to be disbanded) RDS' support to rural businesses.

7.3.5 *Accessibility*

A final point to make in terms of delivery mechanisms is that it appears important to maintain a degree of informality in the delivery (and type) of business support services. Phillipson et al. (2002) argue that business support should not become too formal but rather should remain person-centred and sensitive to the family, household and social context of many businesses in rural areas, as well as the complex psychology of owners. **It is important that advisers have good people as well as business skills.**

7.4 *Marketing of services*

If the mainstreaming exercise is to be successful then the clear marketing of the services offered is vital. This has a long way to go and current approaches do not appear to provide an acceptable starting point. Our study suggests that of businesses not accessing support, 48.4% of businesses don't seek support because they feel it will reduce their control over their business, 40.5% don't know what is available, and 36.5% feel they simply don't need it. Of those who did use support, the overwhelmingly strongest route to finding out about support was "word of mouth" (29.9% against the next strongest – advertising at 14.3%).

Given the importance of word-of-mouth communication, the quality of the experience at Business Link is vital to ensuring that the external image of the organisation is positive. One approach to improving market presence suggested by the SQW (2005) report is co-locating advisers with other rural service providers, such as banks. The adoption of 'targeted engagement' will also have implications for the marketing approach taken (Kalantaridis 2006).

The improvement of marketing and communications was the most cited response for suggestions for improving business support in our study of rural businesses. **The development of an effective marketing approach is critical to success, and an entirely different marketing strategy is required – current methods are not effective.**

7.5 *Better monitoring and evaluation*

Current methods of monitoring and evaluation are not seen as effective, and concerns about the quality of support are common among all elements – professionals and businesses alike. There is a perception that improved monitoring and evaluation is an important element of improving standards, but all monitoring and evaluation can have a significant impact on direction that must be considered carefully.

7.5.1 Focus on Achievement

A focus on impact is seen as important, but this must be shaped by the top-level strategic aims for the rural economy. For example, Lowe and Talbot (1999) suggest a focus on firms that contribute most to local economic and social stability or to broader rural development, rather than measuring the impact of services on businesses in terms of their increased profitability, turnover or level of exports, since these targets are typically harder to achieve through supporting a larger firm than a smaller one. Monitoring criteria need to be flexible and sensitive to broad rural development objectives. **Rather than using targets such as the number of businesses supported, or the increase in turnover following business support, the criteria for monitoring business support could be developed from the aims of relevant strategies such as the North East's Regional economic Strategy, the Sustainable Food and Farming Strategy or the new RDPE.**

8. Bibliography

Argirova, E. and Michaelis, C. (2003) *Omnibus Survey of Small Businesses in Scotland 2002: Rural Analysis,* Final Report for the Scottish Executive Environment and Rural Affairs Department (September).

Atterton, J. (2005) *Networking in the Highlands and Islands of Scotland: A Case Study of the Embeddedness of Firms in Three Small Towns,* Unpublished PhD thesis, University of Aberdeen.

Bennett, R. and Errington, A. (1995) 'Training and the small rural business', *Planning, Practice and Research,* 10(1), pp. 45-54.

Bennett, R. and Smith, C. (2001) The Influence of Location and Distance on the Supply of Business Advice, *Paper presented at the 24th ISBA National Small Firms Policy and Research Conference,* Leicester, November.

Birley, S. and Westhead, P. (1992) 'A comparison of new firms in 'assisted' and 'non-assisted' areas in Great Britain', *Entrepreneurship and Regional Development,* 4, pp. 299-338.

Bryson, J. (1997) 'Business service firms, service space and the management of change', *Entrepreneurship and Regional Development,* 9(2), pp. 93-111.

Bryson, J., Keeble, D. and Wood, P. (1997) 'The creation and growth of small business service firms in post-industrial Britain', *Small Business Economics,* 9, pp. 345-60.

Bryson, J. and Daniels, P. (1998) 'Business Link, strong ties, and the walls of silence: small and medium-sized enterprises and external business-service expertise', *Environment and Planning C: Government and Policy,* 16, pp. 265-280.

