

## **Economic Development Committee EDC-11-00(p.6)**

**Date:** 22 June 2000

**Venue:** National Assembly for Wales, Committee Room 1

**Title:** Future Location of the TEC Enterprise Functions:

**Responses from Business Wales and Further Response from Valleys Enterprise**

### **Purpose**

1. To provide the Committee with the responses from Business Wales and Valleys Enterprise on the future location of the TEC enterprise functions.

### **Background**

2. The Committee agreed to seek further views from Business Connect Wales and Business Wales on the issue given the inconclusive responses to the earlier consultation (EDC-08-99 (p6)). The consultation letter for Business Wales is at Annex 1.

3. The recommendations from Business Connect Wales are contained in EDC-11-00(p.5)

4. Attached are the views of the Confederation of British Industry (Annex 2), the Federation of Small Businesses (Annex 3) and the National Farmers' Union (Annex 4). A response was also received from the Council of Mortgage Lenders, but given their locus does not cover such services they felt they could not comment.

5. We have also received an additional submission from Valleys Enterprise which is also attached (Annex 5).

### **Action**

6. An analysis of these papers, and those from Business Connect Wales, can be found in EDC-11-00(p.4).

Committee Secretariat

June 2000

**Cynulliad Cenedlaethol Cymru**

**The National Assembly for Wales**

Pwyllgor Datblygu Economaidd

Economic Development Committee

Bae Caerdydd / Cardiff Bay

Caerdydd / Cardiff

CF99 1NA

Dyddiad / Date 26 May 2000

Dear

**ETAG: Consultation on Future of TEC Enterprise Functions**

The Economic Development Committee is charged with making recommendations to the Assembly Secretary for Economic Development on the future location of the Enterprise Functions currently being undertaken by the Training and Enterprise Councils. The Committee has consulted interested parties on this, by way of a written consultation exercise, but no clear consensus has emerged. The Committee requires further advice before being able to make a recommendation. It has asked Business Connect, as a partnership of service providers and users, through its all-Wales Management Board and its regional boards, for further advice. The Committee is however particularly keen to hear from the private sector, as users and suppliers of services. (The number of responses to the initial consultation from the private sector was low.) Business Wales members would appear to be well placed to provide the Committee with the views of the private sector.

## Principles for a decision on location of the ETAG functions

The Assembly has endorsed the principle of locating the skills-based enterprise functions of Investors in People, Small Firms Training Initiative and Management Development with the new Council for Education and Training Wales.

For the remaining functions the following principles are suggested:

- that the solution should avoid further fragmentation or duplication;
- that, unless there is a compelling reason to do otherwise, the services for business start-ups, the sole trader initiative, and the diagnostic and consultancy services should be kept as a package;
- that the responsibility should transfer to organisations who already have client access and expertise;
- that the new arrangements must allow for monitoring of effectiveness and quality of service;
- that arrangements should result in value for money improvements as a result of rationalisation;
- that the optimum solution might vary from region to region (although a common solution would be desirable);
- that the decision should be reviewed after three years.

Your view is sought on the following:

- who should deliver the enterprise services in future;
  - why this is thought to be the most effective means of delivery (particularly how this will meet the needs of local businesses and how such needs have been assessed);
- how the contracts should be administered;
- where staff should be transferred to;
- how the contracts should be monitored;
- how quality should be assured and monitored.

## Timing

It is important that the decision is made as quickly as possible. Views are therefore sought by

12 June. The Committee will be considering views on 22 June.

If you have any queries please do not hesitate to contact me.

Yours sincerely

Helen Usher

Clerk,

On behalf of the Economic Development Committee

Letter sent to partners in Business Wales:

CBI

FSB

NFU

Council of Mortgage Lenders

Chambers of Commerce

Freight Transport Association

Institute of Directors

Housebuilders Federation

Engineering Employers Federation

Confederation of British Industry

CBI Wales

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Director

David Rosser

14 June 2000

## **CONSULTATION ON THE FUTURE OF TEC ENTERPRISE FUNCTIONS: A SUBMISSION FROM CBI WALES**

### **Introduction**

1. CBI Wales is pleased to respond to the Assembly's request for views on the transfer of TEC enterprise functions. TEC's have played an important role in delivering enterprise support and discretionary spending has enabled them to respond directly to customers needs. It is vital that this is not lost under the new arrangements and that these services continue to be demand-led i.e. customers are key in deciding what support is provided.
2. Indeed changes to the post-16 education and training system in Wales offer the opportunity for a new strategic approach to the delivery of business support in the medium term. As the representative body for those outward-looking, growth-orientated businesses which seek to capitalise on the opportunities that the global economy presents, CBI Wales is keen to work with the Assembly to ensure that these Welsh businesses receive the support they need to succeed. Our comments should be viewed in this context.

