

# Enterprise, Innovation and Networks Committee

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**Venue: North Wales Visitor Centre, Princes Drive, Colwyn Bay**

**Title: CBI Wales paper on business support**

The CBI is the UK's foremost business representative body dealing principally with cross-sector issues, which affect the business environment in which all companies operate. The CBI's strength lies in its breadth of membership, which includes companies of every size, including over 200 trade associations and academic institutions, and from all sectors of the economy – manufacturing, construction, retailing, financial services, e-commerce, leisure, transport and so on. The CBI represents companies employing about 50% of the private sector workforce in Wales.

The CBI is pleased to submit evidence to the Assembly's Enterprise, Innovation and Networks Committee on the related issues of business support and tourism. A greater proportion of CBI members have engaged with the Assembly's business support activities than with its tourism ones to date, so we have thus limited our evidence to the area of business support.

## **Introduction**

Business support is a significant factor for companies operating in Wales and indeed the rest of the UK.

CBI members define business support in two ways:

- As direct support to business, e.g. finance, advice, signposting – provided by both the private and public sectors.
- As the support Government provides to business through a raft of other policies and support mechanisms, such as the transport network, planning system, skills policy – factors which provide a supportive business environment in which companies can compete and prosper.

The CBI has undertaken work on both these elements, particularly the latter, which forms a major plank of our activities on behalf of businesses in Wales. The CBI responded to the Assembly's Review of Business Support five years ago, and has since contributed to similar discussions on issues such as the national economic development strategy, Wales: A Vibrant Economy, and the merger of the ASPBs with the Welsh Assembly Government.

For the purposes of this Committee we will restrict our evidence solely to the area of business support as it is generally interpreted by the public sector, i.e. direct support to business via grants, advice and similar mechanisms.

This paper outlines several key principles for an effective business support system, referring also to the changing context of business support activities in Wales as a result of the ASPB merger. The oral evidence to the Committee will supplement this, and will provide direct business insight into this area, from a company involved directly in accessing business support and advising clients utilising business support.

## Principles for Business Support

An effective business support system can play a major role in improving the competitive edge of businesses. However in order for it to succeed, there must be an innovative approach to matching services to companies' real needs.

Business support must be demand-led – genuine involvement of businessmen and women both nationally and regionally is essential to identify real requirements.

There must also be flexibility within the system to respond to those needs. Effective business support is not only about what is provided but also how it is provided, which may necessitate delivery of support outside core working hours.

It is important to recognise that most business support is provided by the private sector, and that many businesses will use private sector support as their natural source of advice. Whilst the public sector has a key role to play in filling the gaps in this area, in principle public monies should not be spent where quality, affordable provision is already being supplied by the market.

Where the market fails to deliver, there is a basic case for publicly funded business support, set within a co-ordinated national framework. Public sector agencies and policy-makers in this area must acknowledge the difference between market failure and market spoiling. Public sector business support should step in where the market is failing - not spoil the market by replicating products, which are already available.

The quality of people delivering business support is probably the most crucial factor. Individuals should be well motivated and well trained with a good understanding of the pressures of growing a business, and should be proactive as well as reactive in supporting business.

Business support should be rationalised and streamlined. Far from forming a healthy choice, the plethora of services and products on offer to businesses can lead to confusion and creates apathy in terms of take-up. Some steps have been taken in towards rationalisation of business support, but the CBI believes there is still scope for further streamlining of activities.

A successful business support system will operate through a clear framework, which provides easy access to independent quality advice. The one stop shop model adopted by the Welsh Assembly Government under Business Eye is a good example of such a framework, although there is undoubtedly still room for improvement here.

There needs to be accountability within any system of publicly funded business support. Accountability, and performance assessment, is important in ensuring quality standards are met; in guaranteeing resources are being spent for their intended objective; to set targets for continuous improvement; and to test customer satisfaction. Government should put in place appropriate measures to ensure accountability for the spending of public monies and to ensure quality delivery to customers.

Both publicly and privately funded business support must aim for the highest possible standards in all areas of operation. Poor quality support can damage businesses, and poor delivery in different areas of Wales or in different industrial sectors is not acceptable. Quality information and advice to business is essential.

### ASPB Merger: Changes to Business Support

The nature of business support services in Wales has changed following the outcomes of the Assembly's Review of Business Support, and most significantly as a result of the merger of the ASPBs into the Welsh Assembly Government.

Much of the CBI's work around the merger has focussed on the outcomes and measures of the new merged organisation, rather than around the actual services and structures put in place. However senior CBI members and staff have participated in working groups set up by the Assembly Government to examine services and outputs of the new Department for Enterprise, Innovation and Networks, and are beginning to feel that there has been genuine progress in this area – on paper at least.

The CBI believes that as a result of these changes, there should be a quality, in-depth examination of the individual services and programmes provided by DEIN. Despite some of the changes orchestrated following the creation of Business Eye, nevertheless much of the current economic development budget is still spent in delivering a diverse range of services aimed at a widely disparate customer base. The CBI called for this review immediately after the First Minister's announcement in July 2004, stressing that such a review must be carried out with extensive involvement from the business community as to what it values.

In our original paper to the Welsh Assembly Government in July 2004, the CBI set out a series of principles under which the new DEIN should operate and be judged – with particular regard to its business support activities. These build on the earlier business support principles outlined in this paper, and include:

- Accountability
- Transparency and scrutiny
- Regular evaluation of the quality of services offered
- The continued need for quality business input
- Separation of delivery from the policy making function of government
- A recognition of the reality of economic areas for business, employment and markets
- Agreed communication links between DEIN and business.

Any system of business support operating under the new arrangements should take these principles into consideration. Customers, whether businesses or individuals, need to have the chance to inform and shape what is delivered, need to know what services they can expect, what they have to do to access them, and where they can turn if service standards fall below agreed standards.

To this end, we are pleased that the new Director of EIN in North Wales is undertaking a review of business support activities in Wales, as part of her enterprise brief. We have participated in informal initial discussions on this issue with the Director, and look forward to responding formally to the proposals later this year, and to helping to shape the business support activities of the Welsh Assembly Government to help deliver what business and the Welsh economy requires for a prosperous future.