CEEDR (1998) *Business Needs and Issues Facing SMEs in the East Yorkshire and North Lincolnshire Rural Development Area: Final Report,* Centre for Enterprise and Economic Development Research, Middlesex University Business School.

Centre for Rural Economy (2000a) *Rural Microbusinesses in North East England: Final Survey Results,* University of Newcastle upon Tyne (August).

Centre for Rural Economy (2000b) *Rural Micro-business Project Results and Implications,* University of Newcastle upon Tyne (November).

Country Landowners Association (CLA) (1997) *Rural Small Businesses – A CLA Analysis of Support Services,* CLA, London.

Countryside Agency (1999) *The State of the Countryside 1999,* Countryside Agency, Northampton.

Countryside Agency (2005) *The State of the Countryside in the North East 2004,* Countryside Agency, Newcastle (March).

Countryside Agency (2006) *Rural business support,* www.countryside.gov.uk/NewEnterprise/Economies/RuralBusinessSupport.asp Accessed 1st August 2006.

Curran, J. and Blackburn, R. (1994) 'Small firms, their owners and relations with localities' in Curran, J. and Blackburn, R. (eds.) *Small Firms and Local Economic Networks: The Death of the Local Economy?,* Paul Chapman Publishing: London, pp. 76-119.

Department for the Environment, Transport and the Regions/Ministry of Agriculture, Fisheries and Food (DETR/MAFF) (2000) *Our Countryside: the future, A Fair Deal for Rural England (The Rural White Paper)*, DETR, Cm 4909.

Department of the Environment, Food and Rural Affairs (Defra) (2004) *Rural White Paper Review,* www.defra.gov.uk/rural/rwpreview/chapter3.htm, Accessed 1st August 2006.

Department of Employment (1991) *Keys to Growth for Owner-Managers Seeking to Expand,* London:

Price Waterhouse and Department of Employment.

DTI (1999) *The Small Business Service: A Public Consultation.* London: DTI.

DTZ Pieda (1999) *Barriers to Enterprise in Rural Economies: A Report,* The Countryside Agency (October).

Granovetter, M. (1973) 'The strength of weak ties', *American Journal of Sociology,* 78, pp. 1360-80.

Granovetter, M. (1983) 'The strength of weak ties: A network theory revisited' in P. Marsden and N. Lin (eds.) *Social Structure and Network Analysis,* Sage, London, pp. 105-130.

Gray, C. and Juhler (2000) *Impact of Information and Communications Technology in EU Rural Areas,* Final Report of the CSOIR Cross National Study, Small Business Research Trust.

Hitchens, D. (1997) 'The adequacy of the supply of professional advisory services to manufacturing firms in rural mid Wales', *Service Industry Journal,* 17(4), pp. 669-89.

Keeble, D., Tyler, P., Broom, G. and Lewis, J. (1992) *Business Success in the Countryside: The Performance of Rural Enterprise,* HMSO, London.

Lowe, P. and Talbot, H. (1999) Policy for Small Business Support in Rural Areas: A Response to the DTI Consultation Paper: The Small Business Service, *Centre for Rural Economy Working Paper 43*, December.

Lowe, P. and Talbot, H. (2000) Providing Advice and Information in Support of Rural Microbusinesses, *Centre for Rural Economy Research Report* (July).

Malecki, E. and Poehling, R. (1999) 'Extroverts and introverts: small manufacturers and their information sources', *Entrepreneurship and Regional Development*, 11, pp. 247-268.

One NorthEast (2006) *North East Business Support Network,* Available at: http://www.onenortheast.co.uk/page/business/nebsn.cfm, Accessed 27th June 2006.

Public and Corporate Economic Consultants (PACEC) (2004) *Small Business Service: Mapping of Government Services for Small Business, Final Report,* Report prepared for the SBS.