## **Creating a National Framework?**

3. In January this year the Economic Development Committee sensibly announced a review of business support mechanisms in Wales. The announcement quoted the objective set out in the National Economic Development Strategy:

"A radical new approach should provide all businesses with a comprehensive range of quality services but there must also be a special focus on maximising the potential of those companies with real growth potential".

4. Whilst changes to post-16 education have made a decision on TEC enterprise functions pressing we must ensure that the decision needed in the short-term does not impact on the Committee's ability to make those radical improvements to business support in the medium and long-term.
5. And radical improvements are needed. England and Scotland have forged ahead with changes to provide more co-ordinated support to their businesses. Business Connect is poorly resourced compared to similar services run across the UK. We need to develop a strong national framework which allows a demand-led system to develop. This means discretionary funding which allows services and support to respond flexibly to the fast-changing demands of businesses.
6. A national framework would also ensure that full advantage is taken of the resources available to Welsh businesses. This includes services provided at UK level by the Small Business Service, DTI, and British Trade International, as well as by the EU.
7. In this context, and given that reform of business support in Wales goes beyond reorganisation of TEC enterprise functions we would advise against any major decisions on how these are delivered in the short term. Annex A of this submission takes a back to basics approach to support, examining why publicly-funded business support is needed, who needs it, how they can be reached and looks at issues of quality and accountability.

## **Short-term recommendations**

8. TEC's have played a major part in supporting service provision to businesses and ensuring that enterprise and skills agendas are linked up. It is vital that these agendas continue to be linked up when new arrangements are introduced. Maintaining continuity to existing customers must be the priority when implementing changes.
9. As a first stop-shop for business advice and sign-posting, Business Connect is not considered an appropriate body to provide TEC enterprise services. A provider role would compromise its position as a source of independent advice on support. Moreover we need to be clear about the nature of TEC enterprise functions. First and foremost they are about providing 'skills for enterprise'. This is very different to the enterprise

support functions carried out by other agencies and we should not assume that a transfer to other deliverers would be straightforward.

10. The Committee must also consider its responsibility for ensuring that the discretionary services currently offered by TECs continue to be available to Welsh businesses. These services will vary from area to area and fall outside those identified in the Assembly's consultation document. CELTEC for example has invested much time and energy in developing a network of businesses covering every significant sector within the region. It is vital that this support, which has taken years to build up, is not lost due to reorganisation. We estimate that about 10% of the TEC grant is spent on enterprise initiatives. From April 2001 this sum will need to be ring-fenced for spending on skills for enterprise.
11. We believe that because it will be important for the new Council for Education and Training (CETW) to focus its attention on improving post-16 education and training and because of the need for a more fundamental review of enterprise support in Wales, the WDA should nominally take on responsibility for administering funding for TEC enterprise functions. But we see little merit in transferring delivery of those functions in the short-term. We therefore believe that TEC enterprise functions should continue to be delivered through CETW regional offices pending the outcome of a thorough review of business support. This ensures that personnel and links with business are not lost at a time when much of the rest of the system is undergoing change. It also allows the important link between skills and enterprise to be maintained.

### **Recommendations for the longer -term**

12. We urge the Economic Development Committee to put new impetus into a proper review of business support. This review should be undertaken with the aim of ensuring customer-driven, demand-led services in line with the criteria set out in Annex A. It should include an examination of what the market can provide, what is provided nationally or at EU level and where Welsh public funds can make a real difference. It should also look to 'join-up' business support in Wales and that provided elsewhere. We must seek to maximise the use of funds available outside of those provided by the National Assembly and seek to supplement not duplicate that provision. Serious consideration should be given to the introduction of business support franchises along the lines of those being introduced in England.

**For further information about this submission please contact Amanda Wilkinson, Senior Policy Adviser, CBI Wales (tel: 029 20453715 or e-mail: [amanda.wilkinson@cbi.org.uk](mailto:amanda.wilkinson@cbi.org.uk)).**

## **SUPPORTING WELSH BUSINESSES: A RATIONALE**

### **Why provide support?**

Increasing business activity in Wales is key to achieving greater prosperity. It is therefore essential that businesses have access to the right support and advice to enable their businesses to survive and grow. Many businesses, but particularly small and medium sized enterprises (SMEs), lack the internal resources, expertise and skills to meet all their support needs themselves. They must therefore have access to outside support at a price they can afford.

