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Scottish Small Business Support Organisations:
An Exploration of the Role, Focus, Nature and Relationships of
the Scottish Business Support Environment

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ABSTRACT

This dissertation sets out to fill existing gaps in the literature where the focus, nature and relationships of business support organisations are practically ignored, particularly in a Scottish context. The introduction sets the Scottish context and is followed by a critique of the 'small' business label, where it is argued that misleading and inappropriate labels are unhelpful for business support groups in targeting their membership and which services and supports to offer. The dissertation goes on to explore, in some depth, the focus, role and nature of business support organisations by providing a new typology of business support and a classification of communication orientations of business support organisations. In doing so, the activities of business support organisations are made clear, which is highly valuable in terms of exposing unnecessary duplication of services, and in understanding how the different business support organisations achieve their aims and objectives on behalf of members and clients. This in turn, may assist business support organisations in targeting their services more appropriately and to facilitate 'small' businesses in identifying which support organisations are complementary to their individual needs.

The research draws several conclusions which have academic, practitioner and policy implications. A new contextualised definition of 'small' business is constructed, based on the argument that the label 'small' is inappropriate and unsuitable for the purpose of business support. A member/client profile for Scottish business support organisations is discussed, providing in turn, the opportunity to speculate on the focus of business support organisations in targeting and providing services for their members. The research also explores the localised nature of business support provision and delivery in conjunction with the local economic forum (LEF) concept, and the centrality of Scottish Enterprise to the Scottish business support structure is determined.

The research data is based on a qualitative, exploratory study using in-depth, semi-structured interviews with 28 respondents from business support organisations in Scotland, in both the private and public sectors.

This in-depth exploration of business support organisations in Scotland identifies a range of key network characteristics and behaviours, which closely align with key facets of various network theories. Based on this finding, and the lack of explicit awareness of the network characteristics and relationships described by respondents, it is argued that Scottish business support organisations unwittingly operate as an implicit network structure. The observed clusters of Scottish business support organisations into local/regional and national groups are conceptualised as distinct business support networks (BSNs), and it is suggested that the interaction between both clusters, or BSNs, are contained within a 'supra-BSN'. These findings lead to one of the main conclusions and recommendations of this research, namely that explicit recognition should be given to the observed network structure by business support organisations. It is suggested that this could provide a major catalyst for enhancing their relationships with each other at a local, regional and national level, and with the small businesses they serve.

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

"Small and medium sized businesses are the lifeblood of the Scottish economy. In Scotland 99 per cent of businesses are small or medium sized enterprises (SMEs) and they account for 57 per cent of all employment."

Helen Liddell MP (Former Secretary of State for Scotland, Federation of Small Business (FSB) Conference, Aviemore, March 2002)

Scotland, like many economies, has a substantial small business community. Although there are many definitions of what constitutes a small business, it is clear that small firms, whatever the definition, account for more than 90 percent of the 300,000 companies in Scotland and at least 50 percent of its labour force (DTI, 2002). The Federation of Small Business (FSB, 1999) estimates that 98 percent of all businesses in Scotland have forty-nine or less employees. It is also acknowledged that Scotland has a weak entrepreneurial culture and its business birth rate remains 30 percent below the UK average (Scottish Enterprise, 2002).

The average person on the street could be forgiven for not realising the importance of small firms to the general Scottish economy. Small firms that employ less than 50 people do not have the same visual or media impact of large multi-nationals (Storey, 1998), meaning that the public may not be as concerned with their failure as they are with large firms. For instance, if one is to watch a news bulletin on any given day, the important business stories often concern large companies and the amount of jobs that they create or lose. One only has to look at the perhaps-never-to-be-used Hyundai semiconductor plant in Fife to see the sheer news-worthiness that large corporate bodies have. SMEs have played an important role in regenerating certain areas in the United Kingdom, for

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example, in the west coast of Scotland following the demise of traditional industries such as shipbuilding. However, that is not say that large companies are any more or less important than their smaller counterparts as the Confederation of British Industry (CBI, 1970, p.3)[1] argues; if small firms closed tomorrow "*most of the large firms would grind quickly and painfully to a halt*".

The Small Business Administration (SBA) states that small firms in the US represent over 99 percent of all employers and provide virtually all of the net new jobs.

Table 1.1: Non-farm Employer Firms, Employment, and Estimated Receipts, 1995

	Firms	Employees	Est. Receipts
Size of Firm	(Thousands)	(Thousands)	(Billions)
All Size Firms	5,369	100,315	15,751
0-19 employees	4,808	19,570	2,664
0-99 employees	5,277	37,992	5,342
0-499 employees	5,354	52,653	7,404
Note: Employer firm size data only include firms with employees; this excludes many self-employed individuals			

Source: Bureau of the Census, with funding from SBA, Office of Advocacy.[2]

From table 1.1, we can see that the small business community is extremely important to the US economy, accounting for over half of the total workforce[3]. Storey (1998) contends that although 95 percent of the business community in the EC is small, the financial press devotes only five percent of its pages to small business, indicating that larger businesses are considered to be more important than small ones. As mentioned earlier, large businesses are more newsworthy than their smaller counterparts and this can lead to smaller firms being marginalised in terms of public and government opinion. If small

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[1] Confederation of British Industry: Britain's Small Firms: Their Vital Role in the Economy, London: CBI November 1970, p3 (in Stanworth and Curran, 1976)

[2] http://www.sba.gov/ADVO/stats/ec_anscd.html (October 16th, 2001)

[3] The SBA counts firms under 100 employees as small

business is to become more understood and is to be given a higher priority by the Scottish Legislature, then more coverage of small business issues in the press could be vital. It is, however, never easy since obtaining accurate data on small business has shown to be notoriously difficult. One reason for this may be that no single definition of small firms can be agreed upon.

Despite this difficulty, commentators concur on the importance of the small business sector. Stanworth and Gray (1991) estimate that small business, those with less than 50 employees, account for 99% of all businesses in the UK, and an estimated 3.8 million active businesses in 2001. Of these businesses, over 68% are sole proprietorships, and partnerships, including only the self-employed owner-manager(s) and companies comprising only an employee director (Small Business Service, 2002). Table 1.2 illustrates the breakdown of businesses by their employment level and shows these figures compared to employment levels from companies with more than 50 employees.

Table 1.2: Number of enterprises, employment and employees in the whole UK economy by size of enterprise, 2001[4]

	Number			Percent		
	Enterprises	Employment (000s)	Employees (000s)	*Enterprises*	*Employment*	*Employees*
Whole economy						
All enterprises	3,808,930	27,336	23,148	*100.0*	*100.0*	*100.0*
With no employees[1]	2,600,940	2,888	276	*68.3*	*10.6*	*1.2*
Employers	1,207,995	24,448	22,873	*31.7*	*89.4*	*98.8*
1-4	784,070	2,298	1,534	*20.6*	*8.4*	*6.6*
5-9	209,630	1,497	1,239	*5.5*	*5.5*	*5.4*
10-19	118,165	1,643	1,414	*3.1*	*6.0*	*6.1*
20-49	57,955	1,780	1,576	*1.5*	*6.5*	*6.8*
50-99	19,395	1,342	1,271	*0.5*	*4.9*	*5.5*
100-199	8,705	1,219	1,189	*0.2*	*4.5*	*5.1*
200-249	1,820	406	400	*0.0*	*1.5*	*1.7*
250-499	3,790	1,323	1,312	*0.1*	*4.8*	*5.7*
500 or more	4,465	12,940	12,937	*0.1*	*47.3*	*55.9*

Source: (Small Business Service, October 2002)

There is no doubt that small businesses are important in every developed industrial economy (Curran *et al.,* 1986). As illustrated in table 1.2, small to medium enterprises (SMEs) in the UK, are strongly represented in almost every major sector of the economy, and continue to provide substantial employment not only in traditional established industries such as construction but also in the newer sectors such as professional, technological and scientific services (Binks and Coyne, 1983).

A Scottish Context

This study is primarily concerned with support organisations that are based in Scotland, representing and supporting small Scottish businesses as defined in chapter two. This Scottish context is necessary because although Scotland has some of the same support organisations, and similar public agencies, to the rest of United Kingdom, it finds itself

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[4] http://www.sbs.gov.uk/content/statistics/2001smestatisticsfull.xls

with its own government and its own particular problems, both business and social, as distinct from the UK. The Scottish context allows the researcher to explore the relationship between business support organisations and the devolved Scottish parliament, as well as with the civil Service in the Scottish Executive, without having to also explore the nature of the relationship with Westminster and Whitehall. It is the concern for the survival and prosperity of small firms in Scotland which is the primary motivator for this project. This has led the author to explore first of all what a small firm is, and to examine the way in which support organisations can aid the small business sector. The focus for this thesis is thus to investigate the small business support system in Scotland, its role and the nature of its relationship with small firms, in order to work towards building what the Confederation of British Industry (CBI) terms *"A competitive and entrepreneurial agenda"*(CBI, 1999, p.2).

As with other developed economies, Scotland has its own network of support organisations, which exist to promote, support and represent the interests of businesses. This mixture of public and private sector organisations jostle for clients in a crowded market place and the message emanating from these organisations can often be fractured and sometimes contradictory. This in turn leads to misperceptions on the part of customers and members, and poor representation of the views and needs of those being represented. Business support organisations could be offer a lifeline for small businesses given the failure rates and low business birth-rates in Scotland. There is, however, little research from the perspective of the support organisations themselves and their relationship with customers and members. This large gap in the literature is one which the author will seek to fill.

The literature on small business is extensive and covers elements of life cycle such as the growth, death, expansion and contraction of firms, how they plan, or indeed do not plan. The literature on business support, however, is not so extensive, and furthermore, it exists within a UK context rather than a Scottish one. Bennett (2001) and Grant (2000) have conducted research into UK business groups and business associations such as Training and Enterprise Councils, Business Links and Chambers of Commerce, but their work is at best cursory in its treatment of Scotland in that the focus is on England and Wales, and they do not differentiate between large, medium or small firms in their analysis. It is the contention of this author that the Scottish context is under-researched, and that the support network, and the nature and reality of representation in Scotland is important enough to merit a more important role in the literature. Based on these gaps this research seeks to explore the focus, role and relationships which characterise business support organisations in Scotland. A key objective is to provide recommendations which will help strengthen and enhance relationships, both endogenous and exogenous to business support organisations, and to improve the understanding and focus of small business support services.

The dissertation is divided into two parts; the first part covers chapters two to five. Chapter two discusses the classification of small using official and academic definitions in order to construct a working small business definition for the purpose of this research. A small business profile is presented, considering entrepreneurial and small firm owner/manager traits, as is small firm failure. Definitions and reasons for small firm death are covered to provide a solid background for the small business support focus. Second, the notion of interest representation is explored in chapter three, and the relevant welfare and environmental pressure group literature is adapted for the business arena.

Chapter three also introduces the hypothesis that business support organisations' relationships are characteristic of a network structure, that is, a network structure containing clusters of business support organisations that share activities and resources.

Chapter four proposes the use of network theories to provide a conceptual framework for this research, for the purpose of providing a useful analytical framework for the observed structure, processes and elements of business support organisations, with an emphasis on relationships, activity links and resource ties (Håkansson and Snehota, 1992) and human (Berkowitz, 1982; Knoke and Kuklinski, 1991; Burt, 1983), organisational (Drucker, 1988; Kanter, 1983; Scott-Morton, 1991; Sproull and Kesiler 1991; Charan, 1991) and exchange and co-ordination network theory (Thomson, Frances, Mitchell and Levavcic, 1991). Network theories provide, therefore, an analytical framework to explore the role, nature and relationships of Scottish business support organisations, with particular regard to exploring the suggestion that business support organisations operate within a network structure, where they display characteristics which are to be found in formalised networks, such as actor bonds, activity links and resource ties (Hakannson and Snehota, 1992) and embeddedness (Uzzi, 1996, 1997).

Chapter five describes the research logic and methodology for this research. As with most research, this project is neither purely basic (research carried out to add to the pool of knowledge), nor purely applied, (research carried out with the intention of solving a particular problem or addressing a specific issue). It is a mixture of both, with application to academic theorist as well as practitioners. As the third research aim is to identify routes for strengthening and enhancing the relationships of business support organisations with government and small firms, a practical element is necessary, in order that any

recommendations can be used to achieve this aim. This research thus falls somewhere in the middle of the research continuum between basic and applied research.

Part two is concerned with the data analysis and the conclusions and recommendations. Rather than discuss each research aim in isolation, it was decided to organise the data analysis into themes, identified in the literature, making it easier to identify and see broader relationships. These themes were drawn from various subject areas, especially the political and interest group literature, network theory and small business, allowing the researcher to combine topics which would afford the most suitable structure for analysing the gathered data. This approach was taken due to the exploratory nature of the research, which involved identifying emerging themes, as well as building on the predetermined ones.

The first of these three analysis chapters, chapter six, is based on the member theme, and details the definition of small businesses, the profile of small business members/clients, the types of services available, awareness and misperceptions and modes of inter-business support organisation communication. The chapter continues by exploring the setting of the business support organisation aims and objectives, the part that members/clients play in setting them, the mechanisms for soliciting opinion, intra- and inter-business support organisation conflict, and finally, issues which the respondents believed to be the most important to Scottish small businesses.

Chapter seven, explores the networking role of business support organisations, concentrating on the role and importance of personal networks, network facilitation, intra- and inter-support organisation relationships, the role and importance of Local

Economic Forums (LEFs), and the contracts and ties that bind business support organisations. Relationships with the different levels of government are considered, as is the interaction and importance of the professional network to business support organisations, especially at the local level. The final issue to emerge in chapter seven is the autonomy of organisations at the bottom of hierarchies, principally the LECs and SBGs in the Scottish Enterprise Network.

Chapter eight, addresses the emergent themes and discusses the importance of the business support organisation communication orientation, the factors which decide the use of lobbying, the media and protest as means of influencing and changing the relevant small business legislation. Respondents' perceptions of the Scottish Legislature and its understanding and prioritisation of small business issues since devolution, are also discussed. Finally respondents' perceptions on the socio-political and economic environment are reviewed, particularly the contribution of small business to the economy, entrepreneurial development and optimism about the economy over the next twelve months. These issues are grouped together in chapter eight since they deal with the business support organisations' external environment and how they communicate and operate within this environment, and how they make sense of it.

Chapter nine considers the basis on which it can be argued that an implicit network structure characterises the Scottish business support environment, concluding in turn, that there is strong evidence to support this contention. The chapter goes on to present concrete recommendations which may be valuable to business support practitioners in terms of enabling them to deliver a more focused and integrated support and representative package for small businesses in Scotland.

Contribution to the literature and practical value

The academic contribution of this dissertation is through the application of network theories to business support and the critique of small business definition. This research will add to the stock of knowledge on networking behaviour, small business definition, and will provide a framework for studying the actions and role of business support and representation organisations, especially in Scotland.

As an applied piece of research it is suggested that this dissertation will enable business support organisations to improve the relations, ties and links which form the observed business support network, and will have the further benefit of providing a map for small businesses who might be seeking support or advice but do not know where to source it. It will also inform members and customers of business support organisations, about the environment in which the business support organisation operates, as well as the resource constraints, both in terms of staff and finance, which restrict the support organisation from doing everything that their members want them to do.

These recommendations include the formulation of a new 'small' business definition for the purpose of delivering business support, and also to enable any support to be consumed more effectively. This research is envisaged as providing a contribution to the twin debates on small business definition and the appropriateness of 'small' as a label for providing business support. The second key recommendation is that business support organisations explicitly acknowledge the observed network characteristics in their intra- and inter-relationships as ways of strengthening and enhancing the business support environment.

The research applies network theory to a previously untouched context, business support, and shows that the principle characteristics of network theory, such as embeddedness (Uzzi, 1996, 1997) and commonality (Huggins, 2000) can be observed in the business support environment, and that they provide a useful analytical and conceptual framework for the study of business support organisations. Furthermore, the literature on small business definition is added to as the research suggests that 'small' is not even an appropriate term for these sorts of businesses in the context of business support, and that the new definitions contained in this dissertation provide a more useful method of delineating business support requirements.

Perhaps most importantly of all, it will give policy makers and government officials the chance to view the public-private support network in Scotland from a more holistic perspective, giving them the opportunity to direct resources to the areas of business support which need most help, and allowing a more local approach to small business support to be developed.

CHAPTER 2

SMALL BUSINESS

2.1 INTRODUCTION

This chapter seeks to provide a profile of small businesses, concentrating on defining what actually constitutes a small firm, outlining the principal characteristics of the small firm owner/manager and ending with a discussion of firm failure, focusing on the principal reasons for failure and its main definitions. The first part of the chapter profiles small business in the United Kingdom, examining the different regions in comparison to Scotland, and provides contextualisation for the remaining elements of the chapter. Scottish small business policies such as "A Smart Successful Scotland" and the "Business Birth-Rate Strategy" are also considered in relation to their benefit and their impact on the birth, growth and death of small firms. Global Enterprise Monitor (GEM) research is also utilised to show how the UK compares on a world scale. This section provides a small business definition, which later evolves following the fieldwork. In examining the role of definition, the work of David Storey (1998) is heavily drawn from, as his work *Understanding the Small Business Sector* is widely recognised as being one of the most important contributions to the small business field in the UK.

The second part of the chapter discusses the difficulties in constructing a universally acceptable small business definition, and in doing so considers a wide range of official and academic definitions. The chapter then goes on to profile key characteristics of the entrepreneur and the factors which precipitate a person into starting their own business. This is important, as understanding the member/client focus of business support organisations is vital to exploring ways of delivering supports more effectively. In respect of this, it is vital that a profile of small firms and their owners can be established, to allow respondents to provide details of which firms they target as members and clients, and to allow them to highlight the types of individuals that they can help, so that by providing a

final profile of the intended customer or member, support organisations will be able to better target their services, reducing waste and duplication. By the same token, potential members and clients will be able to determine what sort of business they are and which supports they require. Subsequently they will then be able to match these requirements to the most appropriate business support organisations, reducing their dissatisfaction and confusion with services. The literature on small firm failure allows some discussion of the role of support organisations, in which areas they can provide meaningful assistance and support to small firms to prevent or reduce the present failure rates in Scotland. Managerial incompetence is the principal factor in the majority of small firm failures. More precisely, the inability to manage cash flow is cited as the principal cause of failure (Berryman, 1983), yet the main deficiencies in owner-manager management competence can be addressed by support organisations.

In providing this profile, aspects of entrepreneurial behaviour, such as ethnic origin, human capital and socio-economics are explored, providing us with a detailed background of the small business owner. The chapter also explores the nature of firm failure, which, as detailed in chapter one, is of great concern to the Scottish small business community. In doing so, we consider the literature on the principal causes of small firm failure, concluding that the majority of failure is preventable, or could at least be addressed by the relevant support organisations.

Given that the aim of this dissertation is to explore the role, focus and nature of business support organisations in Scotland, the content and direction of this chapter will address the focus, and to some extent the role, of these support organisations.

2.2 SMALL BUSINESS IN SCOTLAND AND THE UK

It is clear that the small business sector is of vital importance to the UK and Scottish economies, accounting as it does for almost half of the labour force and all but one or two per cent of the stock of firms. These firms also make a major contribution to private sector output and employment, a contribution which appears to be increasing over time (Storey, 1998). The latest DTI figures indicate that there were 3.8 million business enterprises at the start of 2002, which was an increase of 1.4% on the start of 2001, of which 99.1% (DTI, 2003) were defined as small or having less than 50 employees. The DTI figures show that 68% of the 3.8 million are classed as non-employers with a further 26.2% having less than 20 employees, further strengthening the need for this research to focus on the small firm support sector. The fact that there are so many small firms in most developed economies leads to a number of issues, most notably that of measuring precisely how many exist in an economy at any one point in time.

Although there is no single data source that covers all firms in the economy and which is able to specify the proportion of total employment in the various class sizes, one of the main sources of statistics for UK SMEs used by both government and academics is the DTI's SME statistics. These are compiled using a variety of sources, the main source being the Inter Departmental Business Register administered by the Office for National Statistics. The SME statistics are published 18 months after the start of the reference year, with estimates taking into account the very small businesses that do not appear on the official business register. These are estimated using survey data, using the Office for National Statistics (ONS) Labour Force Survey and the Inland Revenue Survey of Personal Incomes and therefore the reliability of the statistics is lower for the smallest size class of business (DTI, 2000).

Government agencies typically estimate or 'measure' business statistics based on the stock of businesses registered for VAT, which business must do when their turnover reaches the VAT threshold of £52,000 per annum. Although this is not a problem for large and medium sized enterprises, many small firms whose turnover does not exceed the VAT threshold do not voluntarily register with the authorities; indeed many enterprises may have such a short lifespan that the government does not have time to register their existence before the business ceases trading. The FSB (2002) found that 77.4% of Scottish small businesses are registered for VAT, which is marginally lower than the UK average of 80% and significantly lower than the London average of 87%. The FSB report "Lifting the Barriers to Growth in UK Small Business" also concluded that:

> *Businesses operating in the 'Agriculture', 'Manufacturing', 'Technology' and 'Energy and Water' sectors were more likely to be registered for VAT whereas businesses operating in 'Education', 'Health and Social Work' and 'Financial Services' sectors were more likely to be either exempt from VAT registration, or to be unregistered. Businesses in 'Other Services' and 'Hotels, Pubs and Restaurants' sectors were more likely to be unregistered for VAT without being exempt. This demonstrates the proliferation of very small-scale businesses operating in these sectors, typified by low start-up costs and low barriers to entry. (FSB, 2002 : p3)*

This variation causes problems in terms of estimating the size of the small firm sector, its contribution to output and employment, measuring whether this has changed over a period of time and making comparisons with other countries. For all these reasons, small firm statistics tend to be approximate (Storey, 1998).

Global Enterprise Monitor (GEM)

The GEM report (2002) analyses entrepreneurial activity in 37 countries around the world and provides a useful framework for comparison. The UK places 12th in its ranking of entrepreneurial activity, citing that 5.4% of the labour force are entrepreneurially inclined. The GEM research indicates that seven out of every 100 people in the UK will start their own business; the majority of whom will do so because they spy an opportunity and a small proportion because they feel they have little option than to enter into such a venture. The reports reveal some interesting facts about British entrepreneurs in that 15% are looking to grow their businesses to create 20 or more jobs, whereas a massive 89% reveal that they do not wish to take their business to anymore than five jobs. Those prepared to grow their business to over 50 employees numbers at only 11%, compared with 39% in the US and 42% in Australia.

The entrepreneurial culture is strongest in the male section of the labour force, in fact men are two and half times more likely to start their own business, although the proportion of women entering into their own business is increasing, especially with the extra attention paid to them by economic development agencies such as Scottish Enterprise and the Business Link. Ethnic minorities and young people are also starting to benefit from such attention, especially as UK entrepreneurs were found to be on average a decade older than entrepreneurs in other surveyed countries.

Worryingly, the UK has a high level of entrepreneurially inclined men and women who will not take the risk into self employment. Fear of failure runs at 31.5% compares to 21% in the US, and coupled with an anti-entrepreneurial culture, especially in areas such

as the North East and West of England and Scotland which are traditionally heavy industry and manual labour areas, means that entrepreneurial activity is stifled.

The latest GEM (2002) report concludes that the UK has a weak entrepreneurial culture, especially when compared to other countries; that too few women are self-employed and that UK entrepreneurs are not motivated to grow their businesses. These are all areas which business support organisations can, and should, tackle at national, regional and local levels, providing a more joined up service to business owners and potential entrepreneurs.

Scotland and the UK regions

What is important to understand, given the focus of this research, is how Scotland compares to the other UK regions in terms of its small business policy, its growth and survival rates and the emphasis, or lack thereof, on start-up activity. Scotland, as with Wales and Northern Ireland, tends to be viewed as a region for the purpose of measuring UK business activity, whereas England is divided into eight regions with London considered to be a region in its own right. Scotland has its own economic development agency, Scottish Enterprise (SE), which delivers its support and services through 12 Local Enterprise Companies (LECs) and the Small Business Gateway (SBG), as opposed to the Business Link and Small Business Service (SBS) in England and Wales and the Industrial Development Board (IDB) and the Local Enterprise Development Unit (LEDU) in Northern Ireland. Again, the proliferation of different agencies involved in economic development throughout the UK causes variation in policy development and allows for disparities in the reporting of business statistics for each region. Consequently

the sources used to measure the regions and the UK as a whole must be viewed as, at best, indicators rather than firm measures of small firm birth, growth and death.

Business Survival

The Department of Trade and Industry is inclined to use the VAT registration figures as its proxy for measuring the stock of businesses in the UK. We can see from both the one and three year survival figures that Scotland performs well in comparison to the Northern English regions, but lags behind the Southern English counties and the UK average. Northern Ireland is the outstanding performer, constituently achieving higher survival rates than all of the other UK regions

Figure 2.1

One year survival rates of VAT registered businesses, by region.

Percent still trading

	Year of registration								change
	1993	1994	1995	1996	1997	1998	1999	2000	1993-00
United Kingdom	85.5	85.5	87.2	87.1	88.7	88.9	89.6	91.4	5.9
North East	83.1	83.0	84.8	86.7	88.8	88.6	89.1	91.2	8.1
North West	83.9	83.5	85.4	85.0	86.3	87.1	88.4	90.6	6.7
Yorkshire and the Humber	85.1	84.4	86.6	86.3	88.1	89.1	88.9	90.9	5.8
East Midlands	86.2	85.6	86.4	86.6	88.4	88.4	89.4	90.1	3.8
West Midlands	84.2	84.3	85.3	86.4	87.2	88.0	88.8	91.1	6.9
Eastern	86.4	87.1	88.3	89.1	90.7	90.7	90.9	91.3	4.9
London	85.6	85.3	86.5	85.8	88.1	88.2	89.2	91.6	6.0
South East	86.5	86.5	88.9	88.9	90.6	90.7	91.3	92.7	6.2
South West	86.2	86.6	89.2	88.7	90.3	89.4	90.3	91.9	5.6
England	85.5	85.4	87.1	87.1	88.8	89.0	89.7	91.4	5.9
Wales	85.2	86.1	86.7	87.1	87.9	87.3	88.5	90.4	5.3
Scotland	85.2	85.5	87.5	85.6	87.3	88.0	87.9	91.1	6.0
Northern Ireland	87.6	88.7	91.1	90.2	90.3	89.4	91.1	93.8	6.2

Source: Small Business Service Feb 2003

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Figure 2.2

Three year survival rates of VAT registered businesses, by region.

Percent still trading

| | Year of registration | | | | | | change |
	1993	1994	1995	1996	1997	1998	1993-98
United Kingdom	59.8	59.7	62.7	63.6	64.4	64.0	4.2
North East	55.9	55.5	59.5	62.2	63.5	64.0	8.1
North West	56.8	56.9	60.1	61.0	61.0	62.8	6.0
Yorkshire and the Humber	58.1	58.3	61.7	61.7	63.7	62.4	4.3
East Midlands	60.3	59.0	62.3	62.5	63.8	63.7	3.4
West Midlands	58.8	58.8	60.4	62.1	62.9	63.7	4.9
Eastern	61.4	61.5	64.7	66.2	66.8	66.6	5.2
London	59.4	57.9	59.9	60.8	61.3	60.3	0.9
South East	61.2	61.7	65.9	67.2	68.0	67.5	6.3
South West	60.8	61.9	65.7	66.2	67.4	66.5	5.6
England	59.6	59.4	62.5	63.5	64.3	64.0	4.4
Wales	58.6	60.7	63.0	63.9	64.3	63.9	5.2
Scotland	60.6	59.3	62.5	61.5	63.6	62.6	2.0
Northern Ireland	66.0	71.4	73.8	72.9	72.4	70.8	4.7

Source: Small Business Service Feb 2003

The figures in the above tables indicate that the Scotland, and indeed the UK as a whole, is improving its business survival rate, however, the four and five year outlook for business survival paints a more grim picture. The DTI (2002) estimates that in the UK, the four year business survival rate lies at 52%, with Scotland slightly behind that at 51%. This level of business extinction, including failure for whatever reason, only serves to place an inordinate amount of pressure on economic development agencies as they try to maintain the stock of enterprises through increasing the business birth-rate.

We can see that although Scotland currently has more registrations than de-registrations, it remains some way below the UK average of 38 registrations per 10,000 adults over the age of sixteen. This disparity has led the Scottish Executive, and latterly the Scottish Office, to launch policies such as "A Smart Successful Scotland" (SSS) and the "Scottish Business Birth-Rate Strategy" (SBBRS) in an effort to increase not only the growth and

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profitability of Scottish businesses, but also to raise the stock of businesses through an increase in the birth rate.