Phillipson, J., Lowe, P., Moxey, A. and Raley, M. (2002) *The Nature and Needs of Rural Microbusinesses in the North East of England,* Centre for Rural Economy Research Report (September).

PIU (1999) *Rural Economies: A Performance and Innovation Unit Report,* Cabinet Office (December).

Smallbone, D., Leigh, R. and North, D. (1993) 'External assistance and policy support for mature SMEs: the UK experience', *Entrepreneurship and Regional Development,* 5, pp. 279-95.

Smallbone, D., North, D. and Kalantaridis, C. (1997) *Growth and Survival of Small Rural Manufacturing Firms*, Rural Development Commission Rural Research Report No. 32.

Smallbone, D. and North, D. (1999) 'Innovation and new technology in small and medium-sized enterprises: some policy issues', *Environment and Planning C: Government and Policy,* 17, pp. 549-566.

Smallbone, D., North, D., Baldock, R. and Ekanem, I. (2002) *Encouraging and Supporting Enterprise in Rural Areas: Report to the Small Business Service,* Centre for Enterprise and Economic Development Research, Middlesex University Business School (February).

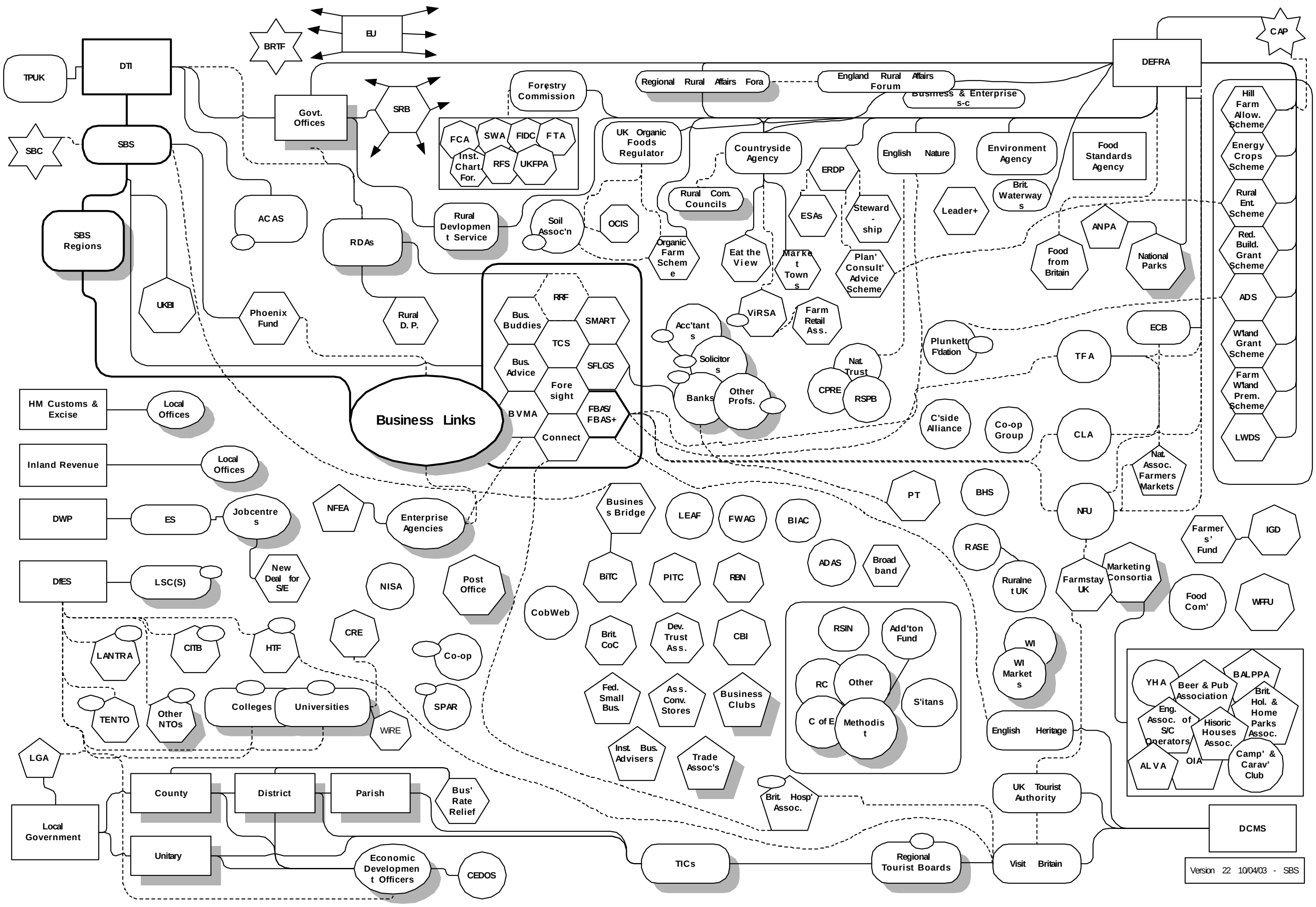
SQW – Business Support in Northumberland: A Review (Final Report to Northumberland Strategic Partnership 2005).

