

Cyhoeddir y papur hwn yn yr iaith y'i derbyniwyd gan Gynulliad Cenedlaethol Cymru.

NATIONAL ASSEMBLY FOR WALES

Agriculture and Rural Development Committee Review of Rural Economic Diversification 25 October 2000

Presentation given by the Council of Welsh Training and Enterprise Councils Grenville Jackson, Chief Executive, Mid Wales TEC Einir Burrowes, Head of Strategy & Policy, Mid Wales TEC

1. Thank you for inviting the Council of Welsh TECs to assist your enquiry. It is probably not too surprising that the Council asked Mid Wales TEC to lead this matter on their behalf. After all Mid Wales covers 40% of Wales' land mass and everyone would label it 'Rural Wales'. However we should not forget that over half the South East Wales region, which most people would label 'Industrial Wales', is in fact, rural.

2. We have selected four key topics which are at the centre of successful business growth, prosperity and rural diversification:

- Increasing management skills and competencies;
- Increasing the innovation and new product development capacity of firms through up-skilling the existing workforce;
- Ensuring integrated working of the publicly funded business support agents.
- Developing the supply of private sector business support services.

There are other key topics such as the rural digital divide, young entrepreneurship but we anticipate other colleagues will address these subjects

Developing the Skills to Manage

3. Much play is made of the importance of competent management in ensuring business competitiveness. Yet it is well recognised that smaller businesses, particularly those in rural areas, invest considerably less in developing their managers than do bigger firms. Consequently, businesses in rural areas tend to lack management expertise and we argue that this is a key inhibitor to business productivity and growth in rural Wales.

4. Unfortunately, there is no single, easily definable barrier to more rural businesses getting involved in

developing their managers. Rather, there are a number of interrelated problems that need to be overcome. What is clear, however, is that smaller businesses, on the whole, don't want 'management development'; they want solutions to business problems.

5. Support, therefore, needs to be centred on helping businesses find solutions whilst enabling them to learn from the process. We believe this is far from the case at the moment. There are many public-funded initiatives which are seeking just the quick fix not leaving behind a sustainable improvement in management capabilities.

6. For the first time ever in Wales we shall have in the new National Council for Education and Training an Assembly sponsored public body responsible for management development. Working alongside the Wales Management Council, this is a great opportunity. A clear remit letter on the National Council's lead role in management development is the way forward.

7. Businesses are inherently mistrusting of 'experts', particularly those from the public sector! However, we believe that better use could be made of those professionals with whom businesses in rural Wales have established relationships. We'll touch further upon this issue in a moment.

8. Businesses learn from businesses and there is a strong argument for greater support for business-to-business networks as a means of transferring best practice and providing a mutually beneficial support structure.

9. There has to be recognition that it costs more to deliver high quality support to businesses in rural areas. Quite simply, there are a lot of businesses to reach and they are scattered all over the place.

10. If businesses in rural Wales are less inclined to develop their staff, there is an argument for targeting some support at developing aspiring managers rather than their bosses. The end would be the same, a skilled pool of managers in rural Wales driving forward business growth and success.

Developing the Skills of the Workforce

11. Our second key issue is improving the skills of the existing workforce. Low productivity and therefore low wages characterise Rural Wales. In our most recent survey of constraints to small business growth in Mid Wales, the greatest unprompted concern was lack of skilled labour, yet we seem locked into a low skills equilibrium.

12. To boost the productivity of our business, and therefore individual and business prosperity, we must create an environment in which our small employers are more able and willing to invest in the skills of their managers and their employees. We have to increase the appreciation that almost any problem in any business can be solved by increasing the skills of its people. People solve problems.

13. The majority of publicly funded skills and training support is aimed at increasing participation and

employability. We do not advocate taking the foot off that pedal but we would like to see new fiscal of cash incentives introduced for small businesses, particularly for putting into place in-house training.

14. Training purchasing power needs to be put much more in the control of the firm than the training provider. We need to recognise and value non- qualification training.

Integration of Support Services

15. Our third issue is the importance of integrating publicly funded business support at the point of consumption ... the customer, the individual firm. Mid Wales TEC's Business Support Agents field-force are based at the region's Business Connect Offices. They work alongside colleagues from the WDA, Enterprise Agencies and Local Authorities. This allows a sharing of knowledge and action.

16. It is far from perfect. There are some turf wars and issues of sovereignty can surface. In order to improve the situation, we need to learn how to work in genuine partnership and our masters also need to learn how to work in genuine partnership.

17. Performance measurement should be centred not on short-term activity targets but on the achievement of longer-term output and impact goals, such as greater added value, innovation spending and expenditure on training. The Assembly has to lead rural economic development away from short-term disjointed business support initiatives to a long-term vision underpinned by realistic goals.

Developing the Supply of Private Sector Business Support

18. We mentioned earlier that established businesses, whilst suspicious of the public sector, do look to external professional advisors. Smaller businesses, in our experience, particularly value their accountants, and often look to them for help in developing business ideas.

20. Accountants with whom we've worked in Mid Wales perceive that they could do a lot more to help their clients develop.. if they were able to charge for their time!

21. The same group of accountants perceive that they are capable and very well placed to deliver a number of the services currently offered through Business Connect. Some private sector service professionals believe they are being crowded out.

22. We suggest there is merit in making greater use of indigenous professionals to deliver publicly supported business support services in rural Wales. This could be tested on a pilot scheme basis.

Close

23. Chairman, thank you for this opportunity to address you. Our message is simple. It is people who solve problems. It is people who create and realise opportunities. Investment in people must be at the

heart of rural development policies. In rural Wales, where the overwhelming majority of businesses are small, developing the individual is the flip side of developing the business.