Much of this can be provided through the large supply of private sector support. Indeed, in principle public monies should not be spent where quality, affordable provision is already being supplied by the market. But there are some areas where it is not economic for the private sector to provide support e.g. regulation. Where the market fails to deliver then there is a basic case for publicly funded support. This support should be set within a co-ordinated national framework.

### **Who are we trying to help?**

Enterprise support needs to assist businesses at very different stages of growth and provision needs to be made for their very different needs. Moreover support needs can change rapidly in response to changes in the market and there must be flexibility for provision to change accordingly. This has implications for how limited resources are allocated. The Assembly needs to be clear about where it sees the priorities lying. For example, providing effective intervention in individuals' ambitions for self-employment can lead to better, sustainable businesses in the future and much could be done to improve support in this area. But the Assembly must provide a balance of services to support firms across the size range (including the crucial medium-sized firms) and choices will have to be made between firms with high growth potential and those which have "plateaued". Resources need to be concentrated on those firms with the greatest chance of success.

Whilst there will be a number of core services required by businesses across Wales there will be differences in business profile between one region and another. Assistance to the agricultural sector could therefore be a greater priority for one region than another. Discretion to set targets to meet those needs at regional level, as the TECs have been able to do, is therefore essential.



## **How can they be reached?**

Businesses must maximise the time spent on business development and minimise the time spent on non-profit-making activity. It is therefore essential that entrepreneurs can access support easily and that they can be certain that a high quality service will be offered without having to 'shop around' themselves. A strong brand, providing easy access to independent advice, is needed if the target market is to be reached. Confusion over where to go for advice must be reduced.

## **Quality**

Both publicly and privately funded support must aim for the highest possible standards in all areas of operation. Whilst the services offered may vary from region to region the quality of those services must not. Poor quality of provision in one region could threaten the credibility of Assembly support programmes overall.

## **Accountability**

Performance assessment is important for a number of reasons:

- To ensure quality standards are being met
- To guarantee resources are being spent for their intended objective
- To set targets for continuous improvement
- To test customer satisfaction.

There must be accountability for the spending of public money. But there is a danger that the benefits of performance assessment will be outweighed by the administrative burden incurred. Data collection requirements must not distract support providers from their main purpose – helping businesses to succeed. Furthermore, valid, comprehensive comparative performance across regions (e.g. Performance Indicators) may be difficult to achieve because there should be a focus on local needs which emphasise some services more than others. Performance assessment would best be linked to the stated objectives of providing certain support within a region i.e. the business plan.

CBI

31<sup>st</sup> May 2000

Helen Usher

Clerk to the Economic Development

Committee

National Assembly for Wales

Cardiff Bay

Cardiff

CF99 1NA

Dear Ms Usher,

**Re: Consultation on future of TEC enterprise functions**

Thank you for your letter of 26<sup>th</sup> May, and for the further opportunity to comment on the consultation process as it stands at present. It is worth pointing out that this is the first time we have been asked for further views as part of a consultation period with a chance to digest all of the evidence offered by other organisations, an idea which is to be commended and we hope it will continue.

Before responding to your specific points as detailed in your letter, there are a few broad comments we wish to make with regard to the evidence that has been compiled so far. The most telling replies came from businesses themselves, and we believe it is this that should form the basis of any business support review. Some comments in particular were:

*"Without any doubt or discussion, all schemes concerned with enterprise development should be administered by one body, in the interests of the customer. Who this body is is really of no interest to the small business – they are confused enough by the present mess of TECs, EDU departments, Enterprise Agencies, the WDA and Business Connect. Ideally only the WDA as the Welsh Development Agency should alone handle all services and all initiatives that pertain to the establishment, survival and growth of small businesses,"* Markmaid Limited.

*"It must be noted here that the WDA has many fences to mend and must devise a radical*

*strategy if they intend to be taken seriously by the small business sector who refer to them famously as the We'll Deter Anyone agency. Small business regards the WDA as a body with no interest in indigenous business and much too 'corporate' to understand the needs of small business. However they are the only organisation that everybody has heard of and which has an all Wales presence with a strong identity. The WDA is also already able to deliver services locally," Markmaid Limited.*

*"Enterprise Agencies do not 'listen' but only recite what they could do but don't," Business Bureau Wales Limited.*

*"Business Connect has only served as another barrier to the client before they are eventually linked with the right person to fulfil their needs," Business Bureau Wales Limited.*