Tourism Network North East (2006) *A Guidelines Paper on Connecting the ATPs and Business Link,* One NorthEast (June).

Townroe, P. and Mallalieu, K. (1993) Founding a New Business in the Countryside in Storey, D. and Curran, J. (eds.) *Small Firms in Urban and Rural Locations,* Routledge, London.

9. Appendices

9.1 Appendix 1 – Diagram: Case for Change – Support for Rural Businesses



9.2 Appendix 2 – Interview Guide

1. TFC to explain background and study objectives.

2. Explore range of services that are offered by the interviewee's organization and/or practical experience of business support and clarify this in relation to the new brokerage model. As appropriate, tease out the relationship with other agencies particularly Business Link and its rural / tourism programmes.

3. <u>Very briefly</u> what is the respondent's understanding of recent trends in the rural economy (composition/growth sectors/geography etc). Refer to the Northumberland SQW report tables and any other data sources.

4 What forms are assistance are sought when businesses make contact with service providers? (can respondent identify relevant information sources)

   Prompts might be

   - business planning
   - training
   - mentoring/counselling
   - grant aid / loans
   - marketing assistance (guides/websites etc)
   - market research
   - technical advice/product development
   - basic information (directories, contacts etc)
   - signposting to other agencies

5. What proportion of the businesses seeking help are:

   - start up or pre start up
   - newly formed <5 years
   - well established >5years

6. Does the respondent accept the proposition that rural businesses are less likely to access public sector support services? Are there particular sectors where this is more evident? (farming / tourism / ?)

7. Can specific barriers to participation be identified which are distinctively rural (remoteness/attitude to growth/size/motivation etc)? Are other factors involved (gender/age/local v non local)

8. Specifically and following on from 7 above, does the network of Business Link Advice Centres in market towns not meet the requirement? Have any other initiatives been taken to overcome access barriers or to target / promote support services towards rural businesses? Explore these in relation to lessons learned and/or obtain references to any evaluation material.

9. Is the rural economy adversely affected by the lower level of contact with mainstream public sector business support? In what ways? Explore here the alternative sources used …SQW and CRE research reports refer)

10 If resources are limited what forms of support / types of business / sectors should take priority? Refer to earlier lists.

11. Can you comment on the brokerage model as this might impact upon the rural business community? What are the respondents' views about marketing all support under a single Business Link brand?

12. Is there a case for special sectoral / geographic initiatives for rural areas? Refer to examples such as Farm Business Advice Service / Farming Connect / Lancashire Rural Futures / Rural Gateway Service (EEDA) / NE Area Tourism Partnerships / Coquetdale Vision (and any other National Park / AONB schemes) etc. What are the implications of straightforward mainstreaming i.e. not making any differentiation in relation to rural business support services?