Registration and de-registration rates (per 10,000 resident adults) by country and region, 2002
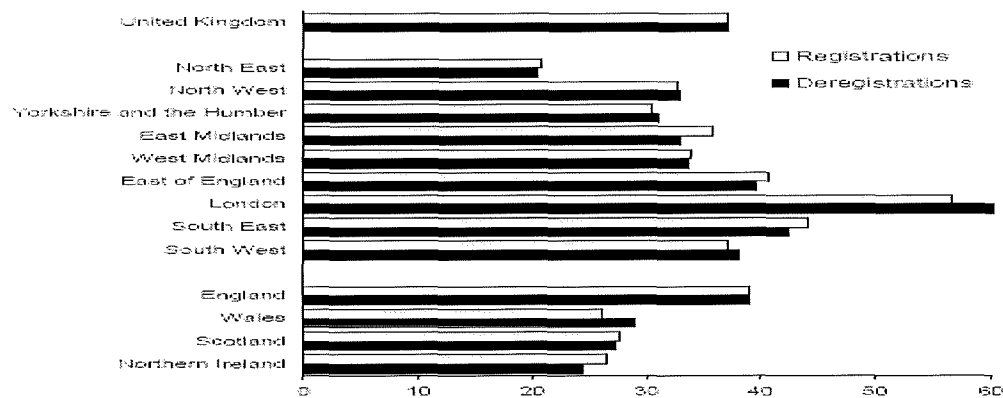
Source: Small Business Service (Statistics Team)

Small Business Policy

The approach taken through SSS is to develop the strategy and delivery of business support which leads to an increase in the number of entrepreneurs in Scotland and to significantly strengthen the somewhat relaxed entrepreneurial culture in Scotland. SSS seeks to co-ordinate not only the enterprise network, but also the local authorities and educational establishments in an effort to improve the skill base and education of potential entrepreneurs. A key element of this approach is to develop and foster the entrepreneurial culture at a very young age, targeting school children and to develop a less risk-averse generation of business people. The cluster approach, which targets high levels of growth in key technological and other important industries, aims to provide Scotland with new home-grown industries which, in conjunction with Universities, would see Scotland becoming leaders in certain fields such as computer software and opto-electronics. A final piece of the puzzle is to improve Scotland's links and communication with the global business world, through digital connectivity and the promotion of Scotland as THE place to work and live. The Tourist Board is an important agency in the

respect, publicising Scotland as a better business environment and somewhere that is eminently desirable when locating new companies, not just from the UK but from around the world.

The SBBR was initiated in 1993 to provide answers to two questions:

- Is there a problem with Scotland's business birth-rate?
- Does a low business birth rate matter?

The answers were self evident from the beginning in that the answer to both was yes. Scotland's business birth-rate is significantly lower than that of the South East of England and the UK as a whole and that low birth-rates presented a problem when trying to grow the economy. It also confirmed the suspicion that Scotland has a weak entrepreneurial culture. In conjunction with SSS, the SBBRS aimed to tackle cultural bias against entrepreneurs by targeting the young, removing the traditional obstacles to becoming an entrepreneur by improving the infrastructure for businesses to flourish. The final aim was to *"unlock entrepreneurial potential"* (SE, 1993), to allow would-be entrepreneurs to access the skills which would most benefit them and allow their instincts to take them onto greater things.

A recent review by the Fraser of Allender Institute (FAI) at Strathclyde University was undertaken and concluded that that there had been a positive, but small (three per cent) impact of the SBBRS on business birth-rate trends in Scotland. This increase does not address the estimated 30% gap between Scottish Start-ups and the UK average, however,

the FAI pointed out that the original target was unrealistic, and therefore could not be used to rationally assess the Strategy's effectiveness.

In terms of the programmes undertaken by SE in support of the Strategy, FAI saw progress being made in introducing enterprise into the education system and in improving attitudes among young people. Against this, some of the issues raised by the Strategy were poorly addressed by the SE Network most notably the encouragement of start-ups by women and by young people. These have become key areas of focus in recent years along with the targeting of ethnic minorities and socially excluded groups.

Table 2.1

Businesses opening new accounts with the four clearing banks

LOCAL ENTERPRISE COMPANY	Q4/2001	Q1/2002	Q2/2002	Q3/2002	Q4/2002	Q1/2003
Ayrshire	246	349	223	225	211	304
Borders	96	133	103	86	99	121
Dumfries and Galloway	135	211	97	99	92	157
Dunbartonshire	164	215	146	139	152	191
Fife	253	303	290	228	206	289
Forth Valley	271	415	321	233	264	282
Glasgow Development Agency	524	611	467	424	482	535
Grampian	412	661	398	404	396	488
Lanarkshire	449	675	610	383	421	516
Lothian and Edinburgh	775	996	1091	644	750	899
Renfrewshire	296	258	287	234	245	320
Tayside	334	614	398	267	312	357
QUARTERLY TOTAL	3955	5441	4431	3366	3630	4459
Source: Scottish Banking						

The above table shows the number of accounts opened with one of the four clearing banks: Bank of Scotland, The Royal Bank of Scotland, Clydesdale Bank, Lloyds TSB Scotland, throughout 2002. SE regards these statistics to be good indicators of business start-ups in each of their 12 regions, and the table shows that during 2002, 16688 businesses were created. This compares with a peak of 24,000 in 1997 and suggests that the birth-rate is actually falling in the SE regions, pointing towards the need for a re-think

of the strategy, or that Scottish enterprise policy may have shifted its emphasis from birth rates to maintaining the stock of businesses.

Now that some contextualisation of the Scottish and UK small business sector has been provided, we can move to the important element of definition. The study of small business inevitably poses the question "what is a small business?"

2.3 DEFINING SMALL BUSINESS

In light of the difficulties in providing a universal small business definition, it is likely that support organisations and interest groups also have different perceptions and classifications of small business. A range of sources, including the Bolton Committee Report (1971), the European Commission and the Department of Trade and Industry (DTI), as well as interpretations put forward by leading academics in the field, will now be explored and integrated. This allows the construction of a comprehensive small business definition which borrows from both official and academic sources, and following the fieldwork, practitioners' perspectives. The resultant definition will thus combine the most important elements of current definitions with a 'coal face' view, to provide a definition which is maybe more useful to business support organisations.

This exercise also provided an opportunity to critique the area of small business definition from the perspective of those organisations engaged in supporting and representing the small business community.

Small Business: Official Definitions

"The vast majority are by any definition small" (DTI, 1995). This DTI report "Small firms in Britain 1995" also reports that over half of non-governmental employment was attributable to small firms and that the micro-business (9 or less employees) employ 94% of the UK workforce. In practice, various small business definitions can be found which apply in different contexts. Indeed, Curran *et al.,* (1986, p.3) refer to a *'great deal of agonising'* over the issue of definition by small business theorists and researchers, such as Bolton (1971), Binks and Coyne (1983) and Curran and Stanworth (1984) from which they collectively argue that no satisfactory solutions have emerged.

One reason for this is that what constitutes a small firm in one industry is not the same as for another. A small heavy manufacturing firm is likely to have many more employees than a small computer software company, for example. Definitions at sectoral level which relate to 'objective' measures of size - such as number of employees, sales turnover, profitability and net worth - mean that if a statutory definition were to be applied to all areas of industry, then it is possible that some sectors may consist of a majority of small firms whilst other sectors may include very few, if any, small firms at all (Storey, 1998).

The DTI "Small Firms in Britain Report 1995", although recognising that there is no single official definition, accepts that in different contexts, various definitions can be used. *"Different criteria are used in setting the boundaries for programmes such as the Small Firms Loan Guarantee Scheme"* (DTI, 1995,p.4). The DTI report does, however, give a standard quantitative definition as shown in table 2.1:

Table 2.2: DTI Firm Classification by Employment

Micro	0-9 employees
Small	10-99 employees
Medium	100-499 employees
Large	500+ employees

Source: DTI (1995) www.dti.gov.uk

This classification system is useful for comparison with other reports, but it is limited to employee numbers only, and does not take into account, for instance, notions of turnover or assets, which might give a more fruitful insight into small business than employee numbers alone. The dearth of other criteria is insufficient in the modern business sector, as firms can no longer be regarded purely by employee numbers only. As previously mentioned, different sectors of industry conform to different norms, thus a 'micro software company', as defined by the above classification, with less than nine employees could have a turnover far greater than a medium sized manufacturer. A more comprehensive definition is to be found in the Bolton Committee's Report (1971).

The Bolton Committee's Definition of Small Business

In 1971 the government convened the Bolton Committee in order to attempt a single definition of what a small firm was. In the twenty-nine years since the Bolton Committee Report was commissioned and published, the business environment has changed, as would be expected in any dynamic economy. The transition from heavy manufacturing and other heavy industries, such as shipbuilding and coal mining, to the service economy has left gaps in the definition requirements provided by the Bolton Committee Report. Yet the Committee's report (1971) is one of the most widely quoted sources and progenitor of definitions and understandings of the small business sector. Bolton (1971)

attempted to overcome the problems with small firms definition by formulating an economic definition, which attempted to detail the defining characteristics of small firms, and a statistical definition. The importance attributed to the Bolton Committee Report (1971), and its progenitous role in small business definition makes it worthy of some scrutiny.

Storey (1998) presents a well-balanced appraisal of the Bolton Committee's (1971) definition, offering criticism on both the economic and statistical elements. The economic definition proposed that firms as being small if they satisfied three criteria. Firstly, that, in economic terms, they have a relatively small share of their market place, thereby being unable to influence the prices or national quantities of the good or service that it provides. Secondly, owners or part-owners manage the business personally rather through a professional management structure, i.e. that these individuals will be involved in all aspects of the management of the business and are involved in all major decision making. Thirdly, that they are independent from the control of larger organisation and that the owner-managers are free from outside control in taking their principal decisions. The third of these criteria expresses the notion, although not explicitly, that a true small firm is an extension of its owner's personality. For example, a risk taking owner–manager will likely have a company which frequently takes risks, and that the social and family life of the owner reflects the amount of risk that he is prepared, or allowed, to take. This risk-taking is discussed shortly, where a profile of the entrepreneur is explored.

Bolton (1971) did not regard the economic definition as being adequate as stand alone criteria and so a statistical element of its small business definition was proposed. The first part allows quantification of the current size for the small firm sector and its contribution

to economic aggregates. The second reason was to allow comparison of the small business sector over time and thirdly, the statistical definition would enable a comparison to be made between the small businesses in different countries.

The statistical definitions used by the Bolton Committee are presented in Table 2.2. This table demonstrates that the Bolton Committee recognised that different sectors behaved differently and therefore would require different definitions, recognising that one statistical definition would not cover firms in industries as divergent as manufacturing and service, it used eight definitions for various industry groups. It also reveals that across these different sectors the perception of what made a firm small, varied, and so in three of the sectors – manufacturing, construction, and mining and quarrying – the criterion was employment, ranging from two hundred employees, in manufacturing, to twenty five, in construction and in mining and quarrying. In road transport, the definition was based upon the tangible assets of the business, in this case of the number of vehicles owned or operated by the company, stated as five or less. In four of the remaining sectors, retail, services, motor trades, wholesale trades and the miscellaneous sector, the criteria was based on turnover, ranging from £200,000 in the wholesale trade, to £100,000 in the motor trade and £50,000 in the remaining sectors. The final criterion was one of ownership, as also presented in the economic definition, which was used to define the catering sector (Storey, 1998).

Table 2.3 " Statistical definition of 'Small' Businesses"

Sector	Definition
Manufacturing	200 employees or less
Construction	25 employees or less
Mining and quarrying	25 employees or less
Retailing	Turnover of £50,000 or less
Miscellaneous	Turnover of £50,000 or less
Services	Turnover of £50,000 or less
Motor trades	Turnover of £100,000 or less
Wholesale trades	Turnover of £200,000 or less
Road transport	Five vehicles or less
Catering	All excluding multiples and brewery-managed houses

Source: Bolton (1971)

A Critique of the 'Economic' Dimension

The Bolton criterion that a small business is to be managed in a personal way, by its owner-managers rather than a professional manager, is, argues Storey (1998) incompatible with its 'statistical' definition of small manufacturing firms as having up to 200 employees. Atkinson and Meager (1994), argue that professional managerial appointments are made when firms reach a size between 10 and 20 employees and it is at this size that owners are no longer the principal or sole decision makers. The authors point out that at this point firms start to take on the appearance of more formalised management structures. Once a business has over 100 employees, the owners of businesses are starting to assemble significant teams of managers and have to devolve responsibilities to those teams. The authors argue that it is less likely that firms with more than 20 employees could be managed personally, and would require a more formal management structure, which, as Storey (1998) suggests, means that the Bolton 'economic' and 'statistical' definitions are, in parts, incompatible with each other. Whilst

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Bolton (1971) recognised that some smaller firms may have one or more intermediate layers, such as supervisors or foremen (or forewoman) to interpret their owner-manager's decisions and transmit them to employees, it still regarded small firm owners as taking all the principal decisions and exercising the principal management functions.

The second criticism offered by Storey (1998) is over the supposed inability of smaller firms to impact on their market environment. The Bolton Report (1971) argues that small firms are unable to influence market forces in the same way that large firms can, through price or product variation. This does not, however, take into account the existence of niches which act as smaller more specialised markets within a larger competitive environment. Niches can be specialised in products or geography, for example, and it is entirely possible for a small firm to dominate a niche, even though the general market may be dominated by much larger firms. Storey (1998, p.10) points to the work of Bradburd and Ross (1989) whose research in the United States suggests that "*while large firms are generally more profitable than small, in heterogeneous industries- where niches are more likely to exist - this relationship is reversed.*"

Curran and Stanworth (1976) offer criticism of the market size criteria in that some small firms have large shares of their particular markets and as these markets may well be niche or specialised, it is thus quite possible for a small firm to dominate a small sector of a much larger market. The market size criterion falls short for defining the modern small firm, and the Bolton Committee was obliged to add a figure of 200 employees or less as a quantitative measure in the manufacturing sector. Stanworth and Curran (1976) also note that available data on such issues is scarce, certainly in comparison to large firms literature, making the categorisation of small firms extremely difficult.

A Critique of the 'Statistical' Dimension

Three main points emerge in the criticism of the Bolton Committee's 'statistical', or quantitative, definitions of small firms. The first is that there is no single, universal definition, and as Storey (1998) points out, there is no single criterion of 'small'. Instead four different criteria are used in the definition; employees, turnover, ownership and assets. This makes comparison over different sectors difficult at best, and in some cases almost impossible. The second point is that Bolton (1971) uses three different limits of turnover and two different limits of employees over five different sectors. Again, these variations make the definitions difficult for comparative purposes, even in the same country. The third point is that quantitative measures such as employee numbers or turnover, can change over time and country, thus making comparative research difficult. Osteryoung and Newman (1993) concur with this criticism of quantitative definitions based on notions of firm turnover, balance sheets or profit is that over the years a definition based on turnover or profit will have less and less validity due to the aforementioned factors. As these authors note, a small business was defined as one which had annual sales of up to $250,000, profits up to $25,000, less than 100 employees and total assets of not more than $250,000, as far back as 1945 (Nehemkis, 1945). Considering the very different economic environment of the 1940s, it is reasonable to assume that these figures will have changed in real terms due to inflationary pressures on the economy. The European Commission (EC) identified with these problems and attempted to overcome some of them by constructing a definition which used only employee numbers and did not vary from sector to sector.

The European Commission Definition

The term SME was proposed in February 1996 by the EC, and this was followed by the European Parliament, which adopted a single definition of SMEs, which is shown in table 2.3, and this was to be adopted after 31 December 1997. The European Community also encouraged member states to adopt this definition as a universal SME definition.

Table 2.4: European Commission (EC) Definition

Criteria	Micro	Small	Medium
Maximum number of employees	9	49	249
Maximum annual turnover (Euro) (Pound)	1Million 0.68 Million	9 Million 6.1 Million	50 Million 34 Million
Maximum annual balance sheet total (Euro) (Pound)	1.4 Million 0.95 Million	10 Million 6.8 Million	43 Million 29.3 Million
Maximum percentage of linked enterprise ownership	25%	25%	25%
Source: EC, 1996			

The EC definition follows the 1985 Companies Act definition of small business, which sets 50 employees as the upper limit, whilst proposing turnover and balance sheet limits. The EC version allows for much higher levels of turnover and for the balance sheet that the Companies Act allows, perhaps reflecting the change in the small business sector over the eleven years between the different definitions. For example, the software industry is now more viable and widespread than it was in 1985, and companies which have relatively few employees can have much larger turnovers or balance sheets than anticipated. Nevertheless, from a UK legislational perspective, Section 248 of the Companies Act 1985 provides a definition which states that a company is "small" if it satisfies two of the following criteria:

Table 2.5: Small Business Definition (Companies Act, 1985)

• A turnover or not more £2.8 million • A balance sheet total of not more than £1.4 million • Not more than 50 employees
Source: Section 248, Companies Act (1985)

Small Business: Academic Definitions

Now that the official classifications of small firms have been discussed, it is essential to review and critique the more academic definitions, as they can add some more specific criteria, in turn enhancing the understanding of official definitions of small business. Scott and Bruce's (1987) criteria are similar in construct to the Bolton Report recommendations, except for the addition of the notion of locality. Workers and owners should live locally to the firm, although the markets in which the firm operate do not necessarily have to be confined to the immediate locality. Scott and Bruce (1987) also add the caveat that management are *usually* the owners, although following the study conducted by Atkinson and Meager (1994) we can see that by the time firms reach ten or more employees, more formal management structures are often in place and the owner may no longer be the manager.

Table 2.6: Small Business Definition

• Management is independent; usually the managers are also owners. • Capital is supplied and ownership is held by an individual or small group • Area of operations is mainly local. Workers and owners are in one home community, *markets need not be local.*
Source: Scott and Bruce (1987, p.3)

One part of small firm definition, however, appears to have transcended the ages. That is the notion of independence and the role of the owner manager. Kaplan (1950, in

Osteryoung and Newman, 1993, p.34) provides a definition which is both qualitative and quantitative. Kaplan (1950) restricted small firms to $1 million sales volume, $ 0.5 million in total assets and 250 employees or less. The author also states that a small firm was to be a *"small independent organisation directly under the supervision of its owner"*. The equity capital should also be held by an individual or a small group of individuals/owners. Finally, Kaplan (1950), unlike Scott and Bruce (1987), restricted his small firm to operations on a local basis, a facet which has not aged well given the boom in electronic means of conducting business. Firms may be acting locally, but they are entitled to think global. Selling a product or service to a particular market on the other side of the world no longer requires the firm to be based in that market, or even to sell to anybody else in that market.

In 1959, the United States Department of Commerce modified earlier definitions, categorising the small firm as having less than 100 employees, less than $1 million sales, less than $250,000 total assets and less than $100,000 in net worth (quoted in Osteryoung and Newman, 1993, p.26). This definition classified 90% of manufacturing firms as small. Osteryoung and Newman (1993) point out that until the 1970s and 1980s, the definitions of small firms were written by groups rather than individual small business people. They were thus prone to ambiguity and were often unreliable from a practitioner perspective. Thus in 1980, the US Committee for economic Development (CED) concluded that to be defined as small, a firm must satisfy two of the following requirements:

Table 2.7: Small Business Definition (US Committee for Economic Development, 1980)

• Management is independent • Capital is supplied and ownership is held by and individual or a small group • The area of operation is mainly local, owners and workers are in on home community (but markets are not limited to local markets) • The business must be small when compared to the biggest unit in their given field.
US Committee for Economic Development (1980)

Although the fourth criterion is perhaps a little subjective, it does provide a means of applying a more judicious definition to small firms in different industries; that is to say small firms in one sector of the economy can still be classed as small even though in other sectors they might be considered medium or even large.

Osteryoung and Newman, (1993) conclude with their own definition of a small firm. The first criterion regards the *"marketability of the firms equity"* and the second element refers to *"owner's personal guarantee on any debt obligation"*. Thus a small business is defined (in their terms) as:

Table 2.8: Small Business Definition

• A business in which there is no public negotiability of common stock • A business in which the owners must personally guarantee any existing or planned financing.
Osteryoung et al., (1993)

The first criterion again deals with the notion of independence, and means that a small firm may not be a public limited company. The importance of this caveat is that the owner, or owner manager, is free to make important decisions on his/her own volition without being bound by additional regulations. The second criterion incorporates the notions of a personalised management structure and the holding of the firms capital by an individual or small group. Again, this endorses the independence of the small firm, which is a recurring theme in small business definitions.

It has been demonstrated that to apply a definition which is solely quantitative or qualitative to small firms is unlikely to provide satisfactory results. It is therefore desirable to have a combination of both elements in a small firm definition. It is also clear that some flexibility must be incorporated into any small business definition to allow for firms which operate in significantly different markets. Based on this, the definition for this research will be subject to the following criteria, of which it must meet at least three out of the four. The definition utilised in the research has the following elements:

Table 2.9: Small Business Definition (Synthesis of the Literature)

> • The balance sheet total should be £1,400,000 or less;
> • The average number of employees must be 49 or fewer.
> • That the firm is independent in the sense that it does not form part of a larger enterprise and owner-managers are free from outside control in taking their principal decisions.
> • Capital is supplied and ownership is held by an individual or small group

This definition provides both a quantitative and a qualitative perspective, and is constructed using elements of the definitions covered in this section. To allow comparison with other research, the author chose to utilise two elements of the Companies Act (1985), section 248; the balance sheet total and the expected number of employees. It has been shown earlier in the chapter that 99% of businesses in Scotland have less than 49 employees (Scottish Economic Statistics, 2000) and that the balance sheet total of £1.4 million or less is a suitable total, in line with legal requirements of the Companies Act, 1985, although it is anticipated that many small firms may have less than this total.

The notion of independence from larger concerns has been shown to be a recurrent theme throughout the majority of the definitions covered in this section. To reflect this, criteria three and four incorporate independence, both in the making of decisions and in terms of the firm's supplied capital. It is not believed that the notions of locality were as important for today's modern small business, especially given the rise in importance of mail order and internet usage, which allow companies to trade in most markets irrespective of their proximity to the business itself. The definition also allows a measure of flexibility, by requiring three out of the four criteria to be chosen. It is anticipated that criteria three and four will apply to the vast majority of small firms in Scotland, but that the first and second criteria will be the ones which will most likely to be challenged by support and representative organisations, especially the balance sheet total.

This definition is by no means a proposal for a universal small business definition; however, it is one which will allow potential respondents to understand the concepts of small business put forward by the author. It is anticipated that the quantitative criteria in particular will be most criticised by respondents, in line with the criticisms levelled at other definitions, especially the Bolton (1971) recommendation. The majority of the definitions considered in this review of the literature, make reference to independence and capital ownership as being important indicators of 'smallness', but it is the number of employees which varies most between small business definitions. Official definitions consider firms with employees' levels under 100 to be small, in most circumstances, but this is not the case for other definitions, making comparative analysis difficult. The notion of the balance sheet as a criterion is also subject to criticism as it can be perceived as being ambiguous, as it can refer to several different firm indicators. The balance sheet is included in the Companies Act small business definition, but the author believes that

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respondents will have problems with this criterion, and may prefer turnover or other similar quantitative measures. A further weakness in the balance sheet criterion is the total, £1.4 million, and the author believes that the total for a small business in Scotland will be far below this, although the writer is satisfied that this balance sheet total will at least include all small business even if it does not satisfactorily separate out larger firms.

So far we have defined the small business, allowing a working definition that will clarify the focus of support and advice for the purpose of this research, both for the author and for potential respondents. It is hoped that potential respondents will be able to provide a more concrete, 'coalface', definition for Scottish small business. Now that the definition has been constructed for the purposes of this research, it is necessary to provide a profile of the small firm owner, to ensure that the focus of business support organisations is fully covered.

As has been shown in chapter one, small firms in Scotland have a high failure rate (Scottish Enterprise, 2002), and in addition to this, it was mentioned that Scotland's business birth rate is thirty percent lower than the UK average. A review of the small business and entrepreneur literature reveals many determinant factors which precipitate an individual into starting his or her own business. These include entrepreneurial, environmental and socio-economic factors, however, no simple pattern or ideal-type personality for pre-determining characteristics of business success or demise is identified (Ray 1993). Rather, the literature points towards a complex set of interrelated situational and contextual factors (Fielden *et al.,* 2000) that increase or decrease the probability that an enterprise will become a successful and growing small business.

It must be stressed at this juncture, that this dissertation does not attempt to "explain" small business behaviour, rather these elements are included to build a profile of the small business and its owner, in order to achieve a better understanding of these issues. If support organisations are more aware of who to target their services to before those business actually start-up, then chances of small new-start businesses surviving past the fourth year will be greatly increased.

2.4 PROFILE OF A SMALL BUSINESS OWNER

The competitive, entrepreneurial environment desired by the CBI needs entrepreneurs if it is to be a success; but what makes an entrepreneur and what precipitates his or her entry into self-employment? The following sections discuss the principal motivation of entrepreneurs, ending with a 'nature or nurture' debate; environment or entrepreneurial background?

The Entrepreneur

Before organisations, there are pre-organisations (Katz and Gartner, 1988; Van de Ven *et al.*, 1984). Initially, they exist only as thoughts, ideas or dreams of an individual. Through the start-up process, the founder's thoughts are sometime (but not always) translated into a pre-organisation (an attempt to found), and then sometimes (but not always) an organisation (Mazzarol, Volery, Doss and Thein, 1999).

The simplest kind of entrepreneurship is self-employment (Blanchflower and Oswald, 1998). Following the work of Knight (1921), the decision to become an entrepreneur has usually been modelled as an expected utility-maximising choice between entrepreneurship and the pursuit of paid employment. In other words, an individual will decide to become an entrepreneur when the utility, or benefits, of doing so outweigh the

benefits of being in the employ of somebody else. Blanchflower and Oswald (1998) postulate that environmental uncertainty and a lack of available capital investment will place constraints on potential entrepreneurs taking the risk to leave paid employment.

Central to this process is the founding individual and early research in entrepreneurship focused, therefore, on the entrepreneur. It sought to determine what personality characteristics distinguished entrepreneurs from non-entrepreneurs, and examined the influence of these characteristics on organisation formation rates. Altogether, the combination of psychological traits with background factors makes some individuals more likely entrepreneurial candidates than others (Mazzarol *et al.*, 1999).

Table 2.10: Personality Factors influencing entrepreneurial behaviour (Storey, 1998)

Personality Trait	Author
Need for achievement	McClelland, 1961
Risk-taking propensity	Brockhaus, 1980
Desire for personal control	Greenberger and Sexton, 1988
Previous employment	Storey, 1982
Family background	Scott and Twomey, 1988
Gender	Buttner and Rosen, 1989
Education	Storey, 1982
Ethnic membership	Aldrich, 1980
Religion	Weber, 1930

Source: Synthesised from Storey, 1998, p.120

Personality characteristics

Over the years, many researchers have studied the relationship between personality characteristics and entrepreneurship. In looking at the personality characteristics of

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entrepreneurs, it is assumed that the set of characteristics found in entrepreneurs tends to be different from those found in non-entrepreneurs. Some of the earlier work, conducted by McClelland and Atkinson (1953, 1961), looked at the needs of achievement, affiliation, and power in entrepreneurs versus others. Others have focused on risk-taking (Palmer, 1971; Brockhaus, 1980; McGrath, MacMillan and Scheinberg, 1992) locus of control (Borland, 1975; Timmons, 1978), and individual ambition (Hull, Bosely and Udell, 1980), to name just a few of the studies.

Human capital

'Human capital' is a further influence upon the decision to become self-employed (Storey, 1998). Education, and one's pool of skills, will have a bearing on whether or not an individual will feel that they have the ability to become a business owner (Pickles and O'Farrell, 1987; Evans and Leighton, 1990), and the probability of entry into self-employment increases with education (e.g. Bates, 1991; Townroe and Mallalieu, 1993). A deficit of skills may lead the would be entrepreneur from the path of business ownership, unless these skills can be developed, for example, through personal and business contacts or through the medium of organisations such as Scottish Enterprise and/or Chambers of Commerce.

Ethnic origin

A further factor which may influence the choice between self-employment and paid employment is that of ethnic origin. In the UK, ethnic origin, as a precipitator to self-employment, is apparent in the high self-employment rates of the Indian, Pakistani and Bangladeshi communities (Jones, McEvoy and Barrett, 1993), and that in these communities in particular, the instance of self-employment is heavily influenced by

family members, and pre-existing family owned firms. Additionally, Ram (1997) found that ethnic enterprises have made a significant contribution to the UK small business sector, although he concedes that little research has been conducted on second-generation ethnic enterprise. The literature concentrates on first-generation ethnic entrepreneurs, and is patchy in its coverage of second- and third-generation, ethnic business owners. The author suggests that second generation ethnic minorities may be less disposed to self-employment in favour of a career in the *'professions'* (Ram, 1997, p. 154).

Socio-economic factors influencing Small Business start-ups

As well as the personal characteristics that precipitate a move from paid employment to self employment, there are important contextual factors which can also influence the start up of small businesses. The majority of the management literature on start-up businesses relates to entrepreneurship, which details that actually starting a business is not a singular event, but rather the culmination of a process which may take many years to evolve and come to fruition (Mazzarol *et al.,* 1999). The authors argue that the driving force in the modern economy for the past ten years and the foreseeable future is entrepreneurship, which meets our economic needs through the creation of thousands of new businesses each year. Entrepreneurial research has developed along two main lines - the personal characteristics or traits of the entrepreneur, and the influence of social, cultural, political and economic contextual factors.

These two factors impact on the stated research aims and objectives for this research. Personal entrepreneurial characteristics, covered above, are powerful motivators for an individual to start a business, and present indicators as to whether formalised support, external to the network structure of family and friends, will be sought. Entrepreneurial characteristics, however, are a combination of serendipity and the environment and it is

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not clear from the literature whether these characteristics can be taught or even encouraged. The environment, for example, can be manipulated or at the very least, influenced by organisations involved in encouraging business births and entrepreneurial activity, e.g. Scottish Enterprise. Both of these perspectives are now briefly explored.

The Environment

Theory development and research into the relationship between the environment and organisational formation is a more recent event (Mazzarol et al., 1999), and many of the models and studies now rely on environment characteristics to explain start-ups (Mazzarol et al., 1999 and Storey, 1998). Specht (1993) proposes five main environmental factors affecting organisational formation: social, economic, political, infrastructure development and market emergence factors. We can place the relevant literature on environmental small business development into each of these categories.