*"The awareness of current services is poor with many bewildered business owners not knowing where to go for business support. Creating the right structures will be important in the future to ensure that clients needs are met and that promotions are co-ordinated," Business Bureau Wales Limited.*

*These comments fit in perfectly with FSB Wales' vision of a co-ordinated Small Business Service for Wales (SBSW) which is directed by and accountable to a Small Business Division of the WDA, as outlined in our evidence.*

*There were a number of other interesting points thrown up by the evidence given by other groups. Unsurprisingly, Business Connect Wales and Business Connect South East Wales wanted to keep the status quo. This is despite the fact that both these organisations have FSB members on their boards but our views were not sought nor included in their evidence submissions. Is this what we are to expect from the 'partnership' approach which they advocate so strongly?*

*It was interesting that the WLGA were not seeking to 'divvy up' business support money to 22 local authorities, and this is to their credit. They wish to work with other local organisations to deliver business support, and with the system of awarding SBSW franchises which we have put forward, all local authorities will be given the opportunity to put together a bid either by themselves or in partnership with other organisations.*

*The WDA response read like a promotional brochure in many parts, but it is obvious that they would not be averse to taking on a business support role. However, as Markmaid Limited commented, "the WDA has many fences to mend and must devise a radical strategy if they intend to be taken seriously by the small business sector who refer to them famously as the We'll Deter Anyone agency. Small business regards the WDA as a body with no interest in indigenous business and much too 'corporate' to understand the needs of small business." This is why it is so important that a Small Business Division should be established in order to*

guide the SBSW in a manner which understands the needs of the small business sector. This is the only way in which the WDA will gain the credibility which is essential when dealing with small firms.

But perhaps the most interesting submissions came from the Enterprise Agencies themselves, who seemed to be of the same mind as ourselves. Enterprise Wales, although seemingly non-committal for the most part, did broach the subject of having uniform Business Centres across Wales, which would fit in with the SBSW model of offices in each local authority area. Valleys Enterprise submitted a challenging and refreshingly honest response which could almost have been written by FSB Wales! Sufficed to say we agree with just about everything they said.

The response from local authorities were so bereft of detail and ideas that they are hardly worth mentioning at all.

It would therefore appear that on the evidence which you have received so far both the small businesses and the organisations which deliver most of the face-to-face business support (i.e. Enterprise Agencies) want to see one properly branded and co-ordinated business support structure along the lines of the Small Business Service. We believe that our model would deliver this as well as a body, in the Small Business Division, dedicated to providing a degree of strategic thinking and accountability which has been sadly lacking in Wales for many years.

With these comments in mind, I will now attempt to address your specific points:

- Enterprise services should be delivered by Small Business Service for Wales franchises;
- This would be effective because it would cut out **confusion** by being only one brand, it would be **accountable** to the Small Business Division of the WDA (with the ultimate sanction being that a franchise could be taken away if a body was not coming up to standard), and with one franchise to be set up in each **local** authority area the needs of local business would be assessed as part of an application to bid for a franchise;
- The contracts would be administered through the WDA as a publicly audited accountable body;
- There may be an internal shuffle of staff within the WDA in order to set up the Small Business Division, but this should not be a major upheaval. The bulk of the changes would affect those working within private sector business support agencies, e.g. Enterprise Agencies, and would be dependent on who franchises were awarded to, etc.
- The contracts would be monitored by the Small Business Division in the same way that private sector franchises are monitored (see Appendix I).
- Quality would be assured and monitored in the same way that private sector franchises are assured and monitored (see Appendix I).

I hope this addresses your queries, and if I can be of any further help please do not hesitate to contact me.

*Best regards,*

*Russell Lawson*

*Head of Public Affairs*

*FSB Wales*

*Appendix I to FSB response*

**Franchising**

The term 'franchising' has been used to describe many different forms of business relationships, including licensing, distributor and agency arrangements. The more popular use of the term has arisen from the development of what is called 'business format franchising.'

Business format franchising is the granting of a license by one person (the franchisor) to another (the franchisee), which entitles the franchisee to trade under the trade mark/trade name of the franchisor and to make use of an entire package, comprising all the elements necessary to establish a previously untrained person in the business and to run it with continual assistance on a predetermined basis.

The principle is simple - some companies choose to grow, not by developing in the conventional way, but by granting a license to others to sell their product or service.

Who is in Control? Each business outlet is owned and operated by the franchisee. However, the franchisor retains control over the way in which products and services are marketed and sold, and controls the quality and standards of the business.