9.3 *Appendix 3 – Business Survey Questionnaire*

Agent please call Telno and attempt to speak to Title Forename Surname.

Good morning/afternoon, my name is .... from an independent market research company.

May I speak to the owner / manager please?

We are conducting some research on behalf of One NorthEast, aimed at improving the take-up of business support services by rural businesses.

May I ask you a few questions please, it will take about 10 minutes?

All information received is strictly confidential, and the interview will be carried out in accordance with the Market Research Society Code of Conduct.

Quota

Area

Berwick / Alnwick
Morpeth / Tynedale
Derwentside / Easington / Redcar & Cleveland / Sedgefield
Wear Valley / Teesdale

Sector

Other Community Activities
Health and Social Work
Education
Public Admin and Defence
Real Estate, Renting and Business Activities, Professional Services
Financial Intermediation
Transport, Storage and Communication
Hotels and Restaurants
Retail Trade
Wholesale Trade
Sale, Maintenance and Repair of Motor Vehicles
Construction
Manufacturing
Manufacture of Food Products
Mining/Quarrying Except Energy Producing Materials
Agriculture Hunting and Foresty
Other Community Social & Personal Service Activities
Fishing

Screeners

S1. Are you an owner or manager of this business?

Owner / manager
Owner
Manager
Partner
Other

If <> 5, do not ask 'S2'

S1a. Other

S2. Can I also check whether this business is VAT registered or not please?

VAT registered
Not VAT registered
Don't know

S3. In which category would you say your business falls? (TICK ALL THAT APPLY)

Agriculture / farming (continue screeners then start at Q3)
Fishing (continue screeners then start at Q3)
Forestry
Mining and Quarrying
Manufacturing
Electricity, gas and water supply
Construction
Wholesale and Retail Trade including Repairs
Hotels and restaurants
Transport, storage and distribution
Financial services
Real estate, renting and business activities
Personal / social services
Professional services
Tourism / hospitality
Other

If = 1, 2, do not ask 'Non-farming businesses'
If = 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, do not ask 'Farming businesses'

S3a. Could you please describe the main activities of the business?

S4. How many people work for the business?

1
2-5
6-10
11-20
21-30
31-50
51-75
76-100
Over 100

S5. How would you classify this business in terms of rurality?

Very rural
Semi-rural
A mixture of urban and rural
Urban business
Other
Don't know (DO NOT READ OUT)

If <> 5, do not ask 'Q5a'

S5a. Please specify other

S6. Have you received any business support or business advice?

Yes (go to S7)
No (go to S6a)
Not sure (go to Q1)

If <> 2, do not ask 'S6a'
If <> 1, do not ask 'S7'

S6a. If you have not received any business support/advice, why do you think that was?

S7. What sort of advice did you seek / receive?

General business advice
Advice specific to this business
Recruitment / personnel advice
Training / workforce development advice
IT / technology advice
Financial advice
Marketing advice

Other

S7a. Other

Main Questions

Non-farming businesses

Q1. In which year did the business start?

Q2. How did you come to be involved in the business?

I thought of and started the business myself
I bought it
I inherited it
Succeeded to the tenancy
I took on a new tenancy
I took over the management from another family member
I am a paid manager
Other

If <> 8, do not ask 'Q2a'

Q2a. Other

Farming businesses

Q3. How did you come to be involved in this farming business?

I bought it
I inherited it
Succeeded to the tenancy
I took on a new tenancy
I took over the management from another family member
I am a paid manager
Other

If <> 7, do not ask 'Q3a'

Q3a. Please specify other

Q4. In which year did this occur?

Motivation

Q5. When you started/joined the business what factors were important to you? PROBE: financial, personal, status, satisfaction, expertise...

Q6. At the moment what would you like to achieve from running the business?

Make a satisfactory income
Maximise my income
I just want to continue until I find a suitable job
Employ family members
Employ local people
Provide a local service
Develop my own ideas/express creativity
Work with materials/techniques I enjoy
Work in an environment I enjoy
Have the flexibility to spend my time as I wish
To be in charge

Other

If <> 12, do not ask 'Q6a'

Q6a. Please specify other

Q7. What are your plans for the next 2 years?