Table 2.11: Specht's Five Environmental Factors, (1993)

Environmental Categories	Authors	Classification
Market Emergence	Boeker, 1988; Delacroix and Solt, 1988	Emergence of Niche Markets
	Author, 1981; Gould and Keeble, 1984; Mason, 1989	Technological Innovation
Social	Marett, 1980; Gartner, 1985, Aldrich and Zimmer, 1986; Johannisson, 1988	Impact of Networks
	Gartner, 1985; Bull and Winter, 1991	Cultural Acceptance
Economic	Cross, 1981; Storey, 1982; Gartner, 1985	Capital Availability
	Walton, 1977	Aggregate Economic Indicators
	Gould and Keeble, 1984; Shutt and Whittington, 1987	Economic Recessions
	Pennings, 1982; Gould and Keeble, 1984	Unemployment
Political	Gartner, 1985; Young and Francis, 1989; Walker and Greenstreet, 1990	Support of Public or Semi-public Agencies
Infrastructure	Gartner, 1985; Romanelli, 1989; Bull and Winter, 1991	Education System
	Pennings, 1982; Gartner, 1985; Mason, 1989),	Nature of the Local Labour Market
	Gartner, 1985; Young and Francis, 1989	Incubator Organisations
	Romanelli, 1989	Accessibility of Information
	Cross, 1981; Storey, 1982; Gould and Keeble, 1984; Mason, 1989	Availability of Premises

Entrepreneur or Environment

As outlined above, both personal characteristics and environmental influences have been identified as playing central roles in the small business start-up process. It can be argued, however, that a combination of these factors impact of on the small firm. Arguably, the literature, and the efforts of business support organisations, is mired too deeply in trying to understand what an entrepreneur is, what makes an entrepreneur different from non-entrepreneurs and in identifying the various contextual factors influencing the entrepreneur. It could be argued that too much emphasis is placed on new start-up businesses, and on individuals who may or may not have what it takes to succeed in business, and, in contrast, not enough emphasis is placed on ensuring the survival of those businesses that already exist within the economy.

2.5 SMALL FIRM FAILURE: DEFINITION AND CAUSES

As mentioned at the start of the chapter, the business failure rate after four years of existence is 51% in the UK (DTI, 2002). This figure agrees with the findings of Watson *et al.,* (1993) who found that the firm failure rate in Australia was 46% after four years and 52% after five, with the biggest drop off occurring in the third and fourth years. These figures paint a gloomy picture for those organisations whose responsibility is the creation of entrepreneurial environments, where small firms can flourish. So why do small businesses fail?

The causes of small firm failure have two dimensions: external and personal factors. External factors include business cycles, interest rates, and interrupted supplies. Personal factors include lack of experience, mismanagement, poor business philosophy, and the

lack of planning. Evidence from Hall, (1992) suggests that operational reasons such as environmental shocks (interest rates, inflation) and the inability of small firm owners to predict their capital requirements, leads to small businesses being undercapitalised and thus unable to remain in business. Berryman (1983, p.53) suggests that the principle cause of small business failure is "*management inefficiency*". Her review of the literature suggests that the three biggest causes of failure or "pitfalls" were: credit management, inventory control and inadequate or no accounting records. These are all 'curable' and addressable areas of management incompetence, and part of the role of support organisations should be to deal with these issues. Business interest groups such as the Federation of Small Business (FSB) and the Forum of Private Business (FPB), concentrate the support element of their organisation on such causes of failure, providing advice and guidance through the medium of telephone help lines. Whether or not firms choose to seek this advice is up to them and this is an area requiring further attention in order to promote and strengthen the relationships between small firms and BSOs.

All of these pitfalls are symptomatic of management incompetence, and Berryman (1983) categorises the pitfalls (35 separate symptoms) into six groups: accounting, marketing, finance, other endogenous factors, exogenous factors and behavioural aspects of the Small Businessman. The symptoms are shown in table 2.12.

Table 2.12: Berryman's Thirty Five Pitfalls

Accounting	Marketing	Finance	Other Endogenous Factors	Exogenous Factors	Behavioural Aspects
Credit Management	Inadequate Sales	Lack of Initial Capital	Competitive Weakness	Economic Conditions	Problems with Delegation
Control of Accounts Payable	Marketing deficiencies	Lack of Finance	Operating Problems	Seasonal Conditions	Reluctance to Seek Help
Inventory Control	Location	Overgeared	Excessive Drawings	Personal Problems	Excessive Optimism
Administration of Fixed Assets			Underestimating	Fraud	Unaware of Environment
Cash Flow Analysis, liquidity			Tax Planning		Inability to Adapt to Change
Working Capital Analysis			Deficiency in Accounting Knowledge		Thinness of Management Talent
Budgeting for Growth			Lack of Management Experience		
Heavy Operating Expenses			Lack of Management and Financial Advice		
Inadequate Accounting Records			Personal Problems		
			Inadequate Board of Directors Function		

Source: Synthesised from Berryman (1983, p.53)[5]

It is interesting to note that the top three pitfalls all reside in the first category, Accounting. At first glance this may appear to be a perfectly reasonable outcome, given that if the firm has no capital it cannot operate. However, Berryman (1983, p. 52 quotes Kenneth Albert (1978) *"Marketing is business. Not to recognise this is to ask for failure"*. This may be true, but Berryman suggests that the reasons for failure may lie in all six areas. Other symptoms of mismanagement may be *"Nepotism"*, *"Doing things they like"* and *"negligence in developing subordinates"*, (Berryman, 1983, p.52). The author concludes that business failure is more often than not due to *"management incompetence added to behavioural aspects of the owner/manager and exogenous factors"*. Berryman qualifies this by adding that accounting, finance, marketing and other endogenous factors are examples of management incompetence. She states that this clearly shows

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[5] A full page version of this figure is included in appendix one.

management needs to be trained and educated, citing the need for more research to enable support organisations to deliver the correct training, education and supports to small businessmen. If management needs to be trained, then who is to supply the training? Business support organisations provide an appropriate mechanism for providing the skills packages necessary to reduce management inefficiencies, and if, as Berryman (1983) contends, managing cash is the biggest problem, then these are skills which can be taught and passed on to potential and existing small business owners. Business support organisations provide seminars on dealing with legislation, tax and other bureaucracy as well as providing access to training on issues such as bookkeeping and credit management. Furthermore, business support organisations provide a conduit passing business information and knowledge, acquired through experience and formal training.

Money management is the barrier most often cited by those starting up a new business (Fielden *et al.,* 2000; Bevan *et al.,* 1987). This includes lack of understanding of tax, VAT, national insurance and bookkeeping, as well as difficulties with obtaining capital and concern regarding the absence of a guaranteed income. Lack of access to adequate start-up funds also has a 'knock-on' effect of restricting the development and growth of small business by reducing funds available for activities such as advertising, publicity and suitable premises (Fielden *et al.,* 2000). Such constraints are perceived as essentially 'internal' factors, identified in terms of access to marketing and sales skills, and management skills.

There is also a problem of definition. What is the definition of small business failure? Among the most used terms describing events where firms go out of business are: death, ceasing to trade, exit, failure, bankruptcy and insolvency. The main reason for this

diversity is that researchers define failures differently dependent on which data set they work with (Storey, 1998). The area of small business failure is one of growing interest (Watson and Everett, 1993; Berryman, 1983; Cochran, 1981). For Watson and Everett (1993) there are three definitions of failure; The Dun and Bradstreet definition, the Ulmer and Neilsen definition and the Cochran (1981) definition. Let us consider these in some detail, in order that, as with the small firm definition mentioned earlier, we can understand what small firm failure is. This will give us an idea about what types of failure are preventable from the perspective of support organisations such as Scottish Enterprise and the Scottish Chambers of Commerce.

The first of these definitions covers small firms which have gone bankrupt, or owe money to creditors. The second covers not only bankruptcy and money owed to creditors, but also businesses that were discontinued to prevent further losses. (Watson and Everett, 1993) The third, and broadest definition, is Cochran's (1981), who includes not only the criteria for definitions one and two, but also those businesses that were sold or ceased because they were "not making a go of it". According to Watson's et al., (1993) study, and using Cochran's 1981 definition, 32.5% of businesses failed, and 28% of start-ups ended in failure within five years. Again, the absence of reliable small firm data hinders the measurement of small business failure.

Watson and Everett (1993, p.37) also point out that a fourth definition is available, that is to say "discontinuance of a business for any reason". The definition includes retirement of the owner-manager and instances of owner-managers selling up and moving to a new venture, or even merging with larger firms, and thus these cases would also be considered to be failure. The first three definitions put forward by Watson and Everett, (1993) are the

tightest and most useful, as they identify specific factors for firm failure, such as bankruptcy and stagnation, and these allow support organisations to target firm failure factors. The fourth definition is more ambiguous and unhelpful to support organisations, and does not give them a frame of reference when seeking to prevent failure in the first place.

2.6 CONCLUSION

It is clear that small business, and the entrepreneurial culture which propagates its existence, are in need of support. This chapter has provided evidence from many sources detailing the work that has been done and is currently being carried out in order to address the problems inherent to the Scottish small business sector. The Global Enterprise Monitor (GEM, 2002) revealed that, out of the 37 countries it analysed, the UK lies 12th; far behind the USA, Japan and Australia. Worryingly, sources a little closer to home, such as the DTI (2002), suggest that Scotland lies below the UK averages proposed by GEM.

Scotland's heritage is a legacy of heavy industry and coal mining, a legacy which it shares with the Northern regions of England. Coincidentally, these English regions have similar entrepreneurial problems to Scotland. Thus it is perhaps no surprise that Scotland struggles to defeat the anti-entrepreneurial culture which continues to pervade the small business community. Even if Scottish public agencies are able to significantly increase the number of starts, GEM (2002) suggests that the majority of these firms will not grow beyond 20 employees, and are thus destined to remain in the small business sector.

Scottish Enterprise has launched policies such as "A Smart Successful Scotland" (SSS) and the "Scottish Business Birth-Rate Strategy" (SBBRS) in an effort to increase not only the growth and profitability of Scottish businesses, but also to raise the stock of businesses through an increase in the birth rate. SSS seeks to co-ordinate not only the enterprise network, but also the local authorities and educational establishments in an effort to improve the skill base and education of potential entrepreneurs. In conjunction with SSS, the SBBRS aims to tackle cultural bias against entrepreneurs by targeting the young and removing the traditional obstacles to becoming an entrepreneur by improving the infrastructure for businesses to flourish. The final aim was to *"unlock entrepreneurial potential"* (SE, 1993), to allow would-be entrepreneurs to access the skills which would most benefit them and allow their instincts to take them onto greater things.

Reviews by bodies such as the Fraser of Allender Institute (FAI) at Strathclyde University have concluded that that there had been a positive, but small (three per cent) impact of the SBBRS on business birth-rate trends in Scotland. Although this increase does not address the estimated 30% gap between Scottish Start-ups and the UK average, the FAI points out that the original target was unrealistic, and therefore could not be used to rationally assess the Strategy's effectiveness. However, figures from the four clearing banks have shown that the level of small business startups peaked in 1997, and has fallen since. Perhaps SE cannot do this themselves?

While the debate concerning definitions continues, it is pertinent to enquire about the range of implications for researchers. Broadly acceptable and consistent definitions are needed for international and time series comparisons, yet small firm researchers need not be restricted by these parameters. The heterogeneity of the small firm sector means it is

often necessary to modify these definitions according to the particular sectoral, geographic or other contexts in which the small firm is being examined. As Storey (1998, p.16) explains:

"Ultimately, debates about definition turn out to be sterile unless size is shown to be a factor which influences the 'performance' of the firm. If it were possible to demonstrate that firms below a certain size clearly had a different performance from those above that band, then the definition has real interest. In practice, however, such clear 'breaks' are rare and size appears to be a 'continuous' rather than a 'discrete' variable."

Indeed, as he further points out, researchers are likely to have to continue using their own definitions of small enterprises which are appropriate to their particular 'target' group.

Since the Bolton Report (1971), a mass of research has sought to discover if there are any clear characteristics shared by owners of small businesses that distinguish them from other members of the economically active population and what characteristics are conducive to small business success (Watson *et al.,* 1998, Churchill and Lewis, 1983, Scott and Bruce, 1987 and Storey, 1998). While the characteristics of an individual entrepreneur such as age, gender, work experience, educational qualifications and family background, are frequently hypothesised to influence business performance, these do not, other than education, appear to be consistently verified in major empirical studies. This suggests support for the Jovanovic (1982) notion that neither the individuals themselves, nor other bodies, have a clear understanding of whether or not a particular individual will succeed in business and perhaps it is only by actually being in business and observing firm performance, that these matters can eventually be clarified (Storey, 1998).

While no simple pattern or ideal-type personality for pre-determining characteristics of business success has emerged from the small business literature (Ray 1993), key barriers and problems have been identified. New and small businesses encounter a number of barriers to success and growth throughout the start-up period and their first year of operation. These barriers are potentially life threatening to new businesses. Finding and making initial contact with customers, marketing and selling the product or service, and dealing with the competition is seen to be a particular concern of owner-managers, (Fielden *et al.*, 2000). In particular, concerns often centre around matters related to finance and marketing (Smallbone, 1991; Watson *et al.*, 1998). The success of any business is dependent on a range of situational and contextual factors (Fielden *et al.*, 2000). So too is its demise.

To sum up, this chapter has discussed the most important elements of small business development, from birth to failure. This allowed us to examine the motivation of small business owners, firstly why they start a business and why they might seek support. We have covered reasons for failing, concluding that *managerial inefficiencies* (Berryman, 1983) are the most common reason, whilst suggesting that these '*pitfalls*' might be curable with the correct intervention at the correct time. The question is whether relevant and appropriate support mechanisms are available, and indeed utilised, by small business in order to remedy or resolve many of these dilemmas. This is taken up in chapter three where the focus of the business support environment, and its constituent elements, namely business interest groups, public development agencies and business associations are explored. The nature of representation and pressure group activity is examined, before applying it to business representation. Based on the observed aspects of commonality

between BSOs, the presence of a Business Support Network (BSN) is suggested to be

representative of BSO interactions.

CHAPTER 3

BUSINESS SUPPORT ORGANISATIONS

3.1 INTRODUCTION

The previous chapter detailed the definition of small business and the profile of small firms in Scotland. The literature suggested that small business failure is related to a number of key problems that could ostensibly be prevented, or at least minimised, through intervention and involvement of business support organisations. This chapter now goes on to explore the role and nature of business support organisations in Scotland and the potential for economic development through their interaction with the small business community.

In doing so, this chapter details the Scottish business support environment before examining the nature of business interest, starting with pressure groups, interest groups and social movements, as a means of providing a conceptual background to business interest and support. The literature on interest group behaviour is dominated by social, welfare and environmental organisations and this has been adapted to provide the business interest literature. The work of Grant (2000) and Whiteley and Winyard (1987) is used to determine how business groups influence policy and support members, with the work of Grant being drawn on quite heavily as he is recognised as being the most significant author in the areas of interest group behaviour. The notion of business associations, as distinct from the single industry focused trade associations, are then introduced together with the literature on business interest groups. The chapter then focuses on the need for business support. We then explore the concept of a business support network (BSN); that is a network structure containing clusters of business support organisations that share activities and resources.

Van Bussel (1998), Bennett (1996, 1997, 2000) and the Austrian Institute for Small Business Research (AISBR, 2002) highlight the under-utilisation of purposive supports, suggesting that small firms are unaware of what is available to them and that they prefer to solicit support and advice from their business peers and competitors. Purposive support agencies (such as Scottish Enterprise (SE) and the Chambers of Commerce) and the business interest groups (such as the Federation of Small Business (FSB), the Forum of Private Business (FPB) and the Confederation of British Industry (CBI)) offer a wide range of services and supports, yet these authors argue that less than 10% of small firms access these supports, to their detriment.

In addition, this chapter explores the representational role, whether informally or formally, of business support organisations' access to policy-makers, politicians and civil servants at the various governmental levels, potentially offering a strong voice for small business in Scotland at government level.

3.2 THE BUSINESS SUPPORT ENVIRONMENT

The business support environment consists of a mixture of public and private business support organisations (BSOs), the generic term for support agencies in this dissertation, which provide support and representative services for small firms in Scotland. These include Scottish Enterprise (SE) which is the principal government economic development agency in Scotland, and includes 12 Local Enterprise Companies (LECs) and a number of Small Business Gateways (SBGs) which are the 'shop-front' of SE. Other important BSOs include business associations in the form of regional, local and national Chambers of Commerce and business interest groups. The principal business

interest groups in Scotland are the Federation of Small Business (FSB), the Forum of Private Business (FPB) and the Confederation of British Industry (CBI), all three of which are the Scottish arms of larger, pan-UK organisations based in England. In order to better understand the role, nature and focus of these organisations we shall be examining the literature on interest groups and business associations in some detail. Given the dearth of literature on business interest organisations, much of this literature is to be found in the sociological and political arenas and has had to be adapted to the Scottish business context.

Public, economic development agencies are organisations charged with providing support to businesses, and are resourced through governmental sources, and ultimately the taxpayer, to implement and devise economic development strategies on their behalf. Business associations are organisations which provide a mixture of representation and support services, most often at a local and regional level, with a key focus on networking events and training. These organisations often consider themselves to be central to the local business community and often have few barriers to joining, and are as such open to all businesses. Business interest groups such as the FSB, FPB and CBI see their key role as being one of representation. Consequently they often have a particular focus with respect to their membership and are commonly involved in national issues, preferring to leave local business issues to organisations such as the Chambers of Commerce.

The Scottish Business Support Environment

Many aspects of business and economic development in Scotland are provided through an extensive environment of community and voluntary bodies providing critical support mechanisms. However, these support mechanisms are often hidden, and thus remain

unappreciated and under-utilised. According to Danson, Deakins, Whittam and Fairley (2000), the key organisations within each of the twelve Scottish regions administered by Scottish Enterprise (SE) are the Local Authorities (LA) and the Local Enterprise Company (LEC), the Chambers of Commerce, universities and further education colleges, as well as area tourist boards and local development companies. The actual make up of the key organisations can differ between regions, specifically along the urban/rural split (e.g. Glasgow and the Borders), but the LA and the LEC are always central to the economic development process in each region, often in conjunction with the local Chambers of Commerce.

The study conducted by Danson *et al.,* (2000) propose that Chamber of Commerce participation in regional economic development differs, with some Chambers of Commerce enjoying quite a high level of influence and others confined to a more peripheral role. This suggests that in the more rural areas, Chambers of Commerce are less effective and have less influence over the direction of economic development. This is not to demean the importance of local and rural Chambers of Commerce in Scotland, but it does highlight the variability of the core business support agencies in each region. It also emphasises that business support organisations can be congregated together into two main groupings; local/regional and national. The local/regional grouping consists of those support organisations concerned with day-to-day issues, with an emphasis placed upon solving localised problems which may be taken to be parochial and, therefore, not have any impact outside of a given area or region. The national grouping is those organisations which have the whole economy at the heart of their agenda, delivering solutions to problems which have a much wider effect.

Danson *et al.,* (2000) noted that the principal economic development aims and objectives in each of the SE regions were tackling unemployment and social exclusion, industrial restructuring and increasing the low rate of business start-ups. Other key development problems are linked to specific industries such as tourism and oil and gas in particular; industries that are crucial to the local and regional economy, yet require assistance to achieve more of their potential to contribute to regional economies.

Their study suggests that short-term support offered in Scotland is the most important to the majority of firms, especially established firms with less than 25 employees, but that this type of support requires some measure of self-diagnosis from firms. The authors claim that short-term, expert support is driven by assumed needs, rather than actual or diagnosed needs, principally due to the inability of firms to self diagnose, which leads to under-utilisation of the available support. Another criticism levelled by the authors, at short-term support, is that it fails to build any sort of meaningful client relationship, something at which medium-term and long-term support is more proactive. However, the authors suggest that the level and quality of advice is variable, and that due to the amount of advisors in this field, accreditation should be introduced to improve the value of guidance offered by support organisations. This is something which SE has moved to implement, sending its advisors on a ten-month training programme, in order to ensure a certain level of consistency and quality throughout its network of relationships and contracts.

Danson *et al.,* (2000) also highlight the greater potential for misunderstanding and confusion in the delivery of short-term support, recommending that a more integrated business support environment with certain standards should be introduced and worked

towards. The authors emphasise that short-term support is too focused on start-up clients, to the detriment of more established firms, and that Chambers of Commerce should be able to address this gap in support needs through a more incorporated support system. This would include better linkages to local authorities and LECs, as well as a more integrated relationship with the wider, professional support network which includes firms such as training companies, lawyers, banks and accountants. By incorporating these organisations into the system and using the Chambers of Commerce a local focus, economies of scope can be achieved in the delivery of support services to more established firms, leaving start-up activity to organisations such as SE.

Having contextualised the Scottish business support environment, it is now necessary to characterise the main actors which operate within it. To do so we have to clarify the motivations, focus and nature of these organisations, beginning with business interest groups.

Pressure and Interest Groups

In order to define what a business interest group is, it is necessary to provide a definition of interest groups in the general sense, as the literature on business interest groups is sparse and so needs to be adapted from the available sociological and political literature. The interaction of interest groups and policymakers is an influential everyday phenomenon that affects both political and economic affairs. This interaction and the effects that interest groups have on politics have been extensively studied. Nevertheless, we are still far from having a coherent picture of what the role of these groups is and through what means do they shape policy and legislation?

The actual term used to describe the various groups is disputed by the organisations themselves, since the more common label is 'pressure group'. This is, however, an expression which Grant (2000) believes such groups often find disagreeable due to the negative connotations that this term implies with regard to the means by which they operate. The author highlights the preference for the term "Non-Governmental Organisation" (NGO), which some groups adopt in order to emphasise their independence from government. However, Burnell (1997)[6]contends that organisations which assume the title of NGO are primarily concerned with humanitarian rather than commercial objectives. He goes on to cite that the criterion of independence is one which can be easily disputed due to the fact that some organisations, such as third world agencies, in fact act on behalf of governments when distributing funds.

Grant (2000) highlights three key issues that need to be resolved when defining interest groups;

1. The relationship between the "interest" and the group promoting it;

2. The relationship between a "social movement" and the group it generated;

3. The problems presented by the actions of single actor (i.e. individual firms) groups;

Each of these is discussed below.

Interest and promotion

For the purpose of the first these three issues, it is perhaps prudent to define what an interest actually is. A standard dictionary definition might be: "A state of curiosity or concern about or attention to something" (Oxford Dictionary, 2002, p.182) Further

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[6] Burnell, P.(1997) *"foreign aid in a changing world"*,in {Grant, 2000}

definitions might be the pursuit of a cause or the defence of a stake in the economy. Often the word interest is used to define a financial stake in something, such as a company, but that aspect of the definition will be discounted for now. With groups such as the Federation of Small Business (FSB) or the Forum of Private Business (FPB) the interest is self evident, at least in general terms. In the FSB, the interest is small firms and for the FPB it is private business, themselves often small in size. In the case of these two interest groups, the largely economic interests for which they strive are more or less directly related to the concerns of their business members. Issues such as corporate taxation, which is often of great concern to small business and business rates, are likely to be at the forefront of the FSB's and FPB's lobbying.

Table 3.1: Types of interest groups

Type of Groups	
Interest Groups	**Cause Groups**
Membership *restricted* to those with a shared background, or performing a common socio-economic function.	Membership *open* to those who support the cause, or who share common values
Primarily exists to protect members' *self-interests* as defined by the group	Primarily exists to further the *interests of other*(or the public interest) as defined by the group
Examples Confederation of British Industry British Medical Association National Farmers Union	Examples Action on Smoking and Health Child Poverty Action Group RSPCA
Also Known as Sectional Groups	Also Known as Attitude groups Promotional Groups

Source: Baggot, R. (1995, p14)

It is not always purely economic interests for which these groups campaign, but it is likely that social causes such as employment law or health and safety are taken care of by other interest groups, (Baggot, 1995) draws a distinction between interest and cause groups.

The author also refers to interest groups as sectional groups and cause groups as promotional or attitude groups. The difference between the two types of group is highlighted in table 3.1.

Baggot (1995) contends that the membership of interest groups is clearly defined, whereas cause groups are open to all. Interest group membership is often limited, for example, the British Medical Association (BMA) is limited to doctors and the Confederation of British Industry (CBI) is mostly limited to business people, although not entirely. Herein lies the problem for Baggott (1995). This author refers to the interest group versus cause group dichotomy but concedes that it is often impossible to distinguish the two groups, citing the example of the British Dental Association (BDA) campaigning for the addition of fluoride to drinking water as being a cause, yet the BDA is quite clearly an interest group. The support of a cause of this nature is contradictory to the interests of the BDA's membership, as campaigning for the addition of fluoride to drinking water is a move designed to improve the general dental health of the recipient population. Any improvement in dental health will have a detrimental effect on the revenue generating capacity of dentists, so it would appear that the pursuit of this cause is altruistic. However, it is difficult to determine whether the motive was selfish or beneficent. Baggot (1995) maintains that even with self-interest, sectional groups can still act on behalf of causes.

At the other side of the interest/cause dichotomy, he believes that cause groups often act with particular self-interest. He cites examples of cause groups that employ staff, providing salaries and other benefits. Baggot (1995) claims that this could lead to non-

altruistic motives based more on furthering individual careers rather than the public good. This could be a problem for business support organisations, especially those operating at a national level and whose staff are constantly lobbying key policy makers and ministers.

Earlier authors, (e.g. Potter, 1961 and Stewart, 1958), prefer labels such as sectional or spokesman (or spokeswoman) groups to describe interest groups and promotional or attitude groups to describe cause groups. As with the definition of other phenomena, a conflict of even the most basic terms is evident, although content appears to be similar. This is true of De Beer (1969) who re-labels the interest/sectional group as a producer group. This is to take into account organisations such as professional organisations and trade unions, for example the Chartered Institute of Marketing or UNISON, which can be quite outspoken and influential with regards to their members.

The common thread which can be applied to the various labels is that they all seek to distinguish between "groups *of*, and groups *for*"(Jordan 1987, p. 27). Moran (1985) puts it succinctly when he provides this simple grouping. Functional groups (his label for interest/sectional groups) are drawn from the economic order and are particularly from business, labour and professional arenas, and it is within this delineation that business support organisations fall. Business support organisations are more likely to be groups for rather than groups of given that they are united by the common goal of economic development and the furtherance of the small business environment. The preference group (Moran's label for cause groups) are more likely to be found in the areas "united by common tastes, attitudes or pastimes" (Moran, 1985).

To further complicate the interest/cause dichotomy, Baggot (1995) refers to Not In My Back Yard (NIMBY) groups, which fit in neither type. For example, groups of neighbours often form pressure groups to oppose the siting or construction of a road or building, which they view as compromising local amenities or property values. These types of groups are formed for their own self interest although the project may have a strong benefit to the wider community. The dichotomy in these groups is that they may be open to wide ranging memberships and may claim to have the wider public interest at heart. An example of a NIMBY group is the people who are currently opposed to the completion of the M74 motorway in Glasgow. Even though the local councils involved in the project, and the Scottish Executive, feel that the completion will have a beneficial effect on the Scottish economy, the pressure group wants to bar any further development. The contradiction is often apparent with NIMBY groups; claiming to represent the interests of the wider community, they will frequently not object to similar projects being located elsewhere. Baggot agrees that the cause/interest classification is far from perfect, but the simple nature of the grouping is "attractive".

Social Movements

The second issue raised by Grant (2000) relates to social movements. Klandermans (1997, p. 23) contends that social movements are often characterised by their "nebulous nature" and continues by stating that they often engage in "disruptive collective behaviour". Smelser (1962) argues that such movements are the product of a sick society; i.e. a society that is healthy one has no need for such social movements, instead it should have a conditional form of political and social participation. Kitschelt (1986) argues more from a resource mobility point of view, which contends that social movements are nothing more sinister than innovative forms of political or social participation, responses

to counter a dynamic and evolving society, which is most likely what most business support and representative organisations would claim, especially groups such as the Federation of Small Business and the Confederation of British Industry, whose main function is to lobby to provide a more stable environment for their members. Without delving too far into the sociological and psychological literature, it is clear that general agreement on the terminology is hard to reach.

At one end of the spectrum, Klandermans' (1997) idea of disruption can be seen as negative and backwards. At the other end of the continuum, Kitschelt's (1986) view of a response to dynamic change is very progressive, but these authors do seem to agree that a social movement shares a set of interests, however vague. A social movement is thus often the catalyst for the formation of a pressure group as a means of focusing the shared set of interests. However, both pressure groups and social movements are similar in that they are both means by which change in society is achieved.

The term social movement could also be compared to ideologies which Scarbrough (1992, p.25) argues are "*coherent outlooks of particular social groups who share broadly similar material interests*". She moves (p.32) to clarify the definition of ideologies when she says that they are "*...not necessarily true or false but are partial views of the world. Ideologies are partial in the sense that they are limited and express the view of one particular social group.*" In this sense a social movement and a pressure group are both manifestations of a particular ideology, particularly as "*ideology often serves to legitimise the actions of powerful interest groups*" (Scarbrough, 1992, p.32). The environmental movement is a good example of this. The cause at stake is the protection and maintenance of the environment and it has led to the creation of pressure groups such as Greenpeace

and Friends of the Earth. Both these groups can be seen as disruptive and or progressive depending on ones own ideology. The case of the huge multinational Shell and its plans to scuttle the Brent Spar Oil Platform and its subsequent dealings with Greenpeace illustrates this. The ideology of the environmental group saw the scuttling as nothing more than pollution, whilst Shell's interest lay in reducing the financial cost of removing the platform from service. To the environmental movement, Greenpeace was being progressive, whilst to Shell Greenpeace was being disruptive.