What are the Cost Implications? The franchisor will receive an initial fee from the franchisee, payable at the outset, together with on-going management service fees - usually based on a percentage of annual turnover or mark-ups on supplies. In return, the franchisor has an obligation to support the franchise network, notably with training, product development, advertising, promotional activities and with a specialist range of management services.

The franchisor selects the franchisees and retains control over their products and services. Since franchisees invest their own money and work for their own profit they are likely to be highly motivated to succeed. Centralised costs and overheads are usually lower for a franchise network than for a network of company-owned outlets - few skilled staff can manage the entire network from a single central office.

The franchise method is now used successfully by all sorts of businesses in all sorts of markets. As a Franchisor you will be building a brand with a reputation that other people will want to buy into. You will therefore need a brand which is distinctive and appropriate for all the places you would want to have franchisees in operation.

It will also be your responsibility, and your obligation, to franchisees paying for the benefit of using your brand, to protect it against abuse, both by outsiders and by ex-franchisees. You will therefore need specialised advice on protecting your trade and service marks. The British Franchise Association maintains a listing of lawyers with the necessary experience.

The principal benefit which Franchisors hold out to prospective franchisees is the opportunity to run a business which has already proved its capacity to deliver products or services profitably to an identified market. You will need to draw up and provide a comprehensive operations manual that details what a franchisee does, how they are to do it, and to what performance and quality standards. The manual(s) will need to cover the setting up phase as well as continuing operation.

You will also need to develop and prove an initial and continuing training programme that ensures that the "know how" contained in the operations manual(s) can be transferred successfully to a third party within the time available.

The work involved in proving and documenting your operating and training systems is extensive and ordinarily calls for highly skilled and experienced advice.

The British Franchise Association offers a manual for prospective franchisors and maintains a listing of the UK consultants qualified to help.

One of the biggest practical differences between a simple distribution scheme and a fully fledged business format franchise is the extent of the initial and continuing support services offered by franchisors to franchisees. Franchisors take on responsibility for product and service development, for national promotion and PR, for purchasing financial and administrative services, for quality control and national accounts, for network communications and discipline. The skills involved are not the same as those required by field managers in company owned networks and there is an investment involved in making sure the necessary support services can be delivered to your first franchisee as well as your fiftieth.

The extent of support offered varies according to the kind of business that the franchise is in and according to how it is structured. A job franchise network (where e.g., the franchisees do the drain cleaning) will offer extensive administrative and financial services to its franchisees. A management franchise (where the franchisees employ and manage) will not be so much involved in day to day administration but will be providing training to franchisees on (e.g.) recruiting and selecting staff amongst many other services related to supporting management functions.

You will also need to make sure that your franchised business is structured so that your franchisees need your services on a continuing basis and in consequence will want to go on paying you to belong to the network. Again, professional advice at the outset could save you a great deal of money and trouble in the long run.

Franchise agreements must be fair and comprehensive. They are not sales brochures and there is not one standard work that fits any business. These days, a good agreement will stretch to forty or more pages and is just as much concerned to set out the obligations of you the franchisor as well as your rights. It is equally concerned to set out the rights of the franchisee as well as their obligations.

That does not mean that franchise agreements are an equal balance of rights and obligation between equal business partners. Franchisors are responsible for the network as a whole and that sometimes means acting against the interests of an individual franchisee for the greater good of the network. Franchise agreements have gone through more than twenty years of development to ensure that franchisors have the appropriate rights to do their job within a framework of fair and reasonable treatment for franchisees.

There are only a limited number of UK lawyers familiar with the complexity of franchise agreements, and only some of those have the necessary skills to advise a business on the best way to structure a franchise agreement. In this area you must get fully experienced professional advice. Sources are available from the British Franchise Association.

As with any business planning process the financials have two different approaches:

- What will it cost me, so how much must I charge to make a sensible return?
- What price will the market bear, so what can I afford to spend to make the business profitable?

In franchising you have to address these questions both from your point of view as the franchisor, and from the point of view of your franchisees.

In constructing a viable financial plan for franchising a business don't:

- Underestimate your initial costs and the associated financial prospects;
- Overestimate the early growth rates when you're just learning how to attract the right prospects;
- Assume you can make any real profit element on the initial fees. Profit comes later from the on-going charges to franchisees based on their trading success.

In Europe the approach is to keep initial fees to franchisees as low as possible to maximise their chances of a successful business entry, and then to make sure that franchisees can see a value for money return on the continuing fees they pay.

Continuing fees calculated as a percentage on turnover are preferable but some product distribution franchises inevitably rely on a mark up on goods supplied.