Stop trading / retire
Reduce the scale of activities
Maintain current position or slightly expand
Get onto a secure financial footing
Substantial expansion
Sell the business
Hand over to a successor
Don't know / uncertain

Q8. And what are your plans for the next 10 years?

Stop trading / retire
Reduce the scale of activities
Maintain current position or slightly expand
Get onto a secure financial footing
Substantial expansion
Sell the business
Hand over to a successor
Don't know / uncertain

Business advice

Q9. Who/ which organisation have you ever approached for business support?

Rural Development Commission
Local Enterprise Agency
Business Link
Chamber of Commerce
District council
County council
Rural Development Service (RDS)
Dept for food, environment, rural affairs (Defra)
National Farmers Union (NFU)
Private sector advisor - bank manager, solicitor, accountant
Business networking group
Learning and Skills Council (LSC)
Jobcentre Plus
Other

If <> 14, do not ask 'Q9a'

Q9a. Please specify other

Q10. How did you find out about them? (DO NOT PROMT)

- They approached me
- Business Link told me
- Word of mouth
- Internet
- Advertising
- Other

Q10a. Other

Q11. How useful was it?

- Very useful
- Quite useful
- Not sure
- Not very useful
- Not at all useful

Q11a. Why do you say that?

Q12.

loop1

Q12. Which of the following types of advice would have been useful to you in the past, or could be useful now or in the future

	Useful in the past	Useful now	Useful in the future
Business strategy			
Negotiation skills			
Employing staff			
Staff training / development			
Management / organisation			
Advertising			
Marketing			
Market research			
Identifying new market opportunities			
Public relations			
Financial management / taxation			
Developing new products / services			
New technology			

Q13. So if you needed advice in the future where would be your first port of call?

Q13a. Why?

Q14. Please indicate if you agree that any of the following factors affect your willingness or ability to seek business advice?

I set up in business to be independent - I want to be in control
Business advice/support is not for people like me
I do not really know what is available
It's all a long way away and would take time and money to get there
It's not convenient
I doubt they could help me
I haven't got the internet/email access
They are not interested in businesses like this
I doubt they have anything I want
I've heard negative reports of business advice
I am too busy
I do not need it

Q15. Which organisations/ other companies(if any) have actively helped or encouraged you in your business?

Rural Development Commission
Local Enterprise Agency
Business Link
Chamber of Commerce
District council
County council
MAFF/ FRCA / RDS
ADAS
NFU
Private sector advisor - bank manager, solicitor, accountant
Business networking
Learning and Skills Council
Jobcentre Plus
None
Other

Q15a. Other?

Q16. Research has shown that businesses that receive business support and advice do perform better than those that do not (on average).

How could rural business support be delivered differently to serve rural businesses more effectively?

Q16a. Is there anything else that would help rural businesses in the North East?

Demographics

Q17. When did you start living in this area (within a 30mile radius from where you are now) ?

- I have always lived here (go to Q19)
- I moved away but returned
- I moved here as an adult

If = 2, 3, do not ask 'SKIP NOTE'

SKIP NOTE

Q18. Did you intend to start a business when you moved here?

- Yes
- No
- Not sure

Q19. Are communications / infrastructure problems an issue for you and your business?

- Yes
- Not really
- No
- Not sure

Q20. Do you have internet access at work?

- Yes - broadband
- Yes - dial up
- No

Q21. Do you use the internet extensively at work, for instance for online trading or advertising?

- Yes - extensively
- Yes - quite a lot
- A little bit
- Not very much
- Not at all
- Don't know

Q22. How many people work for the business?

- 1

2-5
6-10
11-20
21-30
31-50
51-75
76-100
Over 100

Q23. And finally, can I ask...what is approximately the annual turnover?