Single Interest Groups

Grant (2000) suggest that large firms, such as multi-nationals with important roles in local economic development, can themselves act as pressure groups. He argues that depending on their influence and economic importance, they can also play important roles in the pressure group arena. Jordan (1987) argues that some firms, such as Shell, can indeed be classified as pressure groups, since they are a collection of individuals with a common cause. Large firms with sufficient economic power and a large employee base can be mobilised as pressure groups, often bringing the threat of relocation into arguments. Governments know that relocation often means loss of employment, and this is usually unacceptable to the voting public, so that the large firm can sometimes dictate terms. Interest groups which are dedicated to a single interest, such as the fuel lobby, garner public support and attention on the back of often contentious issues which have grabbed the pubic imagination. Hot topics or issues such as fuel prices can lead to these types of pressure groups receiving the most attention from policy makers and politicians, thereby obscuring the message from other groups with more diverse and less controversial interests (Baggot, 1995, Grant, 2000). It is interesting to note that business interest groups are less likely to have a single interest at the heart of their mandates,

preferring to cover a wider range of key topics for the benefit of their members. Business support and representative organisations may also provide an effective counter, especially at local and regional level, to large firms which can influence government, and as a whole they may provide a strong business voice to ensure that it is the needs of the many rather than the few which are most fully considered.

The Voice of Interest

Groups may not have a social conscience when making demands, thus undermining the whole system (Beer, 1982; Brittan, 1977). The mechanisms used by interest groups to actually communicate their aims and objectives to target audiences, such as government and other interested parties, is paramount to their usefulness, as member representation is the most important function of an interest group. Whiteley and Winyard, (1987) propose that there are three main communication approaches which interest groups use to try to influence policy change: Political, media and protest. The political aspect concerns lobbying, using insider approaches to influencing policy-makers and officials. This communication approach is time consuming and requires specific relationships to be built with influential actors for the approach to be effective. The use of the media covers television, radio and newspapers as mediums for expressing dissatisfaction or to air a particular point and protest is often seen as marching with placards, picketing and organising public shows of dissatisfaction.

Alternatively Beer and Eckstein (1960) considered these three different communication strategies employed by the various types of pressure groups, especially sectional groups, which business interest groups belong to, and the key target audiences that they target.

Their theory of group strategy is widely considered to be the standard model in this topic area.

Beer-Eckstein Theory of group strategy.

- Producer (sectional/business) groups will avoid parliament and the media and concentrate on Whitehall (e.g. Scottish Executive).

- Successful groups would have a relatively close day-to-day working relationship with Whitehall (Scottish Executive) characterised by regular communication and behind-the-scenes contact.

- Such groups would positively avoid publicity, as this would reveal impotence.

Eckstein (1960, p.21) states that: *"A group which does not have ready access to an executive department - which has no close clientele relationship with such a department - may be driven willy-nilly to seek its aim through other channels".*

Whiteley and Winyard (1987) and Grant (2000) contest that this model, which has been the standard producer group strategy model since its inception in the mid 1960s, does not accurately measure effectiveness of interest groups. The general principle of the Beer-Eckstein analysis is that effective groups will target specific government departments using a quiet "insider approach" and that this is the most effective strategy to pursue. Evidence in Whiteley and Winyard (1987) suggests that this is not always the case. In fact their research suggests that producer groups which have regular contact with the media are likely to be more effective than groups which do not. The research produced by these authors considered the various potential target audiences that producer groups, such as the FSB or the CBI, will aim to influence when pursuing an interest on behalf of its

members. They contend that business groups will actually adopt whatever strategy most suits the particular interest that they are pursuing, matching it with the appropriate target groups. This is considered, by the author, to be the most likely situation, where business support and representative organisation will employ a multifaceted communication strategy to ensure that their aims and objectives are met, pursuing a lobbying approach as well as using the media. Protest is not thought to be a likely communication strategy due to its negative connotations.

Whiteley and Winyard (1987) suggest six types of communication target:

1. Political parties

2. Whitehall (Scottish Executive)

3. Parliament (Westminster)

4. Media

5. Collusive agreements with other groups

6. Groups such as the TUC and the CBI

Thus, an issue that is only of interest to a particular section of the business community and will only have slight implications may be targeted at the civil service, which in Scotland is represented by the Scottish Executive. An example of these types of issues is exemption from a local tax for companies within a particular industry. Issues that have far reaching ramifications and have an interest to a wider social group, such as the uniform business rate, may incorporate the parliament, the media and the trade unions. Groups wishing to further an issue at a later date may target political parties, in the hope of having the issue included in a manifesto, and to add strength, they may collude with other interest groups in order to provide a wider range of representation.

Communication orientation[7] is the method by which representational groups influence these targets. Lobbying, use of the media and protest are all forms of communication utilised by these groups, although protest is often confined to welfare, social and environmental groups, rather than business groups. The communication orientation is a key element of representational groups, and the method they choose has significant bearing on how they operate in terms of achieving their aims and objectives.

Grant (2000) proposes a structure for evaluating interest groups (*italics* denote authors addition):

1. Features of the proximate environment of groups, the domains they are seeking to organise. In particular:
    i. The characteristics of the potential membership being organised or represented.
    ii. Competition between groups for members and influence.
    iii. *Diversity of membership*

2. The resources available to groups:
    i. Internal group structures such as decision taking and conflict reduction mechanism
    ii. Marketing skills in terms of the attraction and retention of members
    iii. Membership mobilisation capabilities
    iv. Financial resources
    v. Staffing resources
    vi. Sanctioning capability
    vii. Choices of strategy (*Communication Orientation*)

3. Features of the external economic and political environment
    i. Public opinion/attitudes
    ii. The political party in office
    iii. Economic circumstances, especially in relation to public expenditure
    iv. Sponsorship or support by a government department, and/or opposition by other departments
    v. delegated authority

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[7] Communication Orientation is a term coined by the author to represent the strategy that organisations will use to achieve policy or legislational change, or to make their 'voices' heard.

Although not a typology, this structure outlines the key elements of representative groups and is used by the author as part of the basis for enquiry. The key themes are member, resources and the socio-political environment. The characteristics of members will influence the aims and objectives of an interest group, and thus this will have a large bearing on the character of the interest group itself. A group with a narrower range of interests within its membership, will be more easily able to please more of its members than groups with widely diverse memberships. Grant (2000) contends that with diverse memberships, larger, more powerful members will heavily influence the nature of the interest group agenda, perhaps to the detriment of the majority of smaller, weaker members. The instance of intra-membership conflict would in all likelihood weaken the influence of an organisation, leaving it open to being ignored by policy makers and influential actors.

The ability of an interest group to achieve its aims and objectives, is dependent on its resources. Groups with resources constraints on their finance and staffing levels, will only be able to pursue one or two interests at a time, often a much slower pace than groups who have less resource constraints. More staff and more money means that an interest group can identify a larger range of interests and can devote more time to pursuing them. This is not to say, however, that interest groups with the least resource constraints are necessarily the most effective, Grant (2000). Exogenous factors, such as the political climate, political opinion and accessibility of policy-makers and endogenous factors, such as the personalities of influencers and the influenced, may have as much a part to play in the successful interest group.

Business Interest Groups

After stating what the key characteristics of an interest or pressure group is, we can now focus more on the particular characteristics of the sectional or business interest group. By providing a comprehensive overview of business interest groups, and interest group activity in general, we are better able to determine the role, focus and nature of these organisations with regard to the business support environment. It has been demonstrated that pressure/interest groups can take on many forms and guises, depending on the situation. The literature suggests that most pressure/interest groups share certain characteristics, which distinguish them from social movements and revolutionary organisations for instance. The pressure/interest group could also be said to be a form of collective action (Bennett, 1996), which seeks to affect the operation of government through the persuasion and lobbying of state agencies and/or key individuals in the legislature. Further to this, pressure/interest groups do not tend to seek political control, and are often thus quite distinct from any one political party, especially as they lean towards a far more narrow range of interests than a political party would (Grant, 1993, 2000).

The earlier part of the chapter has shown that the activities and aims of pressure/interest groups differ significantly. On one side there is the sectional interest group, and on the other is the promotional cause group. The promotional group, as has been shown, is open to anyone who shares a common interest with the group and its members. The promotional group is most often a single interest group, and it will often claim to have the interest of the public at heart, although NIMBY groups are often shown to be particularly selfish and self-interested in the pursuit of their aims. The sectional interest group is, more often than not, restricted in its membership and this restriction is often delineated

by professional status. For example, to be a member of the British Dental Association, one must be a dentist. It is this private interest group category into which the business interest group falls. The private group is self-interested by nature, protecting as it does, the interests of its membership. The sectional group can represent a wide range if issues, and is frequently better organised than its promotional contemporary.

It is not unusual for the sectional group to have paid staff, who are often quite close to the legislature and the government. They can lobby MPs privately, or exert an influence over the government. Powerful sectional business groups such as the CBI are often seen to be purely representative of big business interests to the state, almost an extra-constitutional force, which seeks to concentrate power in the hands of a relative minority. Certainly the sectional group is more likely to be better organised than its promotional counterpart, and it is their organisation which allows them to exert influence (Grant, 2000).

The UK Parliament gives us a simple definition of what they believe a pressure group to be: *"Pressure groups are organisations which aim to influence Parliament and government in the way that decisions are made and carried out"*. This very simple definition is echoed and added to by Duchesne (1999, p.23) who defines an interest group as a *"group that seeks to influence government policy without contesting elections, that is, without putting forward its own candidates"*.

The UK Parliament source also highlights that many people see pressure groups as a more viable method of achieving political influence than by involving themselves directly in a political party. Single-issue groups are becoming more popular as a result, especially in areas of animal welfare, racial equality and environmental issues. Some

groups seek to achieve influence through more conservative methods such as lobbying or petitioning their MPs or the government, whilst others are far more radical in their approach.

Grant (2000, p.12) defines his pressure group as, "*...an organization which seeks as one of its functions to influence the formulation and implementation of public policy, public policy representing a set of authoritative decisions taken by the executive ,the legislature, and the judiciary, and by local government and the European Union*". The author goes on to suggest that think tanks such as Nexus or the Institute of Economic Affairs (IEA) could be covered under this definition. However, Stone (1996) contends that the difference between think tanks and pressure groups are becoming more blurred, and that think tanks themselves are becoming more and more politically active, often being loosely affiliated with a particular political party, such as Demos and the Labour party. Demos describes itself as "*...an independent think tank and research institute based in London...its role is to help reinvigorate public policy and political thinking and to develop radical solutions to long term problems.*"[8] Stone (1996, p.32) concedes that the influence that think tanks have on the political process is at best "*modest*", with the legislative process being more interest-driven as opposed to idea-driven. She suggests that the think-tank's primary "*window of opportunity*" is just before and just after an election, but that outside that they have little real influence.

Using a synthesis of the above definitions, Grant (2000), Duchesne (1999) and the UK Parliament (1999) as a guiding framework, it is now possible to construct an acceptable

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[8] Demos Web-site www.demos.co.uk

definition of a business interest group. For the purpose of this thesis, a business interest group is defined as:

"An organisation which seeks to influence the design, formulation and implementation of business legislative policy, through lobbying, petition, debate and the media". [9]

The model shown above takes a combined approach to the work of Whiteley and Winyard (1987) and Grant (2000). The main themes in this model are:

1. Membership characteristics.

2. Resources

3. Operational Location (not in either model)

 - This variable is included because the author believes that the sphere of operation, as opposed to the actual siting of offices etc., could be an important factor in determining the communication orientation strategy of the group

4. Socio-political Economic Environment.

5. Communication Orientation (i.e. Group communication strategy).

Figure 3.1, synthesised from the work of the author, Whiteley and Winyard (1987) and Grant (2000), shows these variables in the context of a business interest group, and would be equally applicable to business associations, which are covered in the next section. Each of the main themes is included and the model shows the interdependence of the variables and the important relationships to the principal actors involved in the support network.

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[9] Definition coined by the author (Quinn)

Figure 3.1: A Conceptual Framework to Investigate how business interest groups Influence Small Business Legislation
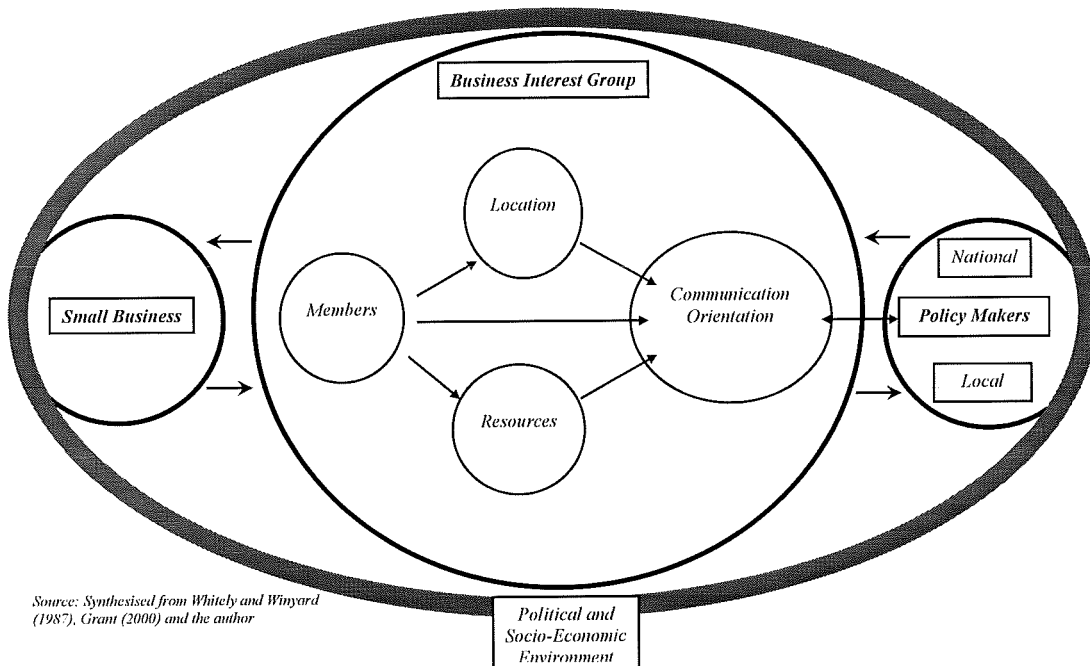
Membership characteristics, operational location and resources are the independent variables in this model, and each contributes to the communication orientation of the interest group, which is the dependent variable in this model. Small business and the government complete the model, and show the information flow between all three organisations. Of course the communication target in this diagram is local and national government, but as demonstrated by Whiteley and Winyard (1987), the target audience could be the media or other interest or support groups, or indeed a combination of all six target audiences. Importantly, the figure highlights the political and socio-economic environment, which has as much of a bearing on deciding communication orientation as any of the other variables in the model.

Interest groups, and business interest groups, have now been covered, highlighting the motivations of pressure groups and showing the methods by which they achieve influence with policy makers. The following section synthesises that literature and applies it to business associations, a further example of a business support organisation, which usually operates at a local/regional level.

Business Associations

Business associations, such as Chambers of Commerce, operate in a similar manner to business interest groups. Their primary role is seen as providing representation, especially on a local government level and business services, especially social and business networking (Bennett, 1996). The author states that they often have wider representation than interest groups, and are more likely to be operating at a local or regional rather than at a national one. The primary differences (Bennett, 1997, Grant, 2000) are that more often than not, they concentrate on local issues. Business associations draw membership from a relatively small geographic area and they provide a physical presence for their members, who are often heavily involved in the running and direction of the association. Bennett (1997) also found that service provision was the most likely way for business associations to improve their market penetration. The interest group is conversely a more ethereal organisation altogether, often remaining at the end of a telephone line in their office building. More often than not they cover a national membership and concentrate on issues that will have a broader impact, for all businesses, than the more localised interests of the business association (Bennett, 1997). Issues that have a broader impact also encourage the "free riding" phenomenon, where non-members

accrue the same benefits as members. However, this can be as much a problem for interest groups as local business associations.

According to Bennett (1997) business associations function in four broad areas: interest representation, provision of services, facilitation of social contacts and execution of delegated functions. Typically, the task of an association is to work for its members, because they constitute and control the association. Thus, the core activities of service provision and representation and facilitation of social contacts can be considered to be the primary reasons for taking its membership the business association (Bennett, 1997).

Interest representation, and the influence of association, is the primary attraction for a new members and the function which is more efficiently carried out by business associations business associations rather than the single firm, principally due to economies of scale. Thus, argues the author, the bigger and more representative the membership, then the stronger the voice and the greater the influence. Unlike interest groups, which often have a quite narrow range of interests, the varied memberships of business associations, such as Chambers of Commerce, mean that more work has to be done in order that a broad consensus is achieved amongst members. Hence, the association also has to act as a moderator, identifying common themes and balancing the diverse interests of its members with its own agenda.

The provision of services is another area in which local business associations excel. Again, economies of scale allow local business associations to secure the provision of information services and training activities at a lower price than would be possible for the individual firm. These services can be sourced directly from the membership,

administered directly by the association or in conjunction with other support agencies, especially public agencies. Apart from satisfying, and adding value to, its membership, service provision also constitutes an important source of income, especially for the larger business associations (Bennett, 1997).

The importance of social networks for small business owners is not something that is lost on business associations. Local business associations will often take on the mantle of local business clubs, providing a forum for its members to socialise and develop informal contacts in the local business community. Business associations, such as a Chamber of Commerce, also provide a valuable portfolio of additional tasks, delegated to them by the local public authorities. Typically these duties include the registration of enterprises, the issuing of certificates of origin and the supervision of vocational training (Bennett, 1997).

Both business associations and business interest groups have memberships, which need to be understood in order to determine their influence and role. In order to understand the memberships, we must first consider the reasons that firms would join business support organisations, and what they may expect to gain from doing so.

Logic of Membership and Influence

To determine the means of control available to business associations and business interest groups in relation to their members, and on the direct and indirect role of the state in the creation and regulation of such means. Schmitter and Streeck (1999) observe the Janus-faced policy that these organisations must adopt. On the one hand they must organise themselves in order to attract members and to convince them to engage in associative or collective action. On the other they must ensure that they are organised in such a way that

they can influence policy makers on behalf of their members, yet, this is a difficult task depending upon the properties of the represented group. The authors define the properties of the membership as the *"logic of membership"*. This logic is characterised by the number of members, their equality and strength, internal and external co-ordination mechanisms, the degree of interdependence among members, heterogeneity in interests and demands, membership turnover, economic conditions and social cohesion. The saying; *'You can't please all of the people all of the time'* means that the logic of membership is critical to attracting new members, without becoming so narrow in ones defined interest so as to preclude certain sectors or firms from joining. Havness and Senneseth (2001) provide their own version of the logic of membership, in a network sense. They speculate that the key factors influencing the logic of membership are increases in market share, total sales and/or the number of employees, and the author posits that these factors can be applied to support networks as well as any other.

Bateman (2000, p.51) cautions business associations from becoming too narrow and *'cherry picking'* new members in order to maximise revenue and increase the homogeneity of member interests. He also highlights the problem of representational organisations bowing to the pressure of the logic of membership and embarking on short-term policies that only give partial results over long-term strategies. Although these longer-term strategies do not provide instant results for members, they do give much better results that benefit everyone in the longer term.

Organisations are compelled to manage themselves in a way that permits them to exercise influence over political processes, and this requires representation of a collective interest. Yet, influence potential is likely to be a function of the properties, for example, the

structure, actions and incentives, of the state, state agencies and other political institutions such as trade unions. This is known as the logic of influence. Thus interest groups and business associations must ensure that their ability to influence political structures, is attractive enough to members to warrant them joining. Olsen (1965) suggests, in his logic of collective action[10], that too many members and too many interest groups competing for the same influence will reduce the effectiveness of the interest group in achieving or influencing policy change.

The key to these logics is accordingly that business associations and interest groups, by responding to these two diverging logics, should develop certain organisational properties. To determine an association's state of organisational development Schmitter and Streeck (1999) suggest that four variables are examined:

- Interest domain(s),

- Intra-organisational and inter-organisational structures,

- Resources at its disposal and how it acquires them,

- Nature of the output and its ability to satisfy members, to satisfy its external environment and to strengthen the interior institutionalisation.

Beger (p.79 in Greenwood, 2002) suggests that members want "*strict representation and execution of their interests*", and that they are unwilling to allow business associations and interest groups to act on their behalf using their own expertise, initiative and political vision, even though members do not themselves possess the necessary skills and influence to achieve their own goals. He suggests, however, that in fact allowing these

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[10] Mancur Olsen (1965) Logic of Collective Action. People will not participate if they can receive benefit from others' collective action. Also known as the free rider problem.

groups to proceed using their own initiative is the best possible course of action given the dearth of skills and influence of members. This surely has implications for the way in which support organisations set their agendas and their aims and objectives. In what way does this process differ from regular interest groups, such as Greenpeace or the World Wildlife Fund? The answers are not available and this is a sizeable gap in the business interest literature.

Certain countries, including Italy and France, remove the need for a logic of membership or influence, by making membership of a business association, principally the local Chamber of Commerce, compulsory. Such public law organisations enjoy extensive formal resourcing and powers, and are uniquely poised, one would imagine, to have extensive potential for encouraging local economic growth. Water (1998a, 1998b, 1999) suggests that this is not the case and that in actual fact these organisations are in decline, especially in France. Although public law organisations appear to be ideal for encouraging *"co-operative, endogenous development"* (Waters, 1998a, p. 27) in local economies, they are, she contends, stifled by bureaucracy and have become stodgy, cumbersome and mired in tradition, unwilling to change or adopt fresh ideas. This author argues that the compulsory element and the removal of the logic of membership have led to a breakdown in co-operation for its own sake, and thus interests are pursued merely to satisfy legislational requirements than to collectively pursue economic goals. In other words, any incentive to stimulate collective action for the greater good has been removed and replaced by conservative, undemocratic procedures which only serve to disenfranchise members. She even goes so far as to suggest that such public law bodies actually stifle economic growth.

3.3 THE NEED FOR BUSINESS SUPPORT

Evidence from Van Bussel (1998), Bennett (1996, 1997, 2000) and AISBR (2002) suggests that small businesses do not make full use of supports, and in fact they are, in many cases, unaware of what is available to them. Van Bussel (1998) postulates that small business owners are already engaged in their own personal networks of support; consisting of friends and business acquaintances, based largely on the notions of trust and reciprocity that these relationships usually engender. He found that nine out of ten of the respondents had asked for support from business acquaintances, including competitors, suppliers and even customers, whilst advice and support from professional advisors, such as consultants, accountants, lawyers and banks, was only sought by about 8%. Family and friends were cited by 3%, whilst only 2% of respondents claimed to have sought advice from the purposive support network. The author suggests that small businesses do not trust large organisations, positing that they would rather deal with individuals on a personal level, and that support organisations should reflect this and adopt a structure similar to that of a small business, e.g. small number of staff and a minimum of bureaucracy.

Van Bussel (1998) found that many entrepreneurs would only access purposive support through their own personal networks, trusting the advice of friends and business acquaintances as to the usefulness of organisations such as Scottish Enterprise, as they perceived such organisations to be ineffective, bureaucratic, inflexible and that they had no real practical business experience to draw upon. Thus, in order to make use of purposive support from governmental agencies, support organisations must be able attract customers and members through networks which are similar to entrepreneurs own

personal networks, which Van Bussel (1998) argues are developed through social relationships based on trust and reciprocity.

AISBR (2002) conducted wide ranging research on the market for business support in the United Kingdom, surveying more than 1,200 small, micro and sole proprietary businesses to determine the needs and wants of these firms in relation to business support. Their results are both surprising and understandable. They found that small businesses participation in support services is low, which Bennett (1997b) agrees with, but that participation is determined to an extent by gender, level of education and their motivation for growth. For example, they found that 27% of female entrepreneurs are likely to seek support as opposed to only 17% of men (AISBR, 2002). AISBR (2002) also found that many sole proprietors lack perspective of their problems and that and external evaluation of their needs is crucial when offering them support. Three-quarters of respondents were unaware of available support, but those who were aware preferred to be contacted or visited personally, and they expressed a demand for specific, tailor made services, often differing by location. Most importantly, many respondents had little or no confidence in the business experience of service providers, although the vast majority who had used such services found them to be satisfactory, (AISBR, 2002).

These findings have implications for support organisations in Scotland; such as what types of businesses support organisations should target services to, and which types of entrepreneurs are more open to seeking support, so that they can give specific guidance on what small businesses want. There is, however, little research from the perspective of the support organisations themselves and their relationship with customers and members, and this is a large gap in the literature which the author will seek to fill in later chapters.

Small Business Support Organisations

The first part of this chapter identified a number of key characteristics that, as we will see, are associated with the network theory literature. Based on this, it is hypothesised that business support organisations in Scotland operate within a network structure. This structure will hereinafter be referred to as a Business Support Network (BSN). The BSN construct will be conceptualised as a collection of business interest groups, business associations and public development agencies, themselves referred to earlier by the generic term business support organisations (BSOs). It is suggested that the BSN could also act as a gateway to further networks of business support as well as providing a balanced, 'independent' *business voice* to government, given their potential for affecting small business births and failure.

Let us now consider some of the key characteristics, before discussing, in some detail, in the next chapter, a range of network theories and their utility for conceptualising and exploring the business support environment in Scotland.

Common Characteristics of Business Support Organisations

From the literature review, it appears that business support organisations share a common set of characteristics (Bennett 1996, 1997; Grant 2000).

1. Business support service provision

2. Business voice (representation)

3. Social 'peer' support

4. *Non-sectoral* (no industrial focus)

5. *Voluntary membership*

For the purpose of this research a fourth and a fifth characteristic, *non-sectoral focus* and *voluntary membership*, have been added. The context of this research is Scotland, and the Scottish Executive has had no recourse to encourage compulsory public law business associations as found in Germany, France, Spain and Italy, (Bennett, Krebs and Zimmermann, 1993; Waters, 1998a, 1998b, 1999). The primary research will attempt to identify the existence of these characteristics in the Scottish business support environment. It is necessary, however, to be clear on the nature and form of each of these characteristics. It is to this that we now turn.

Business Support Service Provision

The array of business support organisations provide a wealth of service provision, from general advice and counselling, to specific training and finance. Legal help-lines, assistance with understanding legislational and taxation requirements, such as employment law or health and safety legislation, provision of documentation as well as intensive and arms' length interventions are all functions of the support organisation (FSB and FPB, 2002).

Business voice

A key focus of business support organisations is the representational aspect of support. This representation of the business voice at a national level is more apparent in the role played by business interest groups, such as the FSB, FPB and the CBI, but is also a role fulfilled by the Scottish Chambers of Commerce. At a local/regional level, the Chambers of Commerce becomes the primary source of business representation although some interest groups do participate at a regional level from time to time. Although SE does not see itself as providing a representational support aspect, given that it has no need to lobby being a quasi-governmental agency, it does provide policy makers with a source of

information gleaned from SE's dealings at local, regional and national levels. As such, SE could also be considered to have a representational role to play, although not as obvious as that of the Chambers of Commerce and the interest groups.

Social 'peer' support

The provision of networking facilities, such as breakfast clubs and business lunches, are the mainstay of some business support organisations. Van Bussel (1997) and Birley (1991) have argued that strong personal and business networks are vital to small business success. It is the contention of this author that the BSOs may also provide 'business therapy', especially to new business owners, allowing them to benefit from the knowledge and experience of members and staff.

Non-sectoral (no industrial focus)

Some BSOs do not have any sectoral focus, so that their membership is varied and is not organised along industrial lines, as with trade associations such as the National Farmers Union of the British Medical Association. This prevents their representational focus from being too narrow and allows them to pursue policy change which benefits the wider business community and their relevant support and advice is open to any business, especially small businesses. Bennett (2002, in Greenwood, 2002) found that 98% of business association and public agency members or customer, had less than 100 employees. This suggests that larger firms have less of a need for services offered by BSOs, due mainly to their own economies of scope and influence, especially large multinational firms which employ large amounts of Scottish workers.

Voluntary membership

Waters (1998a, 1998b, 1999) found that compulsory membership of business associations does not increase the efficiency of these organisations, and in fact, seems to have the

opposite effect. She posits that co-operation between members and business organisations is increased through shared interests and a desire to achieve change or to influence policy, and that compulsory membership only leads to bureaucracy and inefficiency. She also suggests that compulsory membership leads to a breakdown of co-operation for its own sake. Thus, as a business support organisation is an example of co-operation and exchange within a hypothesised network environment, membership, or customer use, should not be compulsory. This means that these organisations are more likely to consider the implications that the logic of membership has for their particular organisation. This would ideally lead to greater member benefits and a more clear, member led agenda.

3.4 CONCLUSION

The role of business support organisations is often characterised in the literature as platforms for solving individual member problems, breakfast clubs and sources of specific support, advice and funding. This is a simple, single dimensional view that does not allow one to fully understand the nature and dynamics of the organisations within the business support environment, and the various elements of support and representation that they provide.

This chapter has introduced the issue of business support and why it may be important to small businesses in Scotland. It has also been recognised that small businesses are not prone to accessing supports from purposive agencies, principally, according to Van Bussel (1997), because they do not have the same levels of trust and reciprocity which exits between business acquaintances and competitors. SE is further disadvantaged according to the author because it retains a bureaucratic façade and that puts small firms

off, as they prefer to access supports from similar structures to their own; e.g. other small firms. This could prove to be an important point, as Chambers of Commerce, in particular, can be classified as small businesses in their own right; for example they often have fewer than 10 staff, they often have balance sheets under £1.4 million. Chambers, however, do not fit the qualitative small business measures of independence and retained capital, and being member organisations, nor should they. However, this may not be as important to potential members who may only need to see a semblance of a small firm in order to be content with accessing its services.

This chapter also provided a critique of interest group activity, distinguishing the characteristics of social movements, single interest groups and social interest groups as distinct from business interest groups. We have adapted the literature for welfare and environmental interest and support groups, to provide a typology of business interest groups, and distinguishing their aims and objectives and their communication orientations. For example, many welfare and environmental pressure groups prefer to use protest as their principal communication orientation, whilst it is expected that business interest groups would find this to be an anathema.