The financial aspects of franchised businesses are just as much a specialist area as the legal. The British Franchise Association can steer you in the right direction.

If you are selling the opportunity to use your brand and your business system, with the benefit of the support systems you offer, within the framework of a franchise agreement and initial and continuing fees, you will need a "prospectus". Potential franchisees will want to know what business they can expect to do and how profitable it can be.

Good franchisors have to draw a fine balance between generating expectations which can be met, and giving franchisees targets which are so low that they do not need to fully exploit their business opportunities. You shouldn't oversell or undersell, but that's also a matter of matching the presentation of your offer to the norms of the franchises' recruitment market, so experienced advice can be helpful. The British Franchise Association is a good source.

Recruiting franchisees is probably the hardest and most expensive job for franchisors. New franchisors have conversion ratios of serious enquiries to appointment of around 10:1. Established franchisors have a conversion ratio which is often higher than 50:1 sometimes higher than 100:1.

The recruitment mechanisms open to you are:

#### *Franchise exhibitions*

Be careful to avoid those where your reputation could be spoiled by association with bad franchised businesses.

#### *Newspaper Advertising*

Some national newspapers have developed an active franchise market.

#### *Trade Magazines*

There are three franchise magazines two of which are available through newsagents. Their support can be important.



## *Referrals*

Existing franchisees have friends, colleagues and customers. If they are happy with their business they will encourage others.

## *British Franchise Association*

The BFA sells more than 3,000 information packs each year to prospective franchisees. The pack operates a "selector pack" for franchisor members to promote their opportunities.

## *Franchise Centres and Brokers*

Beware of any arrangement which places a financial incentive on a third party to recruit franchisees for you. You will be in danger of taking on the wrong people. Ensure that the selection process and the relationship is directly between you and each prospective franchisee.

There are several steps which potential franchisors should take:

- Seek expert advice from the British Franchise Association (BFA). The BFA Franchisor Guides is invaluable in providing a wealth of unbiased step-by-step information for potential franchisors.
- The BFA can provide introductions to consultants, solicitors and accountants experienced in franchising and accredited by the BFA to meet BFA ethical franchising standards and help you identify whether or not your business is suitable to franchise.
- Research the market to ensure that products and services are competitive and distinctive enough to be franchised and that customer demand is sufficiently widespread.
- Produce a Business Plan outlining proposals in full and including a detailed SWOT analysis.
- Protect all intellectual property rights by registering trade marks, trade names and patents with the relevant trade mark and patent offices.
- Test the franchise in the form of a pilot operation lasting at least 12 months. The pilot scheme should be undertaken at more than one location in order to test the concept in different geographical areas. A comprehensive pilot operation will prove the viability of strategy and approach, highlight problem areas, and enable the franchisor to fine-tune the package before committing fully to developing a network.
- With the pilot operation running successfully, the franchisor can prepare and launch their network. At this stage the franchisor should instruct a solicitor familiar with franchising operations to draw up a comprehensive franchise contract setting out the obligations of each party - including how the fees, mark-ups on supplies and any other payments from the franchisee are to be calculated. These obligations should be made clear at the outset of any agreement with a franchisee, to prevent possible conflicts in the future.
- Produce a prospectus to attract suitable franchisees, and to determine the criteria for the franchisee selection.
- Produce a comprehensive operations manual and training programme for franchisees. This will enable the franchisor to set and maintain standards of customer service throughout the network.
- Establish a central management function and possibly field support staff to support the

franchise network, and set up a system to monitor the performance of franchisees.

- Finally, develop a marketing, sales and advertising strategy to promote the franchise network, so that potential customers are fully aware of the services on offer.

Once the network is up and running, the franchisor and the central management team need to constantly monitor the performance of the outlets, to ensure that quality levels are maintained and to identify and assist any franchisees who are in difficulties. A franchisor's on-going commitment, through training, product development and other support, is vital to the success of the franchise network.

FSB

**Annex 4**

**Response from NFU available in hard copy only**

**Annex 5**

-  
**12<sup>th</sup> June 2000**

**Member**

Economic Development Committee

National Assembly for Wales

Dear Assembly Member

**The Future of Enterprise in Wales.**

Valleys Enterprise one of Wales' most successful small business support agencies, is one of the organisations that responded to your invitation to submit views on the proposed changes to TEC Enterprise functions. Our response which has been further refined following discussions with a number of Local Authorities, is now the subject of positive ongoing discussions with the Cardiff Chamber of Commerce, and the Federation of Small Business. A copy is attached for

your consideration.