£0 - £50,000
£50,001 - £100,000
£100,001 - £200,000
£200,001 - £400,000
£400,001 - £600,000
£600,001 - £800,000
£800,000 - £1 million
£1 - £5 million
£6 - £10 million
Over £10 million
Not disclosed
Don't know

Interviewer please code gender

Male
Female

If = 1, 2, do not ask 'Early End2'

Please can I check your name and address for verification purposes?

Can you confirm your name please?

And the name of the business?

Address of the business

Postcode

Telephone number

Email address

This interview has been conducted in accordance with the MRS Code of Conduct.

Thank you very much for your participation.

If you wish to check the validity of this survey, or if you have any further questions, you may call Dipsticks Research on the following freephone number 0800 195 4778 quoting project number 3554.

Thank you very much for your participation, however, you do not fit the criteria of respondents we require.

This interview has been conducted in accordance with the MRS Code of Conduct.

If you wish to check the validity of this survey, or if you have any further questions, you may call Dipsticks Research on the following freephone number 0800 195 4778 quoting project number 3554.

9.4 Appendix 4 Classification of business activities

Sector (from Business Link)	Sector (according to respondents)	Respondents' further description	Firms in sample
Agriculture Hunting and Foresty	Agriculture / farming :::::::::::::	Arable and beef	1
		Arable and livestock	1
		Beef and lamb production	1
		Beef and sheep farming	1
		Boarding kennels and cattery (small animal - rabbits and guinea pigs)	1
		Cattle and sheep farming	1
		Cattle, sheep and crops (wheat, barley and oil seed rape)	1
		Cattle, sheep, corn	1
		Cows and sheep	1
		Dairy farm, sheep and fat cattle	1
		Farming	4
		Farming - arable	1
		Farming livestock	1
		Farming producing lambs and calves	1
		Farming, non rural	1
		Fattening cattle	1
		Growing crops and live stock	1
		Landscaping and raising plants	1
		Live stock - sheep, cows & cereals	1
		Live stock rearing selling of fat lambs, cattle etc	1
		Livestock - sheep and cattle	1
		Mixed farm cattle cows, sheep and arable (corn)	1
		Organic suckler herd	1
		Purely dairy	1
		Service and repair of agricultural equipment	1
		Sheep	3
		Sheep and cattle	2
		Sheep enterprise	1
		Sheep farming	1
		Sheep farming, some cereals	1

		Small holding for cows, chicken, goats and ponies Stock rearing The farm only has livestock Training race horses, arable	1 1 1 1
	Other:::::::::::::	Dog boarding kennels	1

Sector (from Business Link)	Sector (according to respondents)	Respondents' further description	Total
Construction	Construction:::::::::::::	Install heating systems and bathrooms, also general plumbing	1
		Purpose made joinery	1
	Construction: Manufacturing:::::::	Agricultural design and partner handles design of water engineering components	1
	Electricity, gas and water supply:::::::::::::	Electric motors and generators	1
		Plumbing	1
	Other:::::::::::::	Painting and decorating	1
	Wholesale and Retail Trade including Repairs:::::::::::::	Flooring	1
Education	Personal / social services:Other::::::::::::	Teaching people to drive	1
Fishing	Other:::::::::::::	Sell fishing tackle and shot guns	1

Sector (from Business Link)	Sector (according to respondents)	Respondents' further description	Firms in sample
Health and Social Work	Other:::::::::::::	Citizens advice	1
	Other:Professional services::::::::::::	Dentistry	1
	Personal / social services:::::::::::::	Care of the elderly	1
		Have units with adults who have learning disabilities and challenging behaviour	1
		Offering day care to old or disabled people	1
		Training for social workers	1
	Professional services:Personal / social services:::::::	Treatment of muscular (bad backs)	1
	Wholesale and Retail Trade including Repairs:::::::::::::	Retail pharmacy	1