Business associations such as the Chambers of Commerce have been explored and a distinction has been drawn between them, business interest groups and trade associations. Business associations have many similar attributes to trade associations; however, the principle difference is the notion of single interest or single industry. Business associations more often than not open to anyone in business, whilst trade associations, such as the National farmers Union or the British Medical Association, concentrate on

one industry. Such groups are included in the BSO label under the umbrella of interest groups such as the CBI.

We have also considered the logic of membership for both business associations and business interest group, reflecting on the importance of membership characteristics, resource constraints and operation location in the determination of group communication orientation. The case for compulsory membership, especially of the Chambers of Commerce, has also been discussed, although Waters (1998a, 1998b, 1999) argues that compulsory membership of such organisations only serves to confuse the message and limit the influence of such organisations.

In light of the observed common characteristics between BSOs, we now go on to introduce some of the key characteristics from network theories in order to provide a conceptual framework for studying business support organisation activities in Scotland. The following chapter considers the key relations, activity links and resource ties, providing a review of the relevant network literature, to find support for the hypothesis that business support organisations function as part of a BSN, and that this BSN construct can be used to map business support activities and relationships throughout Scotland.

CHAPTER 4
NETWORKS: A CONCEPTUAL FRAMEWORK FOR EXPLORING THE ROLE AND RELATIONSHIPS OF BUSINESS SUPPORT ORGANISATIONS

4.1 INTRODUCTION

The importance of networks to small business success cannot be underestimated (Birley, 1985; Donckels and Lambrecht, 1995; Rosenfeld, 1996,1994; Van Bussel, 1998; Dubin and Aldrich, 1991). However, most small business owners have too little time and too few resources to develop new business relationships. Networks, in their formative stage, require resources, assistance, and patience, as do new firms. It is these characteristics which make support and representational organisations important in developing the networks of small businesses in Scotland, and thus provide for a more competitive and entrepreneurial environment. Given the emphasis on relationships and networks between small business and business support organisations (BSOs), network theories form the conceptual basis of the analytical framework used in this dissertation, and will be used to explore the suggestion that BSOs operate within a Business Support Network (BSN) structure.

The existing research on networks puts emphasis on three groups of characteristics that determine different levels of analysis - the actors, the content of relations, and the overall network configuration (Knoke and Kuklinski, 1991; Håkansson and Johanson, 1992; Nohria and Eccles, 1992). All three groups of network characteristics identify factors that influence the performance of firms in the entire network. The first group includes structural aspects of the network that derive from the position, the history, and the strategy of individual firms. The second group includes characteristics that describe the dynamics in networks, driven by bi-lateral and multilateral relations. The third group includes characteristics that are universal by nature and allow development of typologies of network configurations: hierarchies, structural processes and control mechanisms. One of the fundamental barriers to network analysis is the duality of networks – being

simultaneously structures, as well as dynamic processes of exchanges and transactions between partners.

Network theory (Knoke and Kuklinski, 1991; Håkansson and Johanson, 1992, Nohria and Eccles, 1992) has become a well-researched topic in recent years. As Curran and Blackburn (1994, p.30) explain:

"'Networks' and 'Networking' have become common notions in discussing how businesses connect with severe environs. Networks can take the form of contracts that business owners have with other actors ranging from accountants, solicitors etc. They therefore might be conceptualised as theorised constructs abstracting particular types of interaction which may occur between the owner managers or other organisational representatives and the external environment of the enterprise."

Each discipline dealing with network phenomena has made its attempt to define the term. However, it remains a nebulous linguistic notion, inclusive of almost any intended meaning, and often used in a metaphorical sense. Gelsing (1992, p.57) defines a network as *"three or more firms that co-operate in order to gain strength of numbers, solve problems, enter new markets or develop and produce goods"*

Whilst these authors purport to define what a network is, their definitions are only useful for certain contexts as networks are to be found in many different milieu and as yet a single universally accepted definition has yet to be posited. A main reason for this is that the use of the word '*network*' spreads over a range of phenomena, making it difficult to agree one definition that encompasses all aspects and contexts of networking. For these

reasons, this research focuses on the generally agreed characteristics such as commonality (Knoke and and Kuklinski, 1991), centrality (Uzzi, 1996) and embeddedness (Uzzi, 1996, 1997), and key facets such as the notions of actor bonds, resource ties and activity links (Håkansson and Snehota, 1992)

4.2 ORIGINS OF NETWORK THEORIES

The literature on network theories is vast and despite their proliferation and enthusiastic use, network approaches remain problematic for researchers. The main reason for this is that there is no single network theory, but rather a broad assortment of research employing network concepts, terms, and methods to describe networks of people, of organisations, and of societies. Psychology, sociology, anthropology, economics and information technology are just some of the areas of interest which have been drawn upon to create the network theories which will be used in this dissertation. Indeed, this plethora of network concepts allows researchers a tremendous amount of scope when attempting to define what the term "network" actually means, hence the difficulty in proposing a single definition. What all of these disciplines do agree on is that networks allow individuals, companies or defined units, to share content; information, emotion, or just to communicate.

In their review of literature regarding firm networks, Podolny and Page (1998) found evidence that organisational networks foster learning, represent a mechanism for the attainment of status or legitimacy, provide a variety of economic benefits, facilitate the management of resource dependencies, and provide considerable autonomy for employees. In general, network theorists such as Powell (1990) and Uzzi (1997) describe network forms as having 1) knowledge exchange among a labour force, 2) speed and

flexibility, and 3) reciprocal and repeated interactions of trust. When present, these allow networks to foster collaborative agreements that reduce risks associated with uncertainty, minimise transaction costs, and support an equilibrium exchange.

Shaw (2002, p.469) argues that, in the context of business and management, network theory has *"primarily been used by transaction economics, industrial marketing and entrepreneurship."* The industrial marketing approach, pioneered by the Industrial Marketing and Purchasing Group (IMP) seeks to understand the relationships which underpin networks, how relationships are built and maintained and how these interactions are arranged and structured. The transactions cost approach is firmly embedded in the economic discipline and concerns itself with the costs of building and maintaining the relationships in a network structure, seeking to understand the points at which organisations and individuals will seek to build relations based on their cost effectiveness. The entrepreneurial literature focuses partly on the collaboration of small firms, but most particularly on the social aspect of small business networking. This body of literature explores the entrepreneur's desire and need to build a network of personal contacts which he or she might use to grow their business, to find suppliers and customers and to assume levels of status and standing in the local business community.

Each of these areas of interest may seem simple and easily understandable; however they are rarely so straightforward. Relations between organisational and individual actors within a network are seldom uniplex, i.e. formed for sharing a single content; biplexity and multiplexity compound the problems associated with analysing relationships. For instance, within a social network an entrepreneur may have particular contacts with whom the relationship is both social and business, and it can be difficult to identify which

of these relations shares the most important content. This means that all three of the identified areas of network theory are important when exploring business networks.

Industrial Marketing Approach

Industrial marketing network theory portrays organisations as actors within a complex array of long-term, though dynamic, relationships or partnerships. These relationships may be vertical, such as between purchaser, provider and end user or horizontal, such as between different providers. The work of the IMP group (Håkansson, 1982, 1987, 1989; Axelsson and Easton, 1992; Håkansson and Snehota, 1995; Moller and Wilson, 1995) has refined and extended the network approach through a focus on business networks and exchange relationships. Exchange relationships are business relationships between autonomous business units built from a history of exchange episodes. Four key functional elements of exchange are product or service, information, financial exchange and social exchange.

Business relationships can be seen as also having different substance as well as different functions (Håkansson and Snehota, 1995:26). The substance of relationships is viewed as having three different layers - activity links, resource ties and actor bonds – which characterise the relationship between the companies. The activity layer refers to the technical, administrative, commercial and other activities that connect internal activities of the two actors. The resource layer describes ties that connect the various resource elements (technical, material, knowledge resources and other intangibles) of two companies. In the actor layer, the actors become connected and bonds are developed which affect how the actors perceive, evaluate and treat each other. Relationships may be further characterised by varying levels of cooperation, commitment and trust, which

affect the nature of negotiation and, importantly, the flexibility of working transactional

arrangements (Moller and Wilson, 1995). Unlike administrative or market control,

network theory suggests that control systems are emergent: they take time to evolve, are

path dependent and non-deterministic (Håkansson and Henders, 1995). Thus, unlike

transaction cost networks, these relationships may not be the most cost effective, but

rather they are constructed and maintained for a variety of other business and social

reasons. The major components of the network framework, actors, activities and

resources and their relationships are summarised in Figure 1.

Figure 1
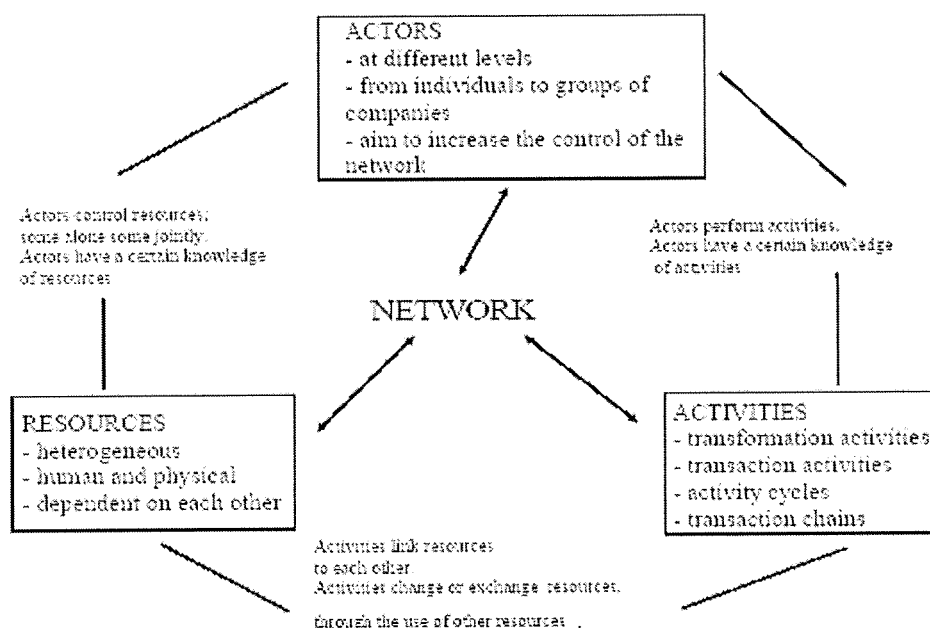
Transaction Cost Approach

The transaction cost network approach assumes that transaction costs, or the cost carrying

out specific exchanges, are factors which contribute to the formation of networks.

According to this theory, networks are seen as long-term agreements located between market transactions and internal organisation and are set in order to internalise the transaction costs incurred by firms in the market place (Williamson, 1985, 1989). Transaction costs are minimised especially when asset specificity and uncertainty are located at an intermediate level. This branch of network theory categorises network relationships as inter-organisational collaborative exchanges, and thus covers joint ventures and strategic trading agreements within the definition (Shaw, 2002).

The problem with the transaction costs approach is that it considers trade-offs between institutional arrangements in a static way, in that it considers only the economic implications disregarding externalities such as social relationships (Grannovetter, 1985). Grannovetter argues that the transaction cost approach to networks fails to recognise the social context within which most networks are conducted. It also fails to explain why networks are established even when transaction costs are minimal or even not existent. There is, however, a growing theoretical and empirical body of literature (Ciborra, 1990, Zanfei, 1990) arguing that networks are becoming an important strategy for acquiring and managing knowledge assets. Networks are increasingly seen as primary mechanisms by which firms formalise their links to external sources of innovation and the creation of new knowledge assets and other information and data as an increase in knowledge contributes to a firm's competitive advantage. Competition, technological changes and other environmental factors increase research and development costs and risks and shorten products' life cycles, sharing resources among different organisations reduces costs and favours the formation of networks.

Entrepreneurial Network Approach

Entrepreneurs require information, capital, skills, and labour to start business activities. While they hold some of these resources themselves, they often complement their resources by accessing their contacts (Aldrich and Zimmer, 1986; Aldrich, et al., 1991). The contacts that lead to successful outcomes are their social capital and they are a key component of entrepreneurial networks (Burt, 1992). Gabbay and Leenders (1999) define social capital as the set of tangible or virtual resources that accrue to actors through the social structure, facilitating the attainment of the actors' goals. By this they include contacts that help them getting things done. These are people the actor knows, or who are known by others that the actor knows. When the entrepreneurs' contacts contribute to their entrepreneurial goals, these social contacts are their social capital (Burt, 1992). Grannovetter's (1973) strength of weak ties argument postulates that the wider and less intense the relationships, the stronger the information and resources gathered are likely to be. Grannovetter argues that by extending ones sphere of relations to include actors with whom the relation is uniplex and less intense, i.e. the friend of a friend, individuals will be able to access resource and knowledge which is not open to the stronger multiplex relations an entrepreneur has, such as his family. The contacts made by the entrepreneur are often informal work and non-work connections, and these relations may extend across professional networks, reaching friends, and colleagues from earlier jobs. Entrepreneurial networks span relations to organizations, clusters of firms, as well as to other people that help them set up the firm (Hansen, 1995).

Networks have several useful properties for entrepreneurs; size, positioning and structure. Firstly entrepreneurs can enlarge their networks to get crucial information and other resources from knowledgeable others, without having to necessarily spend too much time

or resource doing so. Secondly, entrepreneurs can position themselves within a social network to shorten the path to knowledgeable others to get what they need (Burt, 1992; Grannovetter, 1973). Finally social contacts may be related to the entrepreneur or to each other through several types of relations or interactions. In uniplex relations ,each person performs only one activity with the entrepreneur and is related to that person through only one type of relation. Multiplex relations, however, have several layers of different content or types of relationships (Scott, 1991), and they may play numerous roles in the entrepreneur's support group.

Hansen (1995) also noted that entrepreneurial networks take on different guises depending on the life cycle of the entrepreneur. These fall into three specific phases: Motivation, planning and establishment. The author argues that in the first phase entrepreneurs use their already developed social networks; of friends and family, to test their ideas and plans, and that they have little time to build business networks. In the second phase, the entrepreneur will seek to develop his or her network to include actors who will help establish the new business, to gain knowledge and to provide insight. This phase is recognised as being the most intensive in terms of building and maintaining the entrepreneur's social network. The third phase sees the entrepreneur become more selective with the contacts they seek to make, concentrating on those actors who will return maximum utility on the time and effort needed to build the relationship.

4.3 GENERAL CHARACTERISTICS OF NETWORKS

Each network has limited resources, and different members have different access to these resources. The term 'resources' is used in a broad sense, including information, financial capital, human capital, social capital, organisational capabilities, technology, knowledge,

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and other intangibles. The unique feature of networks is that they accommodate inequality within their boundaries. Each member has different capabilities and different access to the network resources. This inequality is further enhanced by the division of labour and the specialisation pursued by each individual firm in the business network. The boundaries of a network are situational and have a temporary character. New members are co-opted, and some old members are denied contracts, or other opportunities for transactions and participation in the network. The flexibility vs. rigidity of a network is pre-determined by the flexibility of its members and the contracts between them, rather than by the boundaries themselves (Håkansson and Johanson, 1992). This aligns with the business support environment, where it has been suggested that organisations have quite different levels of resources: tangible and intangible.

Structuralist Paradigm

There are two main traditions in network analysis: structural and relational. The structuralist paradigm (Knoke and Kuklinski 1982, Burt, 1982, 1992, Wellman and Berkowitz, 1988, Nohria and Eccles, 1992, Krackhardt 1992), emphasises the structure, form, and action within networks; social and communication network analysis; structural holes in relational networks; and the 'strength' of weak ties. One of the advances made by the structural analysis is to recognise the embeddedness (Uzzi, 1996, 1997) of market transactions in the structure of social relations.

Embeddedness

Inter-organisational relationships are said to be embedded if a social dimension exists that influences the economic behaviour of the partners (Granovetter, 1985 ; Mohr and Spekman, 1994; Uzzi, 1996, 1997; Naudé and Buttle, 2000). As will be discussed shortly, compared to arm's length relationships embedded ties are characterised by stronger trust,

rich information exchange, and joint problem-solving arrangements (Powell, 1990; Mohr and Spekman, 1994; Uzzi, 1996; Gulati and Gargiulo, 1999; Naudé and Buttle, 2000). Taking these three key characteristics of embedded ties, an organisation can be said to be strongly embedded if it has recurring ties with suppliers, customers, and other organisations that are characterised by trust, open communication and joint problem solving. Conversely, an organisation can be said to be weakly embedded if it has relatively few ties with these three characteristics.

Uzzi (1996) considers the level of embeddedness of a firm to vary from high to low, depending on the type of inter-firm ties it maintains. Uzzi's (1996, p.675) concept of 'structural embeddedness' refers to both the *relational quality of interactor exchanges and the architecture of network ties*. It is expected that the hypothetical BSN will include a mix of weakly and strongly embedded organisations, with the local/regional BSN displaying more strong ties, particularly between SE, Chambers of Commerce and local authorities. Given the central role played by LECs on local economic forums, these local/regional relationships are likely to strengthen the argument to accept the hypothesised network structure.

Centrality

Uzzi (1996) also introduces a second element of embeddedness which deals with the centrality of network actors. One or more of the network actors may assume a more centralised role within the network structure, playing a large part in maintaining the structure of the network and ensuring the smooth flow of resources between actors.

A highly central organisation is connected to more partners, which in turn may also have a relatively central position, than a less central organisation. It is reasonable to assume that an organisation that is capable of forging multiple strong ties or relationships will often be able, or even forced, to assume a central position in the overall network. This notion of centrality is a decisive factor in the overall co-ordination of the hypothesised BSN, with Scottish Enterprise assuming a central role. Given its large resources, both in terms of finance and staff, Scottish Enterprise could play a vital role in maintaining the embeddedness of other network actors at the various geographical levels.

Relational Paradigm

The relational paradigm (Granovetter, 1992) emphasises supplier networks and industrial interactions, and introduces an alternative structure that augments the dyadic nature of relationships. Relational network research focuses on three elements: the actors, the process of the interaction between them, and the environment within which these interactions take place. The interacting parties are conceptualised as the actors, and the outcomes or benefits of network ties are based largely upon the personal relationships between actors.

Easton (1992) looks at the preconditions for establishment of business relations, and identifies a number of factors such as: shared orientation and complementary objectives, the ability of organisations to exploit the resources available to the network, and the dependence of firms on existing relationships. The resources which are expected to be most exploited by the actors within the business support environment are information and knowledge, especially as these intangible resources are most easily shared and can be

unique to particular actors; i.e. information gathered from a BSO's own membership on a given subject such as business rates. The relationship itself is measured by its longevity, the nature of the bond between firms (joint business service delivery, co-ordinated representation), shared information, and other network resources. According to Easton (1992), the structure of these relationships derives from the division of work among organisations, and the boundaries of the network.

Again, inequality is expected within the network form, and is, over time, accommodated with the network. In his study of inter-firm networks in England, Huggins (2000), found that spatial proximity and a high degree of commonality between actors was crucial to the success of formal network behaviour. He also emphasises social contact as a condition of success, although he highlights that social contact must be based on high levels of trust and interaction for these relations to develop into a fully functioning inter-firm network relationship. This commonality would be especially evident within the BSN, and would be manifested as a desire to improve the business environment and to add to economic development through this improvement.

Håkansson and Snehota (1992) acknowledge three overlapping network structures: the network of actors, the network of resources exchanged by them, and the network of inter-linked activities. These are actor bonds, activity links and resource ties, and these characteristics have a particular relevance to the BSN conceptual framework. The authors also identify four forces that bind actors in business networks together:

- Functional interdependence
- Power structure
- Knowledge structure

- Inter-temporal dependence, (history, memories, investments in relationships, knowledge, and routines of existing interactions.)

Although Håkansson and Snehota (1992) propose that the model reflects the reality of repetitive business transactions and long-term relationships in industrial markets. As acknowledged by Huggins (2000), these long-term relationships, in successful networks, are characterised by high degrees of trust and interaction. His study shows that high levels of commonality between actors, leads to increased sharing of resources and inter-linked activities between actors, thus making the network stronger.

Some managerial theories have also attempted to develop the relational approach and have emphasised the business relations, with a focus on issues of power relations, actors' choices and strategies, domination between inter-linked economic agents (Mintzberg, 1983), and asymmetry of relational exchanges and transactions (Wellman and Berkowitz, 1988).

Network Nodes

Network nodes are dimensions and characteristics that describe: the actors (agents, or member) of a business network; the centrality (Uzzi, 1996) of one or more of them; the formal and informal ties between them; their ability to connect all others; and their capacity to determine the minimal number of steps needed for one to connect to all other network members (Mintzberg, 1983, Wellman and Berkowitz, 1988, Håkansson and Snehota, 1992). In addition to these structural properties of the actors, there are a number of individual relational properties that affect their behaviour, and how they engage in network relationships and transactions.

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Examples of individual properties of economic actors are: size and history of the organisation, ownership, assets and accrued resources (including knowledge, information and market access), interests, values, and expectations (Håkansson and Snehota ,1992 and Huggins, 2000) These individual characteristics ensure the heterogeneity, and indeed inequality of the actors within the network, and stems not only from their individual characteristics but also from their specific institutional form, as well as from previously established relations and presence in various markets and strategic configurations. To contextualise this in terms of the research in hand, the public development agency SE, the Chambers of Commerce and the various business interest groups as defined in chapter three, mirror these characteristics. Each of these organisations has different access to resources, different aims and objectives and quite different access to firms and, more importantly, the various levels of government. Individual firms, or other institutions and private agents that are assumed to have distinctive boundaries occupy the nodes in a business network, or in the case of this research, the BSN (Håkansson and Snehota, 1992).

The direct ties between members are based on common interests, shared resources, interconnected commodity links, cross-ownership, and long term contracts between individual agents (Huggins, 2000, Håkansson and Johanson, 1992). Indirect ties occur with peripheral members, such as accountants, banks, lawyers and training companies, that are connected through intermediaries, or other agents with stronger capacity to establish new links, such as Chambers of Commerce or LECs, positioned downstream or upstream in the support chain. A detailed analysis of the individual characteristics of the network members would contribute significantly to explanation of the specific

distribution and concentration of resources and the various forms of communication and exchange throughout any network.

Relationship characteristics, between individual actors, include the following categories: content, direction, and intensity of the links between network members. Reciprocity experienced between individual members is stressed as being important, as are the incoming and outgoing relations, in terms of sending or receiving links between members. Competition between network members for the resources available in a specific network configuration is also recognised as being an important factor in determining relationships between actors in a network structure (Håkansson and Johanson, 1992). Håkansson and Snehota (1992) distinguish between a 'single actor function' in dyadic relationships, and a 'network function' as the balance of functions in all business relationships maintained by an actor.

According to the authors, each business relationship has three dimensions: actor bonds, activity links, and resource ties. For example, Local Enterprise Companies (LECs) are bound to the Scottish Enterprise Network (SE) through a mixture of all three dimensions. There are twelve LECs in Scotland, and all are competing for the networks resources, which are allocated centrally. LECs are obligated to run programmes that are determined at a higher level, e.g. the Scottish Executive, and staff can be allocated and shifted around the SE network as needs demand. The relationship between each of the LECs and between the LECs and SE will also be affected by endogenous economic conditions, such as the recent foot and mouth epidemic, which determine these relationships at any given time.

The content of the exchange link could vary from contract to contract, through the position of the firm, or through market demand in flexible contracts, and is measured by the repetitiveness of the transactions between two organisations, including the content of what they actually exchange, and the form of payments, if any, agreed upon. Reciprocity becomes an important characteristic in relational contracts that are built over a period of time and cover a variety of informal exchanges, independent commitments, and an ability to satisfy mutually shared interests or to provide comparable access to resources. (Malecki and Tootle, 1996, 1997; Rosenfeld, 1996, 1997).

The long-term direction of a business tie is determined by which party has more interest to prolong the existing business relationship, and how the two partners negotiate the terms and conditions for the exchange (Huggins, 2000). The existence of a link between two organisations does not explain by itself what resources and commodities have being exchanged, or the complexity of the transaction itself. Usually additional information is required regarding exchanged resources or shared activities before we are able to conceptualise the transaction (Chaston, 1996; Staber, 1996). Members in a network could be in competition with each other for resources and information, as, for example, in the Chamber of Commerce network, between the various local Chambers (Burt, 1992). Firms with different status attract ties with different content, intensity and reciprocity, and their unique relationships are predetermined by the individual characteristics of these firms, by their location and position in the network, associated set of relations, and by the overall network dynamics (Håkansson and Snehota, 1992).

Business Support Network (BSN) Structure

Network theories provide a conceptual framework for defining the role, focus and relationships of BSOs in Scotland. Chapter three detailed the common characteristics of BSOs and this literature is now combined with key network theory concepts to provide a hypothetical network structure for Scottish BSOs. The following section provides a breakdown of what the hypothetical structure of a BSN would be at both local/regional and national levels, detailing the specific relationships which will be explored in the primary research, and how these relationships might be conceptualised as a network. It will be suggested that a BSN would provide a structure for supporting the businesses community, at local, regional and national, and even international, levels. The principal actors in the hypothesised BSN are business interest groups, such as the Federation of Small Business (FSB), Forum of Private Business (FPB) and the Confederation of British Industry (CBI), business associations, such as the Chambers of Commerce and public development agencies, such as the Scottish Enterprise Network.

Figure 4.2: The Local/Regional Business Support Network
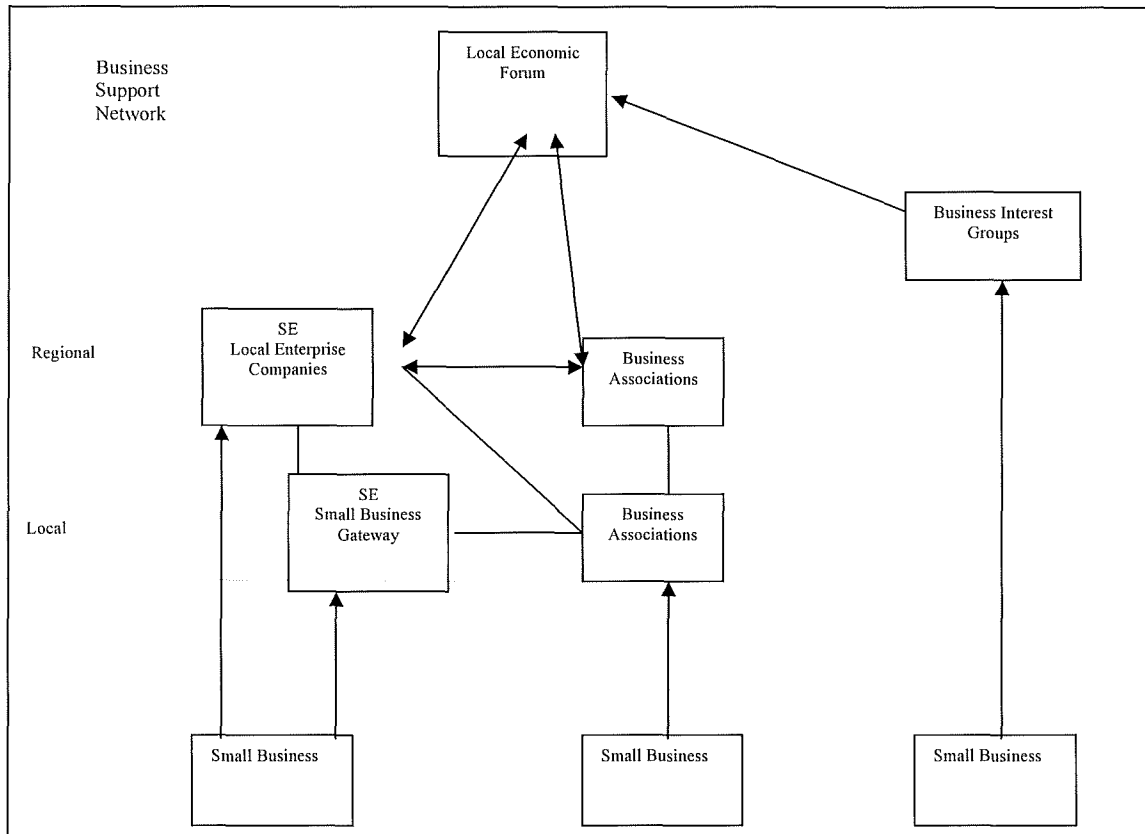
The above figure shows the basic network interaction between the principal actors in the hypothetical BSN at the local/regional level. They are bound through a combination of formal and informal contracts, and the level of shared resources differs between the various actors. This level of the BSN would concern itself with the more parochial business issues which do not have a national impact and so are not considered the domain of national business support organisations. This element of the BSN would consist primarily of Chambers of Commerce and Small Business Gateway, as well as the wider professional support network, at the local level. At the regional level, the BSN may contain more than one Chamber of Commerce, or perhaps one, large Chamber acting as a representative, the LEC, which chairs the local economic forum, and in some instances interest groups may play a role.

At the local/regional level, the hypothesised BSN may act as a conduit for the exchange of greatest range of resources, using a combination of activity links, resource ties and actor bonds (Håkansson and Snehota, 1992) to share tangible and intangible resources, particularly staff and even funding. The direct ties between members are based on common interests, shared resources, interconnected commodity links, cross-ownership, and long term contracts between individual actors. Indirect ties occur with peripheral members that are connected through intermediaries or other agents with a stronger capacity to establish new links. A detailed analysis of the individual characteristics of the network members would contribute significantly to explanation of the specific distribution and concentration of resources throughout the network, and the various forms of communication and exchange within a BSN context.