Many small business support agencies in Wales are concerned at rumours that the Assembly has already decided to take the apparently easy option and give the TEC Enterprise functions to the WDA. I very much hope that this is not the case, as a "one off" opportunity now exists to develop a better, tailored small business support service that includes all the part publicly funded providers and crucially, involves the small businesses themselves. The very successful model for small firms support originally developed in the USA, that has largely formed the basis for the Small Business Service (SBS) in England, provides a far more focussed and effective solution to the particular needs of the smaller firm, and should be available to firms in Wales.

Other options such as extending the role of Business Connect which most accept is a lamentable organisation at the National level and no more than a "virtual" network at a local level, can not be seriously considered, as their reputation both with the customer, and at a national level with the partners, is very poor. Further, it is clear that some influential organisations in Wales are only supporting the Business Connect option as they distrust more power transferring to the WDA, rather than on any merit.

Valleys Enterprise is not pursuing any vested interest in wishing to see a new Small Business Service in Wales. It is prepared to subsume its staff and identity within any new organisation, and to financially contribute to its operation.

We believe that it is crucial that the Economic Development Committee appreciates the importance and urgency of considering the model described in the attached paper, rather than simply passing the responsibility to the WDA. I ask you to allow us to present our case in person, together with representatives of the FSB and Chamber of Commerce.

With best wishes.

Yours sincerely

Dennis Briaris

Dr Dennis A Briaris

Chief Executive

## **"Providing a More Effective Small Business Support Service in Wales"**

### **1. Background**

With the proposed changes to TEC functions, as recently approved by National Assembly for Wales, it is opportune and essential that a review of Business Support and Development in Wales be undertaken to ensure that the TEC's Enterprise functions are effectively delivered in the future.

Such a review will also enable a fresh look to be taken at the role of Business Connect, a product of the Redwood era that at a National level certainly fails to achieve a useful role.

Any new service for business, must be predicated by a desire to service the needs of business, not the wishes of the support agencies. It should be "User Led, not Supplier Driven". Too many support agencies are focussed on their own survival, providing low value local services, while chasing high value contracts, rather than on the needs of our customers, Wales' S.M.E. sector.

### **2. Overview of Current Situation**

The current methods of providing support and assistance to small businesses based in Wales are at best disjointed and fragmented, and at worst poor value for money by not meeting real business needs.

Enterprise agencies currently provide around half to three-quarters of the core business support, but despite maintaining their 'grass roots' image, the quality of this support is often inadequate for today's businesses. Over recent years small businesses have become more professional in their approach and more global in their outlook with many enterprise agencies being unable to meet these needs. As such, support has become 'supply driven', rather than what it should be, 'customer-led'. It is now time for enterprise agencies to move away from simply being the 'backbone' of a flawed Business Connect structure, to being in partnership with others, a new independent small business support

service. It is accepted that enterprise agencies are generally 'unaccountable bodies' (Re: Welsh Affairs Committee report, 'Investment in Industry in Wales') that often act more like property developers than professional business support organisations due to reduced core funding over recent years. However, more core funding will not be available whilst the enterprise agencies remain unaccountable.

It is clear, and recognised by a number of progressive agencies, that a simpler more effective Small Business Service is required. The Federation of Small Business (FSB) and Chambers of Commerce, who have been very critical of the present support mechanisms, strongly support a move to a new SBS that has operational independence.

### 3. Meeting the Needs of Small Businesses

The SBS should satisfy the following:

- Be the single outlet across Wales for promoting a part public funded support service to small businesses. The range of services should include both Gateway and Core support services.
- Act as a voice for small business at the heart of the National Assembly.
- Have a mandate to simplify and improve the quality and relevance of public funded support for small businesses.
- Be a private-public partnership that is operationally independent and not controlled by either the local authority, WDA or similar public body.
- Meet the operational and strategic needs of **all** private sector groups such as FSB and Chambers of Commerce.
- Become a focal point for small businesses in relation to existing and new regulatory obligations.
- Provide the access point for all those services that are specific to small businesses, including export advice, workforce development, Modern Apprenticeship etc.

### 1. A Small Business Service For Wales

"Big enough to deliver, but small enough to care". A New Wales Small Business Service must provide consistent high quality national standards of service, but delivered locally in a genuine partnership of local public and private sector interests.