Sector (from Business Link)	Sector (according to respondents)	Respondents' further description	Firms in Sample
Hotels and Restaurants	Hotels and restaurants :::	Pizzeria	1
		Restaurant bar and hotel	1
		Tea shop	1
	Hotels and restaurants :Other::::::::::::	Cater for holiday makers, tourists and people doing business in the local area. It is 4* with great britain	1
	Other:::::::::::::	Bed and breakfast	1
		Cafe- drinks and food	1
		Sell and brew alcohol	1
		Selling holidays	1
		Serve drink	1
		Wet sales	1
	Tourism / hospitality:::::::	Bed and breakfast	1
		Public house	1
		Self catering accommodation	1
		Selling holidays	1
		Static caravan and camp site	1
		We have a b&b and we run a tea room through the day	1
	Wholesale and Retail Trade including Repairs:::::::::::::	General pub stuff	1
Manufacture of Food Products	Hotels and restaurants ::::	Catering	1
	Other:::::::::::::	Supplying hotels and colleges etc	1

Sector (from Business Link)	**Sector (according to respondents)**	**Respondents' further description**	**Firms in sample**
Manufacturing	Manufacturing:::::::::::::	Foundry	1
		Making furniture	1
		Sheet metal light fabrication	1
	Wholesale and Retail Trade including Repairs:::::::::::::	Making and selling historical costumes	1
	Wholesale and Retail Trade including Repairs:Manufacturing: :	Manufacture artwork on cards and prints	1
Other Community Activities	Other:::::::::::::	Dealing with people who want to get fit and helping the elderly	1
		Facilities for community	1
		Promoting arts and education, community centre	1
		Rescue and rehome unwanted animals, support organisation	1
		Retail clothing and books	1
		Social club that supplies alcohol and entertainment to the members who own it.	1
		Tennis courts, bowling green	1
	Other:Personal / social services::::::::::::	Centre to provide activities for local community	1
Other Community Social & Personal Service Activities	Other:::::::::::::	Playgroup for under 5's	1
	Personal / social services:::::::::::::	Hairdresser	1
	Professional services:Personal / social services::::::::::::	Guitar teacher. Free lance music producer. People come to him	1

Sector (from Business Link)	Sector (according to respondents)	Respondents' further description	Firms in sample
Real Estate Renting and Business Activities	Other:::::::::::::	Act as agents for clients selling businesses	1
		Landscape gardening and land management.	1
	Professional services::::::	Aquatic environment	1
		Legal services	1
		Photography, commercial catalogue, architectural etc	1
		Product development	1
		Software house	1
	Real estate, renting and business activities: Transport, storage and distribution::::::::::::	Provide low cost units for entrepreneurs	1
Retail Trade	Agriculture / farming: Wholesale and Retail Trade including Repairs::::::::::::	Sells meat, sandwiches	1
	Other:::::::::::::	Hiring out of men's suits for occasions	1
		Indoor market	1
		Sell flowers and artificial flowers	1
		Sell food, accessories for small animals and cats/dogs	1
		Sell second hand and new books within the shop and on the internet	1
		Selling alcohol, general dealer	1
		Sells plants	1
		Sold gem stone jewellry etc.	1

	Wholesale and Retail Trade including Repairs:::::::::::::	Hardware stoves and cookers sales	1
		News agent	1
		Newsagent	1
		Sell fruit and veg	1
		Sells stationery goods	1
		Supply antiques	1
Sale Maintenance and Repair of Motor Vehicles	Other:::::::::::::	Buy and sells new motor cars	1
		Repair specialist	1
		Truck repairs and machine building	1
		Vehicle repairs	1
	Other:Wholesale and Retail Trade including Repairs:::::::::::::	Repairing motor bodies	1
	Professional services:::::::::::::	Motor services and repairs	1
		Motor vehicle repair	1
Transport Storage and Communication	Other:::::::::::::	Taxi services	1
	Transport, storage and distribution:::::::::::::	Four vehicles used for the taxi service	1
Wholesale Trade	Wholesale and Retail Trade including Repairs:::::::::::::	Supply of welding equipment	1
Grand Total			**126**