The suggested actors in a hypothetical BSN may share common characteristics despite also sharing much dissimilarity. For example, organisations have the welfare of the business community as their primary interest. In addition, all have a representational role at the various government levels; all facilitate social and business networks and all are voluntary. It is suggested that the BSN would operate as a means of delivering support services at all levels and each actor would fill a particular role in the network, the nature of which will be explored in the primary research. The organisations which form the hypothetical BSN structure display the noted characteristic of heterogeneity (Håkansson and Snehota ,1992; Huggins, 2000), retaining individual characteristics and institutional forms in pursuit of a common goal, e.g. the furtherance of the business cause. This heterogeneity is, however, potentially damaging to the pursuit of the common goal, and size, corporate governance and accumulated resources are all symptomatic of this

problem. Again, the notion of inequality is broached, and given the expected centrality of SE to the hypothesised BSN, asymmetry of resources and the question of power relations and domination are likely to be evident within this network.

Figure 4.3: The National Business Support Network
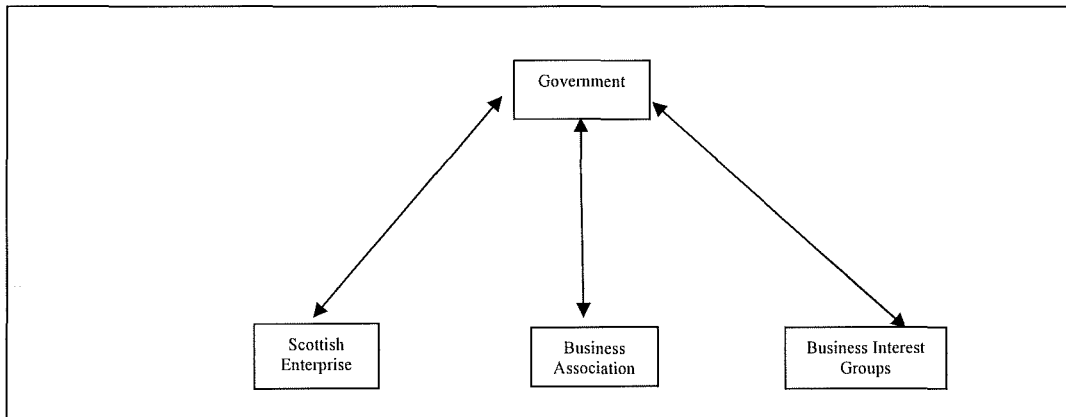
It is further proposed that at the national level, members and clients may have a less measurable direct input or output, and the business support organisations will be more concerned with achieving change which benefits the wider business environment, using lobbying and the media to influence individuals, committees and departments to do so. This is expected to be especially true for the hypothesised national BSN, where the insider approach to lobbying is influenced by personal relationships between BSO staff members and influential individuals; ministers, civil servants and other policy makers.

This hypothesised network structure could also allow for the local/regional BSN and the national BSN to be joined together in a supra-BSN. Given the context for this research is the SE regions, of which there are twelve, this would mean that there are twelve regional BSNs incorporating the smaller, local business support organisations, which can be used

to co-ordinate and exchange resources, particularly intangible resources such as knowledge and information, throughout the supra-BSN.

Figure 4.4: The Supra Business Support Network
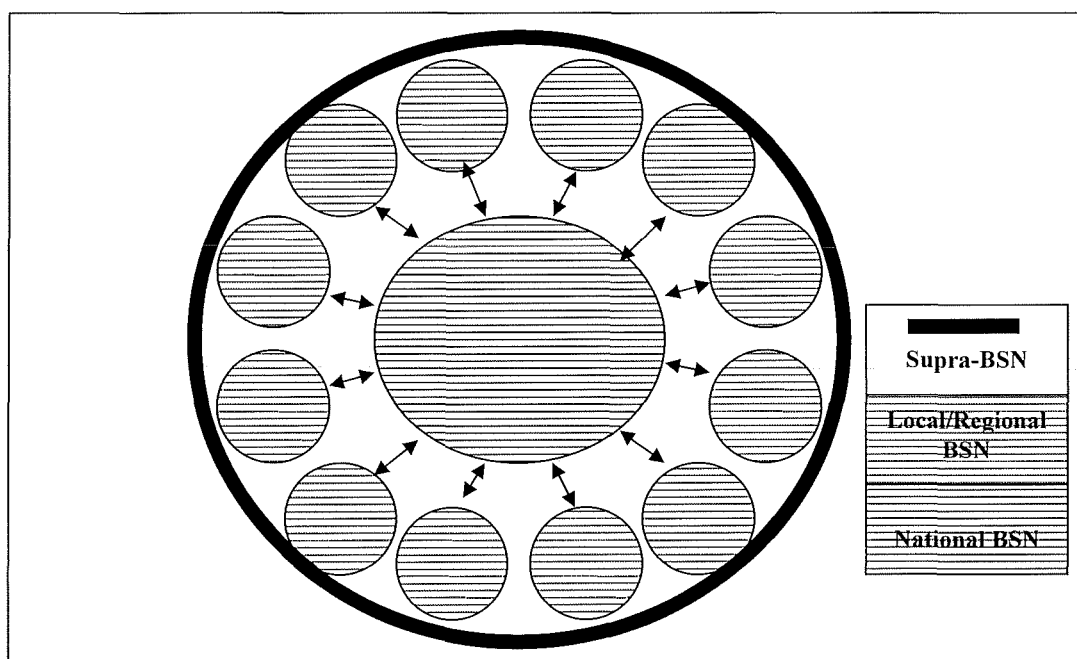
In sum, the notion of a BSN allows the study of the interaction between business interest groups, business associations and public support agencies. Specifically, in the Scottish context, the network actors which would make up the BSN in this country are: Scottish Enterprise, at national (Scottish Enterprise Network), regional (Local Enterprise Companies) and local levels (Small Business Gateway); The Chambers of Commerce, also at national (Scottish Chambers of Commerce), regional and local levels; and the FSB, FPB and CBI, which operate at regional and/or national level. It is, therefore, suggested that the BSN functions as an organisational network, but more importantly, it operates as a human and exchange network, allowing the sharing of resources, capitalisation on relative economies of scope and scale, and specialisation of services

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with a view to cutting duplication within the network. These types of networks are discussed below.

4. 4 NETWORK TYPES

As indicated above, there are three main types of networks used in this research. *Human networks* are social structures of ties, facilitating relations and exchanges between individuals and groups (Berkowitz, 1982; Knoke and Kuklinski, 1991; Burt, 1983; Håkansson and Snehota, 1995). *Organisational networks* are interrelated economic agents involved in a repetitive exchanges of products, services, market information, and economic benefits and payments (Kanter, 1983; Drucker, 1988; Scott-Morton, 1991; Sproull and Kesiler 1991; Charan, 1991). *Networks for exchange and co-ordination* are characterised by inter-linked resources, activities and actors, as distinct from markets or hierarchies (Thomson, Frances, Mitchell and Levavcic,1991).

Human Network

At the basis of these forms of coordination are human networks. These are characterised by relations between individuals and groups (Berkowitz, 1982; Knoke and Kuklinski, 1991; Burt, 1983) by information exchange and by a process of acquiring knowledge and learning (Argyris 1977, 1980; Lane, 1992). Within human networks, relations of collaboration, power and control manifest themselves a number of ways. This brings forth patterns of behaviour that can be understood to be typical of the context within which people interact. It is argued that the communication relations, level of information exchange and collective learning process among the members combine to develop the density of the human networks and the behaviour (Segars and Grover, 1994).

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Blair *et al.,* (1985, p.16), propose a useful definition of human networks as *"sets of relatively stable contacts among people through which information is generated and flows"*. This notion of networks is central to this research in that structure is seen to comprise of a set of communication relations that take the form of a network. As stated by Knoke and Kuklinski (1991, p.175): *"A network is generally defined as a specific type of relation linking a defined set of persons, objects or events. Different types of relations identify different networks, even when imposed on identical set of elements."* A network, in this sense, is a means of capturing some of the underlying forces of social interaction that define the communication relations among the actors in a social setting. As such, the network may be seen to represent different communication orientations depending upon the aspect of process being explored.

It is proposed that the construct of a BSN incorporates the notion of human networking, in that much of the support, guidance and advice, is passed from individual to individual, rather than through a formal organisational transaction. The human network form can be used to examine the relations between not only the individual support organisations which make up the BSN construct, but also the relations between these support organisations and their small firm customers/members and policy-makers. Information flows from the BSN to its small business members/customers providing market information, understanding of legislation issues as well as knowledge in the form of skills and managerial competencies, and each of the BSOs within the hypothesised BSN provide different types of information, assuming an economy of scope within the network structure. In return, the small businesses who engage with the BSN structure may provide

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valuable information about what services to provide, how much or how little, allowing more efficient resources and activity ties.

The potential representation role of the BSN construct is also covered by the human network literature. This links to the communication orientation of the BSN where the information flow through the network might allow for the knowledge gleaned from small businesses to be distilled and passed on to policy-makers, thereby allowing them an insight into the thoughts of business individuals on the 'front line'; about issues such as the state of the economy, legislational issues and so forth. Without the network ties to and from the BSN, this information could be sporadic and could possibly be tainted by political considerations, inferring that the private BSOs, within the network, are important providers of information to government and may act as a essential protagonist to SE. This type of network also examines the role of media and protest as part of BSN communication orientations. Pertinent questions relate to how these different target 'audiences' are approached, and how information is disseminated? This may be done informally or formally, but the context of communication may vary widely.

The human network allows these ties to be examined, considering the nature of the relationship between the hypothesised BSN construct, small business and policy makers. Questions emerge from examining the available literature; for example, how can these formal and informal ties be strengthened and improved or developed? The literature also allows the inclusion of personal and business networks (Van Bussel, 1998) into the BSN structure, posing the question, how important are familial and loose business ties to the BSN? Bennett and Robson, (2000) contend that these relationships are extremely important to small businesses seeking guidance and support, but how do they engage with

the BSN, if at all? Van Bussel (1999) contends that small business owner managers much prefer to access support and guidance from sources that they know and trust. This brings the role, if any, of the peripheral; family and friends, and wider professional support networks; accountants, banks and lawyers, into the BSN construct.

Purposive support, as offered by both the centralised governmental agencies and the local decentralised schemes, is a good method of encouraging small business prosperity. The problem with purposive support networks, particularly those facilitated by government agencies, is that small business owners, and entrepreneurs in particular, are generally unwilling to access these supports. Birley (1985) and Van Bussel(1998) suggest that this is due to two main reasons. Firstly, they contend that small businesses are all too often unaware of what purposive help is available to them, and so they obviously do not attempt to use it. Secondly, the majority of advice and support is sourced from the small business owners' own personal network of contacts.

This "informal" network is based on reciprocity and trust, and includes family and friends and business contacts. When formal purposive advice and support is needed, it is, more often than not, only accessed on advice of those in the business owners' personal, informal network of contacts (Bennet and Robson, 2000). The informal network is often naturally occurring and is built and maintained through social interaction. The "formal" network, consisting of purposive governmental agencies and advisors, is perceived to be much more inaccessible to the small business owner and its support, useful and vital as it is, is not utilised efficiently (Bennett and Robson, 2000).

Table 4.1: The Business Support Environment

Network	Network Actors	Network Type	
Personal Networks	Friends and Family		
Business Network	Business acquaintances and Commercial contacts/advisors	Natural Network	**Total Network**
Purposive Support Network	Government support agencies	Purposive Network	

Source: Van Bussel, 1998

Van Bussel (1998) suggests that there is an informal network, which he terms the "natural" network, consisting of personal and business contacts, and that the formal network is known as the "purposive" network, consisting of support agencies such as Scottish Enterprise. Although Van Bussel (1998) limits his purposive network to government agencies, this network should also include business associations and interest groups, thus the author suggests the existence of a Business Support Network.

Networks are important to the growth and wellbeing of small business, (Birley, 1985; Dubin and Aldrich, 1991; Donckels and Lambrecht, 1995; Rosenfeld, 1994, 1996; Van Bussel, 1998). However, these commentators acknowledge that most small business people do not explicitly develop network, and that successful network behaviour is often more by accident than on purpose. Building these relationships is all too often time consuming, and time is something which small business owners often have very little of. Support and representational organisations, within the business support environment, are important in developing the networks of small businesses in Scotland, and thus providing for a more competitive and entrepreneurial environment. They are able to reduce the difficulties faced by entrepreneurs in developing networks, by offering easier access to a much larger range of supports and representational activities, than is possible for an individual small firm owner-manager. Shared resources and activities in the business

support environment could allow the small firm to pick and choose what is important for them and their continued success, even if those services are not offered locally.

The author also suspects that the networking relationships may provide a very personal service in the form of 'business therapy'. 'A problem shared is a problem halved' and experience can be as valuable, if not more so, than training or other forms of support. Meeting other business people at networking events allows new owner-managers, in particular, to see that the problems that they are facing have been faced before and that their problems can be overcome.

A different emphasis is adopted by organisational network theories where the focus is placed on formalised organisational bonds and on mutually beneficial activities towards similar goals, rather than the human network theories which place more emphasis on social bonds which may or may not have any specific organisational rewards.

Organisational Network

The concept of a network is increasingly being used to describe work settings that are not bound by traditional organisational structures. The term *network* as a means of describing a form of organisation, has become popular amongst manager writers and practitioners (Kanter, 1983; Drucker, 1988; Scott-Morton, 1991; Sproull and Kesiler 1991; Charan, 1991) as well as organisational theorists (Handy, 1985; Mastenbroek, 1987; Morgan, 1989) This work is based on the notion that networks are an appropriate means of describing the complex interrelations among people who work together on the same activities and towards similar ends.

The business management literature approaches the concept of the network from a perspective of how people interact in pursuit of a more or less given task. They look at networks as teams, or the movement of its people between parts of an organisation, and in between organisations, and as the integration of parts (Kanter, 1983; Rockart and Short, 1991). Networks are also seen as ways of enabling or expressing a new way of working in which there is a greater interaction and exchange of information (Porter and Millar, 1985; Drucker, 1988; Kiesler and Sproull, 1991). These network forms of organisation are usually seen to be flat, non-hierarchical and information-rich.

Although the organisations that are suggested to make up the BSN would, at first, seem to be quite different from each other, they share a similar set of objectives, principally the furtherance of small businesses and the creation and nurturing of competitive and entrepreneurial economies, for example the Californian "Silicon Glen", and the South east of England, which are areas recognised for their entrepreneurial agenda. Scottish Enterprise also operates a formalised networking scheme through what it terms its "Cluster" strategy, which sees SE group companies together which it believes will have some wider economic benefit from such cooperation. Scottish Enterprise, through its cluster teams, works with academics and researchers to identify projects which will have a wide economic and commercial potential and which fit with its cluster strategy for Scotland. The first three clusters to be prioritised in the cluster strategy for Scotland are biotechnology; food and drink, and semi-conductors and microelectronics.

They are thus bound together by their objectives to work together on a common cause. For the purpose of this research, the author is interested in how they work together and whether a common goal is enough to ensure the vision of a set of shared outcomes, as too

many groups competing separately for the same issue only leads to inefficiency and ultimately a reduction in the influence over policy makers, as proposed by Olsen (1965). Of particular interest is the extent to which business support organisations are different actors in their own right, and how they achieve these common goals. Equally, it is not clear how they interact with one another, and which elements of their interactions are the most powerful or persuasive.

Both human and organisational networks can be summed up in the network for exchange and co-ordination to which we now turn.

Networks for Exchange and Coordination

Another way of looking at networks structure is as a means of coordination. As stated by Thomson, Frances, Mitchell and Levavcic (1991), such co-ordination needs may be served by a hierarchy, market or it may be a network. In this view, network forms of organisation comprise of informal relations, bonds or even cliques among the social actors in the community. Network structures at this level express distinct characteristics relating to both operation and behaviour. In a comparison of the three forms of organisation: markets, hierarchies and networks, Powell (1991) suggests that networks are particularly appropriate for circumstances in which there is a need for the efficient exchange of reliable information. In the authors words: *"Networks are especially useful for exchange of commodities whose value is not easily measured. Such qualitative matters as know-how, technological capability, a particular approach of the production, aspect of innovation and experimentation...are very hard to put a price on"* (Powell, 1991, p. 272).

In addition to this, Thomson *et al.,* (1991) suggest that the network forms of organisation appear to have some very distinct characteristics. In contrast to either market or hierarchy, networks coordinate activities through less formal, more egalitarian and cooperative means, although in the case of Scottish business support organisations, these co-ordinated activities may not be seen as explicit. The ways in which these features operate in a range of different environments and contexts are explored by a social position of network analysis which outlines the manner in which network structures of forms and operate. The hypothesised BSN construct would be expected to embody the characteristics of exchange and co-ordination networks, principally between its constituent BSOs. The activity links and resources ties between the individual BSOs, allows services to be offered by different actors throughout the network. For example, the provision of Scottish Enterprise Small Business Gateway services through local chambers of commerce. This allows local knowledge to be more effectively utilised as well as conserving precious limited resources and it also serves to reduce the duplication of services.

Bryson and Daniels (1998) added to the debate by contending that an integrated network allows information to be exchanged throughout the network thereby building a national perspective[11]. This suggests that if the exchange and co-ordination of information and services is not bound by geography, then it can be passed around for the greater good of the entire economy rather than a selected area. Thus, a small firm in Inverness is not bound to utilise only the services of the hypothesised local/regional BSN, but instead can use this level as an entry point to a much larger, national or supra-network of co-

[11] Bryson and Daniels (1998) research was focused on the Business Link network in England, but its conclusions can be applied satisfactorily to the Scottish context.

operation. This co-operative network form allows the firm to access knowledge and skills from anywhere in the country, such as Edinburgh or Glasgow where there might be a proliferation of more suitable services.

The author suspects, due to the large financial and staffing resources available to them[12], that the Scottish Enterprise network is a crucial element of the hypothesised national BSN, providing a solid national structure to feed information in and out of. Through its Small Business Gateway service and its Local Enterprise Companies, it can provide the means of exchange at local, regional and national level. The second element of this is that if, as Van Bussel (1998) contends, small businesses are put off by large, bureaucratic structures when seeking support, then they will be able to feed into the public development network, for example, through Chambers of Commerce which may be perceived as being less bureaucratic.

4.5 ANALYSIS OF THE NETWORK STRUCTURE

As the purpose of this research is to explore the role, nature and focus of Scottish BSOs, as well as explore the hypothesised BSN construct, it is important that we are able to conceptualise all of the linkages within the proposed BSN structure. This allows us to determine notions of centrality of individual actors, hierarchies which exist amongst the various organisations, and strong and weak relationships, and their relative importance, within the proposed BSN construct. To achieve this, we must be able to view the BSN as network structure in its entirety, examining all the relevant issues.

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[12] http://www.scottish-enterprise.com/publications/shareddocs/annualreport0102.pdf. According to the latest SE annual report, the SE budget was £516 million per annum.

The analysis of the entire network structure is assisted by the following concepts: spatial configuration of individual positions within the network and the structure and communication links between the nodes. We should also examine the connectedness of the agents, and efficiency of their transactions and exchanges (Krackhard, 1994). The formation of cliques and social circles between members and with exogenous actors determines, in some part, the strength of relationships. The emergence of control centres within and outside the network and the concentration of power around nodes and groups of actors establish which actors drive the relationships.

The overall size of the network (or the number of participants in it) is important in maintaining the various relations, whilst the structural similarity between positions (in terms of responsibilities and influence) and the social unity between actors (in terms of shared beliefs, values and understanding) (Wellman and Berkowitz, 1988; Knoke and Guilard, 1994) determines actors' places within the network. Examples of cohesion in a BSN will be shared standards and specifications, and shared activities between organisations. Thus in the example of the Scottish BSN, it should be characterised by the aspiration to develop the entrepreneurial environment so that small firms may flourish. A co-ordinated approach must be taken by the BSOs which operate within the hypothetical BSN, to ensure the strength of the business voice and a complementarity of services and support available to members and customers. The lower the levels of cohesion within the BSN, the more likely it is that their representational influence will be diluted and that a higher level of duplication will occur, leading to a higher level of confusion and a lower level of awareness amongst members and customers as to what business support organisations are offering them.

Overall, Håkansson and Snehota (1992) conceptualise the entire network structure as composed of three elements: *Business Actors* (all actors and their exchange relationships, also known as *network governance*), *Activity Links* and *Resource Ties* (or the network of interdependent production activities and resource flows controlled by the actors). The overall configuration of the network is determined by the influence which the principal actors exercise across different industries and national or regional borders and by the spread of business operations across markets, along with the linkages with partners (Halinen, Salmi and Havila, 1999). Thus we can conceptualise the BSN network, for the purpose of this research, as:

Table 4.2: BSN Conceptualisation

Business actors: The Scottish Enterprise Network, the Chambers of Commerce, the Federation of Small Business, the Forum of Private Business and the Confederation of British Industry and the ways in which they link and disseminate knowledge and information to small firms and to policy makers.
Activity Links: Provision of services amongst BSOs and to small firms, through interdependent production activities impacting on the small business sector as a whole, and a strong representation of the 'Business Voice' to policy makers, and other important target audiences.
Resource Ties: The sharing of resources, finance and staff in particular, at local, regional and national levels, between the BSOs.

4.6 SUPPLY CHAIN MANAGEMENT

Before we conclude this chapter on prevailing network theories, there is one more body of literature which bears examination; Supply Chain Management (SCM). The relevance of this will be seen in terms of the transaction relationships between business support organisations revealed in the fieldwork. The nature of the business support environment has led the author to consider and review the literature on network theory as being suitable for the analysis of the business support environment, but it is pertinent to consider this related concept.

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"Partnership sourcing, co-destiny partners, strategic purchasing, supply change management, external resource management, value adding partnerships, quasi-vertical integration... The list goes on" (Macbeth and Ferguson, 1994).

A supply chain is a network of facilities and distribution options that performs the functions of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these finished products to customers. Supply chains exist in both service and manufacturing organisations, although the complexity of the chain may vary greatly from industry to industry and firm to firm. The supply chain could be described as the linked set of resources and processes that begins with the sourcing of raw material and extends through the delivery of end items to the final customer. It includes vendors, manufacturing facilities, logistics providers, internal distribution centres, distributors, wholesalers and all other entities that lead up to final customer acceptance. The extended supply chain for a given company may also include secondary vendors to their immediate vendors, and the customers of their immediate customers (Lamming, 1993; Macbeth and Ferguson, 1994)

Traditionally, marketing, distribution, planning, manufacturing, and the purchasing organisations along the supply chain operated independently, with each having their own, often conflicting, objectives. For example, marketing's objective of high customer service and maximum sales revenue conflicts with manufacturing and distribution goals. Many manufacturing operations are designed to maximise throughput and lower costs with little consideration for the impact on inventory levels and distribution capabilities. Purchasing contracts are often negotiated with very little information beyond historical buying patterns, giving little thought to other considerations. The result of these factors is that

there is not a single, integrated plan for the organisation; Clearly, there is a need for a mechanism through which these different functions can be integrated together. Supply chain management is a strategy through which such integration can be achieved.

The business support environment, which forms the focus for this research, involves similar processes to those described above, integrating the supplier-user relationships with the development and dissemination of knowledge and resource. Although the end user; the small business, does not ultimately receive a tangible product, the supply chain operates much the same as it would for a material product. Below is an example of a simple supply chain diagram depicting the movement of knowledge, from theory through policy to delivery in Scotland using the Scottish Enterprise Network.

Figure 4.5: SE Supply Chain

An Example of the Supply Chain for Scottish Enterprise Services

Source: Quinn
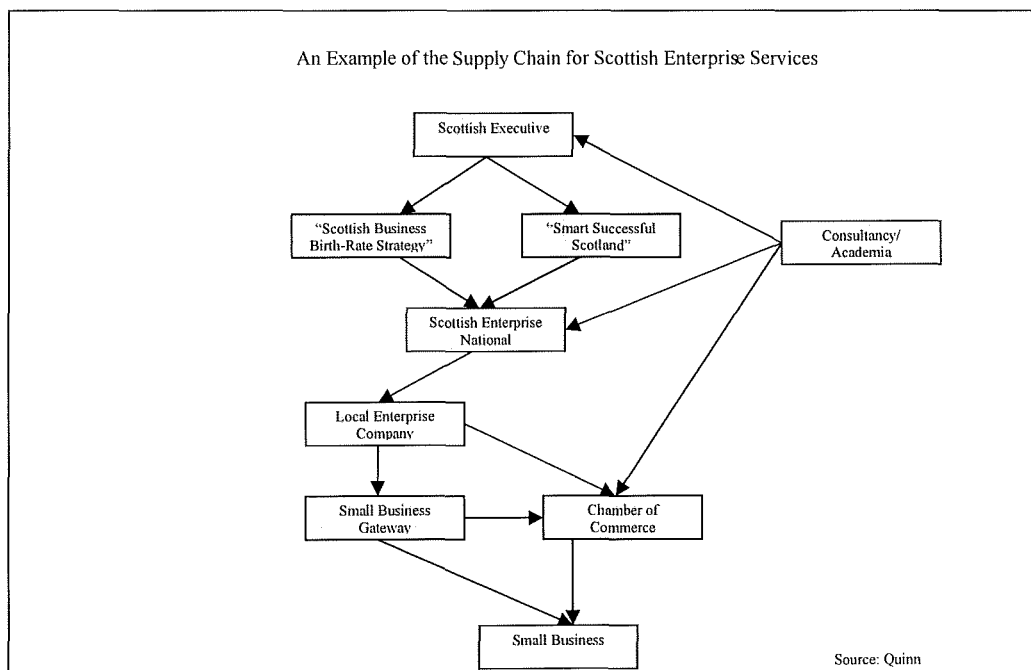
The genesis of small business policy is to be found the in academic and consultancy office as well as in the confines of the Scottish civil service, using the combined knowledge of these sources. This knowledge is thus comparable to the raw material. The output from these "suppliers" of raw materials are policies such as the Scottish Business Birth-Rate Strategy and "A Smart Successful Scotland". These policies take the form of the product as it is passed along the supply chain from the Scottish Executive to Scottish Enterprise and is eventually delivered to the small business by the Small Business Gateway as primary vendor, or even through Chambers of Commerce which form a final link in the chain as secondary vendors. This supply chain is simplified, and could include the professional network of banks, accountants and training organisations to name but a few.

Successful management of the supply chain for competitive advantage has resulted in development of a supply chain management (SCM) philosophy and associated practices. The SCM philosophy appears to have its origins in the organisational extension theory described by Mallen (1963). Mallen's theory was developed within a marketing framework and advocated extending the organisation to include all members of the distribution channel. Supply chain management is typically viewed to lie between fully vertically integrated firms, where the entire material flow is owned by a single firm, and those where each channel member operates independently. Therefore, coordination between the various players in the chain is key in its effective management. Cooper and Ellram (1993) compare supply chain management to a well-balanced and well-practiced relay team. Such a team is more competitive when each player knows how to be positioned for the hand-off. The relationships are the strongest between players who

directly pass the baton, but the entire team needs to make a coordinated effort to win the race.

SCM advocates a similar approach but takes a production management view. Articles specifically about SCM began appearing in the late 1980s (Tyndall, 1988; Stevens, 1990) as the focus on opportunities for competitive advantage began shifting from inside the manufacturing plant to relationships with suppliers and then to closer relationships with customers.

Carter and Narasimhan (1996) identify SCM as one of the primary future trends for purchasing and supply management professionals in the next century, although SCM is a relatively new concept; the precise definition of SCM is, therefore, still evolving. SCM is in its infancy with poorly developed theory and apparent randomness in approach to research, and so as with many management phenomena, definition is less than simple. A basic description would be the sum of the processes involved from the production of raw materials to the ultimate consumption of the finished product linking across supplier-user companies." Morgan (1995) defines integrated supply chain management as: "the alignment of buyers, suppliers, and customers and their processes to achieve an advanced form of competitive advantage." Morash and Clinton (1997) define the supply chain structure as "the organisational efforts by three or more firms to manage and integrate material and related information flows in order to get closer to customers." Generally, SCM may be defined as successful vertical integration and coordination of supply chain participants and their processes to gain competitive advantage over other supply chains.

If supply chain management is built on the right foundation of mutual understanding, then the benefits are mutual too. Suppliers can increase their market share and secure it over the long-term and with strengthened competitiveness. Reducing waste and adding greater value can be diffused from within a firm to other suppliers. An increase in effective communication can lead to the dissemination and sharing of knowledge and to better and quicker solutions to problems throughout the supply chain (Ellram and Edis, 1996). This form of partnership can increase the ability to innovate and develop new products by effectively drawing on the expertise of suppliers (Macbeth and Ferguson, 1994). Reducing waste can also help improve forecasting and detecting defects. This example of cascade effect is just one illustration of how a common purpose can generate mutual benefits for all partners.

SCM literature and thinking can be divided into two broad categories -- strategic and operational. As the term implies, strategic decisions are made typically over a longer time horizon and are closely linked to, or may even be, the corporate strategy, and guide supply chain policies from a design perspective. On the other hand, operational decisions are short term, and focus on activities over a day-to-day basis. The effort in these type of decisions is to effectively and efficiently manage the product flow in the "strategically" planned supply chain. There are four major decision areas in supply chain management:

1. Location

2. Production

3. Inventory

4. Distribution

All four decision areas involve both strategic and operational elements:

Location Decisions

The geographic placement of production facilities, stocking points, and sourcing points is the natural first step in creating a supply chain. The location of facilities involves a commitment of resources to a long-term plan. Once the size, number, and location of these are determined, so are the possible paths by which the product flows through to the final customer. These decisions are of great significance to a firm since they represent the basic strategy for accessing customer markets, and will have a considerable impact on revenue, cost, and level of service. These decisions should be determined by an optimisation routine that considers production costs, taxes, tariffs, local or cultural content, distribution costs, production limitations, etc. (Arntzen, Brown, Harrison and Trafton,1995) Although location decisions are primarily strategic, they also have implications on an operational level.