At the national level, a new Wales Small Business Service (WSBS) should be established, to set national priorities and standards, and to agree sub contract funding to new local delivery partnerships, which should be free standing companies, that are awarded delivery contracts based on performance. These local Small Business Services should be based on local authority areas, and become the only delivery point for publicly funded enterprise support. As proposed in England, "all Government services directed

primarily or mainly to small businesses should be accessible through a Small Business Service local outlet". It is therefore essential that the W.D.A. plays a full role in the Wales Small Business Service.

## 2. Key Criteria For Success

### **Improving coherence and quality:**

The Independent WSBS will be charged with organising and delivering an improved quality business support that is both coherent and responsive to the diverse needs of small businesses. Where existing provision meets these objectives it would be absorbed into the WSBS, thereby eliminating the duplication and inconsistencies that currently exist.

### **Establishing a single Gateway:**

All public funded support for small businesses should be directed through the WSBS. Businesses will then not need to concern themselves with how and where the service can be accessed nor with which public body is providing the part funding or funding. The present confusing arrangement of multiple outlets for support will be reduced to a single more effective outlet.

### **European Structural Funds:**

Those structural funds designed to support small businesses by way of improving competitiveness, will be channelled through the WSBS. This will insure a coherent pattern of support for small businesses.

### **Assisting with small-scale equity finance:**

The WSBS will interface directly with "Finance Wales" the proposed independent body that will be responsible for managing equity funds in Wales, and developed with Objective One support.

### **Local delivery:**

The WSBS will be responsible for providing local delivery of its support on a Unitary Authority basis. Where necessary, and in order to satisfy the needs of small businesses, multiple sites will be established within a single Unitary Authority. Enterprise agencies have had many successes and many satisfied customers, however there remains considerable room for improvement in the quality, professionalism and consistency of services offered. Given that small businesses are primarily concerned in how accessible

and effective the services are, and not in the details of how they are managed, replacing existing agencies with the new WSBS will be a positive step forward.

### 3. The Proposals

1. A new Wales Small Business Service should be established nationally, directed by a Management Board made up of equal representation of the private and public sectors in Wales. e.g. Representatives from C.B.I., Chamber, W.D.A., W.L.G.A., N.A.F.W. (Industry Department), F.S.B. Small Firms themselves. The Board should appoint a Chief Executive and minimal support staff, for the management of its central and monitoring functions.
2. The national Small Business Service, should contract with a **single** local business support service provider to provide an integrated and comprehensive support service for smaller businesses, based on local authority areas.
3. Existing Business Connect partnerships including the local authority should be the basis for forming the new local Small Business Service organisations which are recommended to be new companies, Limited by Guarantee, consisting of the contributing Business Connect partners. Provided that the national WSBS is satisfied with the quality of the proposal, a contract (form and duration to be agreed. In England it is a rolling 3 year contract) would be awarded to deliver services locally.
4. The WSBS has to ensure the highest quality of support, and will be free to invite alternative business support service providers, both initially, and on a regular basis, for the local SBS contract. It will be very much in the interests of the local partnerships constituting the new local company to make sure that each individual service provider is performing to the highest standards, or replace them as necessary.
5. The WSBS will work very closely with the WDA and the W.T.B., to agree the priorities for business support in each local area, with the W.D.A. small business support services becoming part of and accessible through the local SBS.

#### 1. The Local Small Business Service

A single entry point service is proposed. It would be based on local authority areas, and be known as, for example, Small Business Service (Swansea), or Business Connect Caerphilly. It can only be made to work effectively, unlike current token and disparate arrangements, if the W.D.A and the local authority deliver their local business support services through the new organisation, and if **all** public funding, including European Funds, for business support are accessible through the local Small Business Service only!

Probable partners in the new local SBS will include:

Local Authority E.D.U., local Enterprise Agency, local Chamber of Commerce W.D.A., F.

S.B., other appropriate groups and small firms representatives.

The local S.B.S., should appoint a local Director or Manager, to manage the S.B.S services and functions as contracted with the new WSBS. All staff should be either directly employed by, or formally seconded to, the new S.B.S. The S.B.S. does not necessarily need all service provider partners to be co-located, but where possible this should happen as it would help the customer. However, co-located or otherwise, the services must be co-ordinated and delivered under the direction of a single, accountable, local Director or Manager.

## 2. Summary

The demise of the TEC's in Wales, and the emergence of the Small Business Service in England, provide the catalyst for, and a model of, a new approach to local business support in Wales. These proposals for a National and local Small Business Service in Wales provide a "one off" opportunity to sweep away the current confusion, duplication and competition between existing business support service providers, and achieve a high quality single entry local support service delivered to National standards.

Valleys Enterprise