In the case of the Scottish business support environment, the use of 12 regional LECs and numerous locally placed SBGs allows Scottish Enterprise to access customers no matter the location. The supply chain in this case integrates the Chambers of Commerce at both a local and regional level and allows the business support organisations to take account of local and regional variations when considering how to deliver services to small businesses.

Production Decisions

The strategic decisions include what products to produce, and which plants to produce them in, allocation of suppliers to plants etc. As before, these decisions have a big impact

on the revenues, costs and customer service levels of the firm. These decisions assume the existence of the facilities, but determine the exact path(s) through which a product flows to and from these facilities. Another critical issue is the capacity of the manufacturing facilities and this largely depends on the degree of vertical integration within the firm. Operational decisions focus on detailed production scheduling. These decisions include the construction of the production schedules, scheduling production on machines, and equipment maintenance. Other considerations include workload balancing, and quality control measures at a production facility.

At the strategic level, the Scottish business support environment is dictated to some extent by the prevailing thought in government, regional and national. Although the independent organisations such as the Federation of Small Business and the Confederation of British Industry are free to set and determine their own policy, much of their efforts are directed at challenging or fine tuning government policy. Similarly, given their place in the local and regional business environment, Chambers of Commerce are also involved in carrying out government-led initiatives or at least complementing them. Institutions such as the Local Economic Forums may act as the operational aspect of the Scottish business support supply chain, determining who does what and how, and more importantly, when.

Inventory Decisions

These refer to means by which inventories are managed. Inventories exist at every stage of the supply chain as either raw materials, semi-finished or finished goods. They can also be in-process between locations and their primary purpose is to buffer against any uncertainty that might exist in the supply chain. Since holding of inventories can cost

anywhere between 20 to 40 percent of their value, their efficient management is critical in supply chain operations. This decision area is strategic in the sense that top management sets goals, however, most researchers have approached the management of inventory from an operational perspective. These include deployment strategies (push versus pull), control policies and the determination of the optimal levels of order quantities and reorder points, and setting safety stock levels, at each stocking location. These levels are critical, since they are primary determinants of customer service levels.

The stock of available supports could be regarded as the business support environment's inventory; seminars, events and other services can be held and spread throughout a given time period to ensure that local support needs are met and that businesses can access the assistance they want when they need it. This inventory needs co-operation between the BSOs; for instance a partly finished good may be an event conceived by SE and finished (delivered) by a local Chamber of Commerce. The co-operation between these two BSOs requires that the event is delivered to the correct customers/members at the correct time so as to minimise waste (of resources such as time, money and personnel).

Distribution Decisions

These decisions are mostly strategic and are closely linked to the inventory decisions, since the best choice of distribution mode is often found by trading-off the cost of using the particular mode of transport with the indirect cost of inventory associated with that mode. While air shipments may be fast, reliable, and warrant lesser safety stocks, they are expensive. Meanwhile shipping by sea or rail may be much cheaper, but they necessitate holding relatively large amounts of inventory to buffer against the inherent uncertainty associated with them. Therefore customer service levels, and geographic location play vital roles in such decisions. Since transportation is more than 30 percent of the logistics

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costs, operating efficiently makes good economic sense. Shipment sizes (consolidated bulk shipments versus Lot-for-Lot), routing and scheduling of equipment are key in effective management of the firm's transport strategy.

Distribution in the case of the BSO supply chain refers to the delivery of support services. Since it is more costly to deliver services to rural areas or areas which are geographically distant from main conurbations, BSOs must carefully consider the implications of delivery to these areas. If few customers/members are likely to make use of the service, then the BSO must decide whether or not the overall benefit of delivering a seminar, presentation or other such event, is outweighed by the costs of actually holding it. This leads to subsidiary distribution where a BSO will deliver its services through another more locally places BSO, thereby extending the range of the service and reducing overall costs, making geography a less important consideration. Similarly, remotely delivered phone and web services also minimise the drain on available resources and thus become more attractive to BSOs operating in mainly rural regions.

Ultimately, supply chains allow BSOs to improve efficiency, reduce waste and costs whilst providing the most information possible to members and customers, using a network framework to do so. SCM can be integrated into network strategy at both the operational and strategic level as a way of introducing services to more customers/members in more rural hard to reach areas, providing small businesses with a greater level of support and advice. SCM could have valuable lessons for BSOs in terms of determining their location, production, inventory and distribution decisions through providing a means of making the BSO environment more aware of its connections and the need for co-operation up and down the BSO SC.

4.7 CONCLUSION

Network theory can be used to explore the dynamics of the relationships between business support organisations as well as with small firm customers and members, the various target institutions and audiences, such as local and national government, and the media, in its various forms.

We have seen that network has *"primarily been used by transaction economics, industrial marketing and entrepreneurship."* (Shaw, 2002, p.469). The industrial marketing approach seeks to understand the relationships which underpin networks, how relationships are built and maintained and how these interactions are arranged and structured. It portrays organisations as actors within a complex array of long-term, though dynamic, relationships or partnerships. (Håkansson, 1982, 1987, 1989; Axelsson and Easton, 1992; Håkansson and Snehota, 1995; Moller and Wilson, 1995).

The transactions cost approach is firmly embedded in economic discipline (Williamson, 1985, 1989) and concerns itself with the costs of building and maintaining the relationships in a network structure, seeking to understand the points at which organisations and individuals will seek to build relations based on their cost effectiveness. The transaction cost network approach assumes that transaction costs, or the cost carrying out specific exchanges, are factors which contribute to the formation of networks. According to this theory, networks are seen as long-term agreements located between market transactions and internal organisation and are set in order to internalise the transaction costs incurred by firms in the market place. However, the problem with the transaction costs approach is that it considers trade-offs between institutional

arrangements in a static way, in that it considers only the economic implications disregarding externalities such as social relationships (Grannovetter, 1985).

The entrepreneurial literature focuses partly on the collaboration of small firms, but most particularly on the social aspect of small business networking. This body of literature explores the entrepreneur's desire and need to build a network of personal contacts which he or she might use to grow their business, to find suppliers and customers and to assume levels of status and standing in the local business community. This literature assumes that entrepreneurs require information, capital, skills, and labour to start business activities. While they hold some of these resources themselves, they often complement their resources by accessing their contacts (Aldrich and Zimmer, 1986; Aldrich, et al., 1991;). The contacts that lead to successful outcomes are their social capital and they are a key component of entrepreneurial networks (Burt, 1992). This body also agrees with the work of Birley (1985) and Van Bussel (1998) who argue that social and informal networks are vital to the success of small businesses.

Parallels can be drawn from network theory and incorporate it into the notion of Business Support Networks to explore if these exist. Firstly, in the Scottish context. As already mentioned, it is suggested that the actors in the hypothesised BSN are: Scottish Enterprise, and its various sub-organisations and projects, the Scottish Chambers of Commerce, the FSB, the FPB and the CBI, as well as peripheral support organisations, such as accountants, banks and lawyers. These organisations are drawn together by a shared set of outcomes, e.g. the development of entrepreneurial climate in Scotland, for the benefit of the small firm sector.

We have hypothesised the concept of a BSN, allowing the analysis of the business support organisations' relationships, and the exploration of the role, nature and focus of these organisations within a relevant, contextual framework. The hypothesised BSN combines representation of small business interests with support services; which range from simple advice and social activities, to intensive one-on-one support. It is suggested that the BSN is non-industry focused and provides a wide range of supports and representative capabilities for members and clients. It may also provide a cohesive network form, which includes both public and private sector support agencies. The adoption of network theory also allows the principal support and representative agencies in Scotland to be explored from within a useful conceptual and analytical framework. SE, the Chambers, the FSB, FPB and the CBI all have a common goal, which is the furtherance of the business cause through changes in legislation and policy and through economic development. It is the authors' contention that they work towards this common goal through building and maintaining network relations, for sharing tangible (funding and staff) and intangible resources (information and knowledge) and that the hypothesised BSN could be an important concept in Scottish economic development.

The configuration element of network theory allows an exploration of the hierarchy, if any exists, within the business support environment and whether or not there is a central organisation in the hypothesised BSN construct that determines its aims and objectives. This approach will also allow us to see if any constituent organisation can exert its influence on any other of the organisations, in determining the agenda of individual organisations, or whether this is determined at customer-or member-level and then co-ordinated at a higher level.

Finally, we have, briefly, considered the body of literature known as Supply Chain Management, and posited the appropriateness of this paradigm to the business support environment. Its emphasis on production, location, distribution and inventory would seem ideal in considering a sector which requires deliberation in all of these areas. This body of literature focuses on co-ordination, cooperation and partnership to innovate and to disseminate knowledge (Cooper and Ellram, 1993; Macbeth and Ferguson, 1994; Arntzen et al, 1995; Ellram and Edis, 1996; Morash and Clinton, 1997). As such, this area of management theory dovetails nicely with network structure and its potential as an analytical framework for the business support environment. It is, however, a fairly new area of academia, a descendant of Just in Time and other such management policies, and this researcher would argue that it perhaps not developed enough to be used as an analytical and conceptual framework by itself just yet. Rather, this paradigm should be used to inform and compliment the network theory which has been expounded upon above.

CHAPTER 5

Methodology

5.1 INTRODUCTION

This chapter will detail the research methods used and the rationale behind the approach chosen for this research. The previous chapters have provided a detailed overview of:

1. A clear definition of what constitutes a small firm;

2. A profile of small business including contextualisation and comparison of small business in the UK, entrepreneurial traits definitions and reasons for business failure;

3. The nature of representation and support for small business (in Scotland);

4. The appropriate elements of network, business and interest group theory, which in turn provide the conceptual and analytical framework for the research;

Chapter five employs the network conceptual framework, in conjunction with the small business and BSO literature covered in chapters two, three and four, to explore the stated research aims and objectives. Several gaps in the literature were identified, with the principal areas relate to the relationship within the hypothesised Business Support Network (BSN) construct. Little is known of how aims and objectives are set, or the extent of member/customer co-operation. A key question is, to what extent do business support organisations (BSOs) consult their members, or do they run with their own agenda, based on their own initiative and business experience? The literature does not fully explore the nature of the relationship between members and customers and BSOs. Instead it reviews, in some detail, the disparate individual demands of clients or members, rather than the wider mutually beneficial aspects of wider representation, support and leadership. The available literature assumes a certain amount of knowledge on behalf of the potential customer or member, and supposes that they are aware of what organisations exist, and what they offer, even though the Austrian Institute for Small

Business Research (AISBR, 2002) found that the majority of small businesses were unaware of the available support. This may prove to be a dangerous assumption, at least as start-up businesses are concerned, because if the potential member or client does not possess this knowledge, then how do they engage with BSOs? A further question relates to how small businesses gain access to BSOs, for example is it formal or informal? Other key aspects which suffer from a dearth of literature are the communication orientation of BSOs, and how this differs from other representative groups, and the linkages between the BSOs.

With these gaps in mind, the principle research aims and objectives for this dissertation are as follows:

1. To explore the member/client focus of Business Support Organisations;

2. To explore the Role of Support Networks, focusing on Business Support Organisations (BSOs);

3. To explore the Future Possibilities for the Enhancement/Strengthening of These Synergistic Relationships;

4. To explore the hypothesised Business Support Network (BSN) construct.

5.2 RESEARCH PROCESS

In any research process it is vitally important that the researcher is aware of all elements of the research process, including the theoretical and philosophical issues that underpin management methodologies (Easterby-Smith, Thorpe and Lowe, 1996). In satisfying this requirement, this chapter will first explore the appropriate philosophical positions from which the methods should be derived, that is to say phenomenological, or soft research, and positivism, or hard research. Second, the chapter will go on to discuss the qualitative methodology that has been adopted, which allowed the researcher to view the role, focus

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and relationships within, and across, the business support environment in Scotland. Third, the chapter will discuss the interview process and the sample population, considering the limitations of the chosen methods.

Qualitative versus Quantitative Methods

Management and organisation research has seen a long debate about the strengths and weaknesses of qualitative, or phenomenological research, versus quantitative, or positivistic, research methodologies. At times competing, and often polemic, arguments for either one or the other approach seem to take more energy than the actual research does. Parallel to this debate, the number of studies within different fields using qualitative methods of analyses has increased substantially within the past two decades (Miles and Huberman, 1994). Qualitative research method books (e.g. LeCompte, Millroy and Preissle, 1992; Denzin and Lincoln, 2000), have also flourished.

Bryman (1993, p.5) proposes that qualitative and qualitative methodologies are *"competing views about the ways in which social reality ought to be studied, and as such are essentially divergent clusters of epistemological assumptions."* However, Bryman (1993) concedes that although these two methodologies are perceived as rivals, they may be integrated for the purposes of research as well as being viewed as sometimes more appropriate for answering certain types of research questions than others. Denzin and Lincoln (2000, p.8) state that qualitative research is concerned with the qualities, *"processes and meanings that are not experimentally examined or measured in terms which are associated with the quantitative approach, that is in terms of quantity, amount, intensity, or frequency."* The quantitative approach seeks to measure, or quantify, results

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to explain phenomena rather than understand them, avoiding focusing on meanings, ideas and practices (Alvesson and Deetz, 2000).

Proponents of qualitative methods highlight the richness and colour of qualitative arguments on the big picture and the appealing explanations of how processes, chronological facts and causal links occur (e.g. Miles and Huberman, 1994). More specifically qualitative analysis allows access to well-grounded, rich descriptions and explanations of processes in identifiable contexts that quantitative, statistical analysis often lacks. In addition, qualitative methodologists often argue that qualitative data allows one to precisely follow events sequentially, in a way that allows one to establish relationships between such events. According to Miles and Huberman (1994, p.1)

... Good qualitative data are more likely to lead to serendipitous findings and to new integrations; they help researchers get beyond initial conceptions and to generate or revise conceptual frameworks... The findings from qualitative studies have a quality of undeniability. Words, especially organized into incidents or stories, have a concrete, vivid, meaningful flavour that often proves far more convincing to a reader, another researcher, a policymaker or a practitioner... than pages of summarized numbers.

Yet, despite this growing enthusiasm for qualitative analysis, overconfidence in its usefulness and reliability ignores that the methodology *per se* is not without problems. Even certain qualitative method proponents hesitate when it comes to using the method because an unequivocal determination of the validity of findings is impossible (e.g. Becker, 1958; Bruyn, 1966; Lofland, 1971; Wolcott, 1992). In addition, qualitative approaches to research still lack a larger and more explicit set of procedures. Other

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concerns include intuition over reason, subjectivity over objectivity and an unsystematic selection of information from a massive amount of data, in ways that are irreducible, or even incommunicable. Ultimately, critics argue that no one can see how the researcher reduced hours of field notes and transcriptions into the final conclusions (e.g. Kirk and Miller, 1986).

Positivists on the other hand, defend that in a complex world, effects are functions of sets of variables, and consequently the functional relationship often assumed by qualitative empiricists often threatens its very validity. They argue that true scientific development needs to rely more on solid epistemological grounds, such as those proposed by Popper (1992). Popper proposes that science is not a quest for certain knowledge, but an evolutionary process, in which hypotheses or conjectures are imaginatively proposed and tested in order to explain facts or to solve problems. He emphasises both the importance of questioning the background knowledge when the need arises and the significance of the fact that: "*observation-statements are theory-laden, and hence fallible...*"and that "*...there is always the possibility that the observation itself is mistaken or that the assumed background knowledge is faulty or defective*" Popper (1992, p.10).

The Chosen Methodological Approach

When seeking to fulfil the stated research aims and objectives, it is important that the research methodology which is chosen is appropriate to the task in hand (Adams and Schvaneveldt, 1985). Having already provided an overview of the strengths and weaknesses of using qualitative and quantitative methods, the next step is to provide a justification of the chosen methodology employed in this research. However, before a

justification of the methods employed in this research is proposed, it is necessary to outline the rationale that will be used as a structure for the methodology.

Hussey and Hussey (1997) provide a useful plan to help distinguish research approaches, based on four criteria: Purpose, Process, Logic and Outcome. Saunders *et al.,* (2000) term this approach as the "research onion", where by the researcher peels away various layers of research orientation and philosophy. Whilst not exhaustive, these two frameworks follow a simple dichotomy which provides a clear pathway for a coherent overall research methodology, helping to conceptualise the different orientations within social science research.

1. The *Purpose* of research may be classified as *exploratory, descriptive, explanatory or predictive*. (Hussey and Hussey, 1997)

Exploratory research is used when there is little available in the way of literature or studies from which to gather the appropriate information needed to answer the research questions. In an exploratory study the researcher is looking for patterns, ideas or hypotheses, rather than testing or confirming hypothesis (Hussey and Hussey, 1997). This approach aims to gather as much information is possible, although it rarely provides *"...conclusive answers to problems or issues, but gives guidance on what future research, if any, should be conducted"*(Hussey and Hussey, 1997, p.10).

Descriptive research *"describes phenomena as they exist"* (Hussey and Hussey, 1997, p.10). This type of research can be applied to particular problems or issues and is usually carried out using qualitative or statistical techniques.

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Explanatory research is used to explain why or how something is happening in any particular given situation. Researchers seek to understand phenomena by...*" measuring causal relations among them"* (Hussey and Hussey, 1997, p.11). If possible some measure of control over variables will be implemented in order to gain a better understanding of causal relationships.

Predictive research, the final stage, attempts to carry explanatory research further in order to forecast the likelihood of a situation occurring. *"Predictive research provides 'how', 'why' and 'where' answers to current events and also to similar events in the future"* (Hussey and Hussey, 1997, P.11).

2. The process element refers to the methods used to collect data, and can be divided into qualitative and quantitative methods. This chapter has already established the main differences and merits of quantitative and qualitative approaches in social science research, that is to say hard, objective and measurable as opposed to soft, subjective and reflective. As the process directly determines what type of data is collected, and how it will be analysed, it is imperative that the appropriate research design is applied to the appropriate research problem, and careful consideration must be given to ensure the appropriateness of the chosen process. The approach must always consider optimising the research findings within the constraints of time, sample sizes, accessibility and pragmatism.

3. The *Logic* element refers to whether or not the research is to be deductive or inductive. Deductive research, which is positivistic, or quantitative, in nature allows researchers to

test and develop theories or hypotheses through empirical observation and measurement of general inferences. The deductive method is often referred to as "*... moving from the general to the particular*" (Hussey and Hussey, 1997, p.13). Inductive research, a phenomenological approach, is the reverse of deductive research, in that it seeks to draw general inferences from particular instances. It involves "*moving from individual observations to statements of general patterns or laws, common it is referred to as moving from the specific to the general*" (Hussey and Hussey, 1997, p.13).

4. The *outcome* of the research will be either applied or basic. According to Hussey and Hussey (1997, p.13), applied research is "*research which has been designed to apply its findings to solving a specific, existing problem*" and basic research can be classified as research which seeks to clarify research problems of a less specific nature, contributing to knowledge on general issues. In basic research, the researcher is less concerned with the application of the study, and this outcome is thus considered to be more academic than applied research, contributing, as it does, to the general good rather than the individual good.

Table 5.1: Research approach

Purpose	Process	Logic	Outcome
Exploratory	Qualitative	Inductive	Basic

Source: Adapted from Hussey and Hussey, 1997.

The above table summarises the approach taken in this research study, in line with the approach provided by Hussey and Hussey (1997) and Saunders *et al.,*(2000). The chapter will be constructed using each of the four layers of the approach; purpose, process, logic and outcome.

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5.3 PURPOSE

Given that there is only a small amount of literature available, the purpose of this study is exploratory, allowing the researcher to look for patterns and emerging trends in the gathered data, rather than having to test or confirm a previously defined hypothesis (Hussey and Hussey, 1997). Given the dearth in literature, a descriptive or explanatory piece of research would not be as appropriate to the stated research aims, as reflected below;

Table 5.2: The Research Aims

Research Aims
1. To explore the member/client focus of Business Support Organisations;
2. To explore the Role of Support Networks, focusing on Business Support Organisations (BSOs);
3. To explore the Future Possibilities for the Enhancement/Strengthening of These Synergistic Relationships;
4. To explore the hypothesised Business Support Network (BSN) construct.

The author is not seeking to measure or observe long-term quantitatively measurable trends in the business support environment, nor is he attempting to predict behaviour or forecast the likelihood of a particular situation occurring on a quantitative basis. The intention is to use exploratory, qualitative research to gain insights and increase familiarity with the subject area, so that it might be better understood; thereby providing a basis for more detailed and perhaps quantitative research at a later date. Using the network literature detailed in the previous chapter, the author seeks to map the specific linkages within between BSOs, small firms and government. Understanding the specific linkages and relationships within the business support environment, and exploring the relationships that BSOs have with members, clients and the various levels of government

with which they interact are considered by this author to be key to developing recommendations and suggestion which would address research aim three. The first two of the research aims focus on understanding the range, role and nature of BSOs, where the application of the conceptual framework, detailed in chapter four, will allow particular aspects of BSO behaviour and strategy to be more fully comprehended. Given that the literature is sparse on the relationships between members and BSOs, it is necessary to explore what part individual member firms play in the strategic direction of BSOs; how involved are members in the setting of BSO aims and objectives for example?

As detailed in the previous chapters, small business is a crucial element of the Scottish economy. The Scottish business birth rate, however, is 30% lower than the rest of the UK (Scottish Enterprise, 2002) and the firm failure rate is 51% after four years of existence (Department of Trade and Industry, 2002). Evidence from Van Bussel (1998), Bennett (1996, 1997, 2000) and Birley (1991) suggests that small businesses can benefit from the support provided by BSOs, although AISBR (2002) contend that most small businesses are unaware of business support that is available. Thus it is vital to the prosperity of the Scottish economy, and to the small business sector in particular, that the support environment is explored and that a better understanding of how it operates is realised. The focal point of the research, therefore, is the BSOs themselves, rather than customers or members, which are the focus for the majority of previous studies.

Little is known about the network linkages of BSOs, so justifying an exploratory approach is called for in order to identify the nature of the relationships within BSOs, and with their members, customers and the government, as well as the role of BSOs, as

support and representative networks. An exploratory study allows the researcher to identify the key, emerging themes in this area so that further studies may concentrate on areas of importance. This study aims to bring these key themes to light, as well as bringing a useful comparison between data gathered from small businesses and data that will be gathered from Scottish BSOs. The researcher will then be able to fulfil the third of the stated research aims that is the strengthening of the BSO/Small firm relationship.

Sample

In inductive enquiry, it may be difficult to define the basis for representativeness, so emphasis was placed on acquiring a diverse purposive sample of respondents who could provide a large volume of rich detail. The criterion for selecting organisations for the sample was their ability to provide an insight into an emergent theory rather than reflecting a statistical sampling technique (Glaser and Strauss, 1967). The sample of interviewees was chosen in accordance with the suggestion of Miles and Huberman (1984, p.29) that *"choices of informants, episodes and interactions are driven by a conceptual question and not by a concern for representativeness"*. Given this approach to sample selection, the results can provide a generalisation to theoretical propositions rather than to a statistically reliable prediction of behaviour (Yin, 1984).

There are not many BSOs in Scotland, in fact, there are only forty individual organisations, which belong to five main support and representational bodies: Scottish Enterprise, Chambers of Commerce, the Federation of Small Business, the Forum of Private Business, and the Confederation of British Industry. This small sample population, comprising of both private and public organisations, again lends itself to a more phenomenologically-centred approach, especially as the study is not seeking to

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measure, but rather identify and explore the key issues and debates within the Scottish business support network.

The intention was also to explore Scottish BSOs from the point of view of the support and representational organisations themselves, as opposed to the point of view of their customers or members. The bulk of the literature surveyed in the previous chapters looks at the various motivations for membership (Bennett, 1997, Schmitter and Streeck, 1999), as well as the previous problems that members and customers have with support and representational bodies. However, authors such as Baggot (1997) and Grant (2000) concede that members, or customers, often have unrealistic expectations with regards to what organisations can achieve on their behalf, often leading to frustration and criticism. Bennett (1997), notes that the logic of membership, using the example of Chambers of commerce, is often short-term in its viewpoint, demanding immediate solutions to problems. This, he argues, limits the efficiency and impact of business representational organisations, as they strive to satisfy a membership or customer base that does not understand the environment as it ought to, and thus makes unreasonable demands for short term results in lieu of more beneficial long term policy change. Customer and member viewpoints are used to critique BSOs, and their constituent organisations, without recognising the view of support and representational organisations themselves. This can give a misleading perception of BSOs and the nature of their relationship with members and customers. This is an area that the author wishes to challenge by exploring the perceptions of BSO respondents, allowing understanding on both sides of the dyad.

5.4 PROCESS

Due to the small sample size, the dearth of available literature and limited understanding of business support organisations' motivations and agendas, a qualitative approach was deemed to be the most appropriate methodology to answer the research questions and to identify the full range of issues, views and attitudes which should be pursued in larger-scale research. Methodological approaches to the study of networks that are purely quantitative have been criticised due to the fact that they explain very little about the actual content of the relations and connections between actors (Huggins, 2000). Blackburn, Curran and Jarvis (1990) contend that quantitative methodologies offer only a limited insight into the nature of networking behaviour, and although the authors do not suggest ruling out quantitative methods entirely, they suggest that qualitative approaches are best suited to exploring the process and motivations to network. Borch and Arthur (1995) argue that qualitative methods allow for a more in-depth knowledge of the contexts and relations between actors in a network. Perry and Goldfinch (1996) suggest that quantitative measures are more appropriate when the research objective is to explore network development between different groups of firms, usually within different socio-economic or cultural environments. Van Maanen (1983, p.9) describes qualitative and phenomenological methods as "*a range of interpretative techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world.*" Furthermore, a quantitative study would not have allowed the necessary flexibility to probe and explore emerging themes, in conjunction with examining existing ones, thus impairing the ability to fully understand key issues. A structured quantitative methodology would be more appropriate as a separate study, once the key issues and

themes have been extracted and fully understood, allowing the measurement of variables within the BSO context (Perry and Goldfinch, 1996).

Selecting the appropriate method involves choices at the philosophical, the conceptual and practical levels; how data is actually collected and analysed. The philosophical approach has been covered, but the practical elements have a significant bearing on the data collection method to be employed. Focus groups and observation, both participant and non-participant, were deemed to be inappropriate on a practical level, since observation requires access to particular respondents and situations, such as meetings, and focus groups require groups of respondents to meet in one place at one time. The specific requirements and the relative inflexibility of these two methods led to them being discounted as appropriate data collection methods for this study. Ethnographic and case study approaches were also considered, but were deemed to be unsuitable for this piece of research. An ethnographic study would be more appropriate if the unit of analysis, the BSO, was an individual organisation operating on its own, as these types of studies are more suited to dyadic rather than multi-actor, relationships (Larson, 1992). However, as the research aim is to explore the role of respondent organisations within a network context, the hypothetical BSN, the principal data collection method, participant observation, is unsuitable as it requires high levels of access, trust and, more importantly, time and money.

The limitations of the ethnographic approach can also be applied to the case study approach, especially the problem of time, of which it requires a large amount. The case study is an extensive examination of a single instance of a phenomenon (Yin, 1994), and, as such it would be more appropriate for researching a particular type of support

organisation, such as the Federation of Small Business, rather than a group of support organisations.

5.5 LOGIC

Interviews were chosen as the most appropriate method of collecting data from respondents. Structured interviews using closed questions and requiring brief answers, such as yes and no or how many, or using scales, gives the researcher a body of quantitative information which can be used to establish the frequency of variables. This data collection method, however, does not offer any insight or understanding into the perceptions and beliefs of respondents, and due to the dearth of literature, these are the areas which need focus and attention.

Interviews (advantages and disadvantages)

Quinn-Patton (1987) presents a useful interview continuum, which can be used to explore the nature of interviewing as data collection method. He offers four interview techniques: closed quantitative, standardised open-ended, interview guide approach and the informal, conversational interview.[13]

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[13] These interview techniques are summarised in appendix two, along with their relative strengths and weaknesses

Figure 5.1: The Interview Continuum

More Structure   Less Structure

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Closed Quantitative   Interview Guide Approach   Informal Conversational
Standardised Open ended

+: Greater reliability   +: Allows for 'serendipity'
   (Less interviewer Bias)   -: Less reliability
-: May be too rigid   (Danger of interviewer bias)
   (Does not allow for spontaneity)

Source: Synthesised from Quinn-Paton (1987)
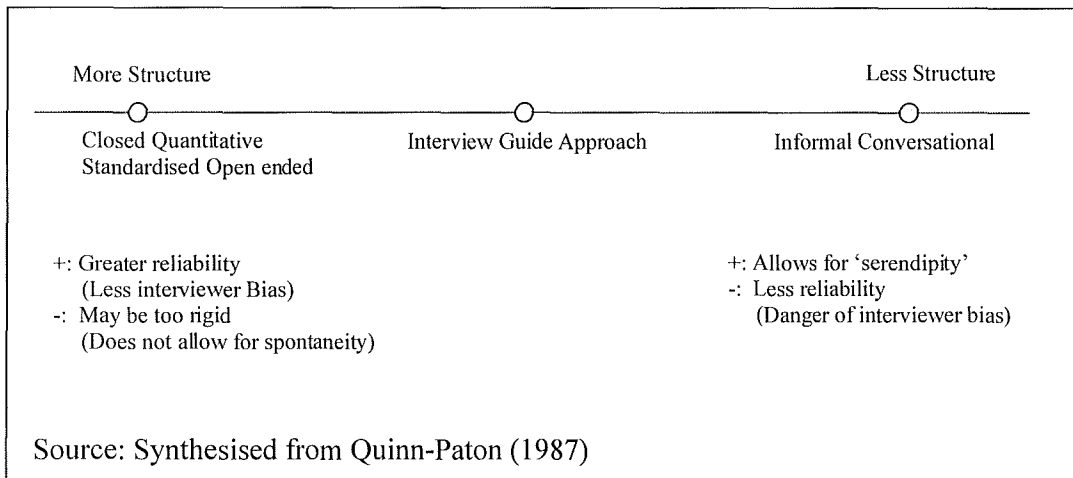
Informal Conversational Interview

This interview format, (Quinn-Patton, 1987), is, as the name suggests, informal and conversational, and as with everyday conversations, questions are not asked with any formal pre-set structure in mind. Rather, they follow the pattern of the dialogue between interviewer and respondent. This interview approach allows the interviewer to ensure that questions posed are relevant to both the respondents' environment and circumstances, and allows the interviewer to build the dialogue on observations, concentrating on emerging themes as they crop up. Given that each interview may be completely unique to each respondent; this approach may yield different information on different subjects each time an interview is carried out. This approach presents particular problems with data analysis, as comparison between interviews is extraordinarily difficult. The interviewer also runs the risk of missing out certain topics of conversation if they do not arise spontaneously during the interview. This approach was deemed to be too loose for the purposes of this research, given the ease with which key topics and questions may be overlooked. This approach is also more suitable for pilot studies, as it gives only a general understanding and background into the topic being researched.

Interview Guide Approach

The interview approach, (Quinn-Patton, 1987), allows the researcher to impose some measure of structure upon the dialogue, using an interview guide or schedule to ensure pre-ordained topics and issues are covered. As with the informal conversational approach, the interviewer maintains a conversational position with the respondent, whilst deciding, and guiding, the course of the conversation, using the guide. Thus any logical gaps in the data can be anticipated by the interviewer and closed, ensuring a more comprehensive and richer data source, whilst making sure that data collection is more systematic than with the conversational approach. The interviewer can follow the pre-ordained themes whilst allowing a measure of flexibility, however he/she may omit, inadvertently, key topics and the flexibility given to the interviewer means that comparability between interviews is reduced due to wording of questions and their sequencing, thus making analysis difficult.

Following the literature review, several key variables and themes were identified, and thus it was felt by the author that it is too important not to cover these in the interviews. The interview schedule approach allowed the interviewer to ensure that they key themes were covered whilst still allowing some measure of flexibility and the ability to follow emerging topics during the course of the interviews without losing the overall train of thought or conversation. It also allows the interviewer to rein the respondent back into the desired subject matter if he or she is moving away at a tangent.

Standardised Open-ended Interview

Unlike the previous two interview approaches, this method is highly structured, with the interviewer having a questionnaire to follow (Quinn-Patton, 1987). The interviewer asks the exact same questions, in the exact same sequence from interview to interview. This greatly increases the comparability of interview data, whilst reducing interviewer bias and effects over the course of multiple interviews. This approach also allows respondents to view the questions prior to the interview, allowing them to compose more thoughtful or insightful answers, thus giving a richer source of data for the research. However, flexibility is lost and thus the interview may not be tailored to the individual or to specific contexts, which may result in the interviewer missing out on important points or themes which may have emerged using an interview guide for example. This rigidity may also impose a unnatural feel to the interview, causing the respondent to feel less at ease and perhaps less open than he/she would in a more conversational interview. However, although the data may not be as rich, analysis is more straightforward and comparability between interviews is high.

All three of the qualitative interview approaches are suitable for exploring network processes and linkages. They allow a more in-depth understanding to be gathered and give an interminable insight into the nature of network motivations and contexts (Blackburn *et al.,* 1990, Borch and Arthur, 1995 and Huggins, 2000)

Closed Quantitative Interview

This type of interview utilises question and response categories, with tick boxes and scales or pre-determined questions, (Quinn-Patton, 1987). This is a very highly structured form of interview and its main benefits are; easy analysis, comparability and

measurability. It is also easier to fix a time limit on these sorts of interviews, which can be of great benefit when trying to organise interview slots for respondents. However, as discussed earlier, this form of data collection is inappropriate for studying networks, as it does not provide much in-depth knowledge about the processes and motivations of networks (Blackburn *et al.,* 1990) offering only a limited insight into the nature of networks.

The author chose a combination of the standardised open-ended approach and the interview guide approach. Semi-structured interviews, using an interview guide, allow the researcher to probe emerging themes and run with topics of interest during the interview, while still providing the necessary structure to cover all the major themes of interest. Semi structured interviews allow an inductive logic, i.e. generating general inferences from particular instances (Hussey and Hussey, 1997). This approach allowed the author to combine the strengths of the interview guide, i.e. flexibility and comprehensiveness of data, with the strengths of a more structured approach, i.e. less chance of missing key topics and easier coding in the analysis stage. This reduces the weaknesses of the interview approach by allowing the respondent to answer questions in a natural manner, whilst ensuring that they did not stray too far from the intended subject areas, which allows for easier comparison of the data.

Respondent Sampling

Suitable respondents were identified using a purposive interview sample (Churchill, 1991, Cassell and Symon, 1994), also known as a non-probability sample (Zikmund, 2000). Forty respondents, (the total sample population), were contacted and twenty eight agreed to be interviewed, representing more than 70% of the sample, one-on-one for up

to two hours. As well as the twenty eight respondents who agreed to be interviewed, presidents of three small Chambers of Commerce were chosen as pilot studies to test the appropriateness of the interview schedule and the whether or not the required data could be extracted from respondents. All three pilot respondents provided good feedback, and following these interviews some small changes were made to the interview schedule.

Respondents were first contacted by letter[14], which summarised the nature and purpose of the research, and this was followed by a telephone call to arrange suitable times for interview. Interviews were conducted at respondents' place of work; both for the purpose of convenience for interviewees and to improve the response rate through attempting to make respondents more comfortable, and lasted between 45 minutes and two hours. Each respondent was offered a copy of the conclusions and recommendations of the study. In fact one respondent even requested her own copy of the interview schedule to aid her with her own forthcoming research.

All interviews were recorded using a digital minidisc™ recorder and a conference microphone. This set-up ensured that the recorded data was clear and intelligible, even when conducted in relatively noisy areas. The recorded interviews were then transcribed verbatim, and notes which were taken during the interview process, were summarised to provide additional data.

All respondents were Presidents, Chief Executive Officers or Small Business Managers, as well as a Senior Partner at Deloitte's Scottish SME Division. The researcher was guided in the choice of some of the respondents by expert judges within the relevant

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[14] Included in Appendix 2

BSOs, particularly with regards to contacts in the Scottish Enterprise Network and its Local Enterprise Company (LEC) network. This guidance was in no small part due to the small business context of the research, as initial respondents redirected the interviewer to respondents with particular expertise and knowledge of small business support and representation in Scotland. The interviews were warmly and enthusiastically welcomed by respondents, and provide a Scottish Enterprise-wide coverage, from Grampian to Dumfries and Galloway. The Western Isles and the Northern Highlands of Scotland, administered by Highlands and Islands Enterprise (HIE), were omitted from the study given that this area is quite different from the study area covered by the Scottish enterprise network. The area that HIE covers is characterised by a small population and high incidence of rural businesses, and holds less than 10% of Scottish businesses.

In order to preserve requested anonymity, names of the various chambers will not be included. Interviews were carried out with:

1. 10 Chambers of commerce (Local, regional and national Chambers)

2. Scottish Enterprise Network

   a. 2 Scottish Enterprise National respondents

   b. All 12 Local Enterprise Companies (including SBG managers)

3. One from each of the CBI, FSB, FPB and Deloitte and Touche.

All respondent organisations are based in Scotland, although the Chambers of Commerce, the Confederation of British Industry, the Federation of Small Business and the Forum of Private Business all belong to pan UK organisations, and a global organisation in the case of Deloittes. Scottish Enterprise also has considerable international links, as does the Chambers of Commerce.

The respondent organisations all have the interests of small businesses as a major focus, especially the FSB, and have no specific industrial focus, such as the many trade organisations do. The CBI is perhaps the notable exception, as it derives its small business focus from its trade association membership, which it cites as producing 20,000 affiliate members. The CBI covers all businesses and is more noted for its commitment to large enterprises, but it does have a clear small business focus. These organisations are established and have substantial membership and customer bases, and as such consider themselves to be representative of the business community in general. All of the respondent organisations fulfil a representational and support role for small business community in Scotland, albeit in different ways. Together, these organisations are the primary actors in local, regional and national BSNs, and they represent both the public and private sectors, as well as a different types of small business, from the sole trader grocery store to the international, multi-million pound software company and from private firm to private limited company.

The Interview Schedule

An interview schedule was utilised and was divided into key themes identified in the literature as being potentially important. A copy of the interview schedule is included in appendix two:

These themes emerged from the literature review as being the key areas that need to be understood when answering the research questions. The first them is that of member relationships. This is of vital importance in understanding BSOs, as members (or clients) should be central to the component organisations; e.g. for determining aims and

objectives, deciding when to proceed or abandon certain issues, and how BSOs actually interact with member businesses. This area can be linked to the literature on human networks in particular, allowing exploration of individual relationships and ties (Berkowitz, 1982; Knoke and Kuklinski, 1991; Burt, 1983), and the methods by which knowledge and learning are incorporated into these relations (Lane, 1992; Argyris 1977, 1980). The author also wished to explore the role that geography, or spatial proximity, effect these relations. As well as addressing the first and second research aims, i.e. the role and relationships, this then also provides data necessary for providing recommendation to enhance the BSO/small firm relationship.

The communication orientation theme can be related to the literature on organisational networks (Drucker, 1988; Kanter, 1983; Scott-Morton, 1991; Sproull and Kesiler 1991; Charan, 1991) and human networks, allowing exploration of the organisational and personal ties that lead to BSO agenda setting. For example, which issues to pursue, and the method by which these agendas are followed, i.e. which target audiences (Whiteley and Winyard, 1987) are engaged. Which communication orientations are adopted; lobbying, media or protest? This theme goes some way to answering research aims two and three; the role of BSOs and future possibilities.

The government and social and political economy themes address the second research aim, by placing the BSO in a suitable socio-political environment. How does the incumbent government affect the approach taken by BSOs? And how important are economic factors to business support and representation?

The resource theme looks at elements such as staff and finance, and how these areas impact on the relationships, personal and organisational, activity links and resource ties. Do BSOs share staff to increase efficiency or service provision, or do the provide sources of finance for each other? This theme also considers intangible resources such as information and knowledge as well as the tangible ones. This theme answers research aims two and three, the role and the future of BSOs. Using the collected data, and operating within the contextual and analytical framework provided in chapter four, the hypothesised BSN construct will also be explored.

The Interview Process

Using open-ended questions, the researcher was able to obtain information from respondents and was able to explore emerging themes which were considered to be important by interviewees, without straying too far from intended topic areas. The semi-structured approach did not restrict respondents and allowed the interviewer enough flexibility to explore the issues that interviewees felt were the most important, without neglecting the key areas which needed to be discussed. Following the questions in the interview schedule also allowed the researcher to partially code the data, thereby increasing the usefulness of the collected data. For example, asking twenty eight people the same question allows some measure of comparison between respondents, giving the researcher a clearer overview of the constituent organisations in the business support environment.

The original interview schedule contained questions about constitutional and political evolution in Scotland, i.e. independence and further devolution. However, when the

schedule was pilot tested, this theme was found to be unimportant to respondents and was dropped for the subsequent interviews. Pilot testing also allowed the researcher to adjust the language of some of the questions to facilitate a better understanding on the part of the respondents in the research proper.

Data Analysis

Having established that a qualitative methodology was a more appropriate approach for exploring the business support environment and any potential network behaviour (Curran and Blackburn, 2001; Miles and Huberman, 1994), it became necessary to decide how best to analyse and interpret data gathered from the fieldwork. These authors contend that guides to qualitative analyses techniques are difficult to find and that there are so many different epistemological and methodological assumptions taken by researchers. Consequently analysing qualitative data can be problematic, as well as being more difficult and time consuming than positivistic or quantitative analysis.

Computer analysis using software such as Nvivo or SPSS is certainly an option for qualitative research analysis but they do not produce "neat, ready digested end results which can be fed into a report or thesis" (Curran and Blackburn, 2001: 103). The authors suggest that the absence of a "cookbook" approach to qualitative analysis forces the researcher to be more creative when attempting to manage data gathered from fieldwork. Miles and Huberman(1994: 428-429) argue that there are three linked sub-processes; data reduction; data display and conclusion drawing. The initial data reduction element has already been described, using in-depth interviews and an interview schedule to collect data from informed respondents. The second phase of data reduction involves finding

themes within the data, coding and providing the means to display it. The authors suggest using a matrix containing words rather than numbers to display the data recovered from the initial reduction phase, however, *"networklike or other diagrams"* may also be used as suggested by other authors (Carney, 1990; Gladwin, 1989; Strauss, 1987; Werner and Schoepfle, 1987a, 1987b). The conclusion drawing process involves understanding, interpreting and drawing meaning from the analysis.

"Data analysis is the process of bringing order, structure, and interpretation to the mass of collected data. It is a messy, ambiguous, time-consuming, creative and fascinating process. "(Marshall and Rossman, 1999: 150).

Quinn-Patton (1987) adds that the simple task or organising the data collected by a researcher can be overwhelming and seem near impossible, however, he warns that careful attention must be paid to data reduction throughout the entire process. Given the exploratory nature of the research, the data reduction process has to, necessarily, be flexible enough to allow the author to probe and explore emerging issues which could potentially add to the understanding of the research problem. As detailed by Lofland (1971), the process of analysing the data should not be separated from the collection of the data, rather it should be an iterative procedure allowing the researcher to adapt and include emergent themes. Quinn-Patton's (1987) reference to the overwhelming amount of data which can be procured using a qualitative methodology also dictates that analysis should be conducted from the first interview onwards, lest the amount of data engulf the researcher.

Initial consideration of the pilot study concluded that as the research concerns business support organisations and their relationship with small firms in Scotland, then the opening question should cover the definition of a small firm and whether the respondents agreed with it. Respondents were then free to criticise the provided definition and to adapt it, allowing the researcher to build up a profile of what a Scottish small firm is in the view of Scottish BSOs. The flexible nature of the interview schedule allowed adaptation to different types of BSO. This was especially true when interviewing respondents from the Scottish Enterprise Network and its associated Local Enterprise Companies (LECs), as early analysis of interviews showed the theme of centralisation emerging as being important, and this allowed the researcher to probe this theme more in later interviews.

In terms of actually analysing the data, the author took a combination approach, using inductive and pre-existing thematic analysis. The researcher employed "analyst-constructed typologies" (Quinn-Patton. 1987: 393) to stratify the data into important themes, based on the data collected and the understanding emerging from the data. Due to the semi-structured approach taken in the interview stage, pre-existing themes have already been identified, and were used to open code data from the interviews (Glaser and Strauss, 1967). However, a more inductive approach is also possible, given that the interview process allowed some measure of flexibility to run with important emerging themes. Thus some of the coding will rise from the interview transcriptions themselves.

Analysis began from the completion of the first interview with the writing up of notes taken during the meeting. These notes allowed the researcher to more fully understand the nature of the interviews as they were transcribed from the recorded copy, allowing

immersion in the data and thus enabling a more thorough insight into the respondents' answers. This process took place after each interview, where notes were written up immediately after each meeting and the transcriptions being typed up within seven days. This made sure that the researcher never lost contact with the data and enabled the author to test emergent understandings (Marshall and Rossman, 1999: 157) as they developed, allowing new understandings to be incorporated into the following interviews. This process made it possible for the researcher to focus more on the central themes, essential to answering the research questions.

The interviews were firstly divided by organisation so that respondents from Scottish Enterprise, Chambers of Commerce and from the independent organisations; the Confederation of British Industry, the Federation of Small Business, the Forum of Private Business and Deloittes Touche, were placed together. This was to enable the researcher to identify organisational patterns or themes, both internally and between the various agencies Secondly, the interviews were split into local, regional and national levels, allowing the researcher to identify trends at each level.

The actual analysis of the data, aside from the constant reading and re-reading, centred on using a matrix to identify important words, sentences and paragraphs which could facilitate better understanding of the pre-existing themes, as well as identify new ones (Miles and Huberman, 1994). In doing so, a three-stage process was followed:

Stage 1: identify important words, sentences and paragraphs; identify key words

Stage 2: Organise key words into pre-existing themes where appropriate and identify new or emergent themes.

Stage 3: Within the main themes, identify significant sub-themes from recurrent key words, sentences or paragraphs.

By gathering sentences, words and paragraphs into relevant pre-existing themes, as well as into organisational and locational groupings, and into newly identified topics, the author built a picture from the data. Starting with a single interview, the author was able to categorise the data without necessarily pre-determining the usefulness of statements, and from repeating this process with all 28 interviews, was able to identify process elements in the research, (Quinn-Paton, 1987). This in turn allowed the emergence of thematic patterns or relationships that can then be used to address the research questions. By keeping an open mind in this stage, the author allowed new categories to emerge and old ones to assume less or more importance. For instance, although the author anticipated spatial proximity and geographical location to be of importance, it may be that this is not as important as first thought, and thus more important categories can be focused upon.

For example, a main identified theme was members; within this theme a sub theme was the services they provided, such as training. The matrix below shows how different business support organisations operating at local, regional and national levels, provide training to their members.

Table 5.3 Themes

Research Question 2			
Main Theme: Members		Sub Theme:	Services
Sub-sub Theme: Training		Key word:	Professional
	SE	CC	Independent
Local	5	2	0
Regional	4	3	1
National	3	3	3

From this matrix it can be seen that Scottish Enterprise (SE), the Chambers of Commerce (CC) and independent organisations, all operating at local, regional and national levels, vary in terms of the training offered as part of their service provision. By filtering the interview data using location and organisation, the researcher was able to triangulate the findings and allow nascent patterns and similarities to emerge. The above matrix illustrates that the word professional was a key in describing the sort of training given to members or customers, and shows the cross-tabulation of the location and organisation of respondents. At a glance, matrix shows that this theme, and the relevant sub-themes, build up an understanding for answering research question 2; what is the Role of Support Networks, focusing on business support organisations.

Coding

To facilitate the separation of the relevant words, sentences and paragraphs from the interview transcriptions, a system of coding had to be employed. This system used the word processor to insert relevant codes as well as colours to highlight and differentiate passages from each other (Marshall and Rossman, 1999: 156). Thus the codes themselves centred on the pre-existing themes identified from the literature such as small business definition and member or network issues.

Each theme was assigned a colour and bold, italic and underlining was used to differentiate sub-themes within the transcript. This meant that words, sentences and paragraphs were easily separated and copied to new files, allowing the researcher to build up a picture of emergent patterns within the data,

The analytical chapters which follow this one use key passages from the interviews to expand on, and illustrate, the key-words identified in the matrices. For example;

We ought to be able to provide a whole range of business services; professional

training, seminars, advice, a whole range of things (17/cc/2).

This passage refers to the services available from a regional Chamber of Commerce and highlights the intention to provide *professional* training, indicating the desire by this respondent to make training as good as possible. By keeping the data within its organisational groupings, the researcher is able to build a comprehensive picture of the business support environment in subsequent chapters, providing cross-organisational and inter-organisational analyses of the information. Throughout chapters six, seven and eight, the findings are triangulated against the literature.

5.6 OUTCOME

As with most research, this project is neither purely basic (research carried out to add to the pool of knowledge), nor purely applied, (research carried out with the intention of solving a particular problem or addressing a specific issue). It is a mixture of both, with application to academic theorist as well as practitioners. As the third research aim is to help strengthen and enhance the relationships of BSOs with government and small firms, a practical element is necessary, in order that any recommendations can be used to achieve this aim. This piece of research falls somewhere in the middle of the research continuum, between basic and applied research.

For the academic, this research will add to the stock of knowledge on networking behaviour, small business definition, and will provide a framework for studying the actions and role of business support and representation organisations, especially in

Scotland. As an applied piece of research it will enable BSOs to improve their relations, ties and links. It will also have the further benefit of providing, for want of a better term, a map for small businesses who might be seeking support or advice but do not know where to go to get it. It will also inform members and customers about BSOs, about the environment in which the BSO operates and the resource constraints, both in terms of staff and finance, which restrict the BSO from doing everything that their members want them to. Perhaps most importantly of all, it will give policy makers and government officials the chance to view the public-private support network in Scotland from a more holistic perspective, giving them the opportunity to direct resources to the BSOs which need most help, and allowing a more local approach to small business support to be developed.

PART II:
ANALYSIS AND DISCUSSION OF RESEARCH FINDINGS

This research seeks to identify the emerging themes to build on the pre-existing ones. Based on this, the research findings will be presented under the three key themes which emerged from the literature review. The three themes, namely, the profile of BSO members, networks and emergent themes are discussed in three separate chapters, as the breadth of data from the respondent interviews was too great to incorporate it at this stage into the research aims, without losing the depth and richness of the findings. The findings will be incorporated with the four research aims and the literature in chapter nine, providing in-depth analysis of the key themes and their relevance in addressing the research aims. The previous chapters have introduced four key research aims:

Research Aims

1. To explore the member/client focus of Business Support Organisations;
2. To explore the Role of Support Networks, focusing on Business Support Organisations (BSOs);
3. To explore the Future Possibilities for the Enhancement/Strengthening of These Synergistic Relationships;
4. To explore the hypothesised Business Support Network (BSN) construct.

Rather than discuss each research aim in isolation, it was decided, due to the exploratory nature of the research, to organise the analysis into themes, which in turn should make it easier to identify broader relationships, in the concluding chapter, where more specific conclusions and recommendations can be drawn in relation to the stated research aims and objectives.

The first of these three chapters, chapter six, is based on the membership theme, and revisits the definition of small businesses, examines the profile of small business

members/clients, the types of services available, awareness and misperceptions, and modes of inter-BSO communication. The chapter continues by exploring the setting of the BSO aims and objectives, and the part that members/clients do or do not play in setting them. In addition, this chapter considers mechanisms for soliciting opinion, intra-BSO and inter-BSO conflict and those issues which respondents believed to be the most important to Scottish small businesses.

The second of the three analysis chapters, chapter seven, explores the networking role of the BSO, concentrating on the role and importance of personal networks, BSO network facilitation, the perceived importance and role of Local Economic Forums, and the contracts and ties that bind the hypothesised BSN. In doing so, relationships with the different levels of government are considered, as is the interaction and importance of the professional network to BSOs, especially at the local level. The final issue to emerge in chapter seven is the autonomy of organisations at the bottom of hierarchies, principally the Local Enterprise Companies (LECs) and Small Business Gateways (SBGs) in the Scottish Enterprise Network.

Chapter eight discusses the importance of the BSO communication orientation, and the factors which decide the use of lobbying. In addition, this chapter reviews the role of the media and protest as means of influencing and changing the relevant small business legislation. The chapter also presents respondents' perceptions of the role and value of the Scottish Legislature, particularly in terms of the extent to which this body understands and prioritises small business issues since devolution. Finally, the chapter reviews the socio-political and economic environment, with a specific focus on the contribution of small business to the economy, entrepreneurial development and optimism about the

economy over the next twelve months. These issues are grouped together in this chapter because they deal with the BSOs external environment and how they communicate with, operate in and make sense of it.

Chapter nine will then place the key findings from these three chapters into the context of the relevant literature and the first two research aims and will address the third and fourth research aims, presenting in turn the conclusions and recommendations for this research and further explores the hypothesised BSN construct. This structure is summarised in figure 6.1

CHAPTER 6

Member Themes Analysis

6.1 INTRODUCTION

This chapter brings into focus the members for whom the various business support organisations (BSOs) have been established to provide representation, leadership, advice and support. Of the 300,000 businesses active in Scotland today, 292,000 are designated as small businesses (FSB, 1999, Scottish Enterprise, 2002), although respondents suggest that very few of these are members of a BSO. In analysing membership and clientele, it was necessary to get inside the organisations that support them, to determine how these organisations function and communicate with their members, and how successful they are. The nature and many facets of membership are examined and the interaction between members and support organisations is also put under the microscope. Not only is the nature of membership examined, so too is the nature of support from the BSOs.

By virtue of the wide spread of industry and business types, it is inevitable that membership characteristics will be as diverse, as are membership needs. In such circumstances it is imperative that a sound grasp of the relationships between BSOs and their members is achieved, in order to make sense of the role that BSOs seek to perform. In previous chapters it was argued that BSOs provide the necessary impetus and tools which can influence the fate of Scottish small businesses. Moreover, it was argued that they will become increasingly important as the Scottish Government switches its attention from high priority inward investment to indigenous small firms. The implications for the Scottish economy are considerable; a competitive and entrepreneurial agenda in Scotland, and an increase in the amount of successful, indigenous small firms, means a more wealthy and successful economy.

This chapter will be structured around the matrices used in the analysis. The keywords and the key points appear in each matrix as part of the core and sub themes of each research question. The chapter firstly addresses the definition of small business, from the BSO perspective, and its appropriateness in the modern Scottish economy is considered. Second, the business profile of typical members, the age of member businesses, population density and the impact of geography are considered in relation to how these affect membership status and the uptake of services from support organisations. Levels of membership participation, the tailoring of services, and the uptake of services provided, are then discussed in this chapter, in terms of how, and by whom, should business support be delivered. The awareness of support services is also reviewed, and some common misperceptions of BSOs are identified.

The respondent quotations are labelled to allow identification of the interview number, the respondent's organisation and the page number that the quotation was taken from. The code is as follows: (9/SE/4) is respondent nine and the organisation is Scottish Enterprise National. The page number that the quotation is sourced from is four.

Table 6.2: Interview Labelling

Scottish Enterprise	SE
Chambers of Commerce	CC
Independent Organisation (FSB, FPB, CBI and Deloitte and Touche)	IND

This method of labelling the respondents, allows, at a glance, identification of the organisational source, while protecting the identity of individual respondents, as both

requested and promised in a large number of the interviews. We now move to our first stated issue, namely respondents views on the pre-formulated small business definition.

6.2 MEMBER/CLIENT PROFILE

Small Business Definition

Research Question 1: Member/Client Focus
Main Theme: Members
Sub Theme: Small Business: Definition
Code: Mem.SB.Def
Key words: Financial :Twenty-Five : Growth : Turnover

Key Points
25 employees for demarcation point
Quantitative measures less reliable than Qualitative
Difference between growth and lifestyle firms

Table 6.2 Small Business Definition

1. The balance sheet total should be £1,400,000 or less;
2. The average number of employees must be 49 or fewer.
3. That the firm is independent in the sense that it does not form part of a larger enterprise and owner-managers are free from outside control in taking their principal decisions.
4. Capital is supplied and ownership is held by an individual or small group

In accordance with the literature, a small business has typically less than 50 employees (Stanworth and Gray, 1991). In addition, the business is often independent (Small Business Service, 2002; US Committee for Economic Development, 1980; Bolton, 1971; Scott and Bruce, 1987)

As stated earlier, the criteria used in defining a small business for the purposes of this research is a synthesis of that used by various academics and government bodies in a wide range of studies; business support organisations have had little or no input to these

definitions. Since the focus of this dissertation is on business support for small business, it was critical to the success of the research to determine whether or not the definition had an acceptability or indeed relevance to those being interviewed. It was proposed that a practical judgement of the definition by those working "at the coal face" would be invaluable. The respondents were, therefore, asked if they agreed, or disagreed, with the definition and if they agreed or disagreed with the individual criteria contained in the definition. Respondents were also asked to provide their own perceptions of what a small business is in Scotland.

In this first section, the respondents are split into the three principle groups, SE, Chambers of Commerce and the independent organisations, so that the differences, if any, between them can be made apparent. The feedback received from the majority of respondents, 24 of the 28, suggested that a definition starting with 49 employees was inappropriately high and that the proposed balance sheet total, at least from a private organisational perspective, was also inappropriately high. The public sector organisation, SE, did not criticise the balance sheet total, which was agreed to be acceptable. The qualitative criteria, three and four, which relate to independence and capital ownership, were universally accepted as being suitable to judge a small business by:

> *I think that the categorisation by way of financial and employee numbers is probably a difficult one...it is probably more the qualitative aspects that are relevant rather than the quantitative aspects.* (24/ind/1)

This is not a view held by all respondents as the *"categorisation by way of financial and employee numbers"* (24/ind/1), is the method most commonly used by the organisations which were interviewed. As another respondent explains:

> *As a working definition, we probably define a small company as having less than twenty-five employees. Twenty-five and above is generally where a company will get picked up by a LEC, the rest would get picked up by the Small Business Gateway. (9/SE/1)*

All the SE companies use the 25 employee method as a yardstick for dispensation of services and support. The application of quantitative criteria appears to be crucial to the dispensation of SE services and support. In addition to this, the differentiation between high-growth and non-growth firms is of considerable importance to SE, for example:

> *"If you have got growth potential, you may get more. A more highly trained accounts manager type adviser, for example. There are other aspects of the Small Business Gateway that are available for all companies, the information service mostly. We make the twenty five distinction mostly through historical precedents."* (9/SE/1)

SE companies differentiate between two types of small businesses; high growth or high growth potential and "lifestyle" businesses, where the owner manager is content to keep his or her business as it is.

A high growth business would be, in our categories, a business that from start-up to within three years, is turning over three quarters of a million pounds per year and is employing more than twenty five people. (8/SE/1)

Basically, there are two types of business; those that we have to react to, because we are a public sector organisation and we have to provide a service, and those who we want to be proactive with, companies with growth potential and companies who, by their very size, are, or could be, significant employers within the local economy. (15/SE/1)

The SE criteria for high growth is also seen to be suitable for existing companies which are enjoying more than 10% growth per annum in terms of either staff or turnover and are operating outside of their local markets. As one SE respondent explains:

We use a different one depending on who we are speaking about. (20/SE/1)

Chambers of Commerce have a similar view to SE in that they felt that a definition of a small business which incorporated forty nine or less employees was more of a medium or large business, or even a *"bloody huge business. I would say that a small business has a balance sheet of less than £100,000 and average number of employees of less than five."* (1/cc/1) Most Chamber respondents believed that twenty five employees was the benchmark for defining a small business. According to one Chamber respondent:

I think most small businesses in Scotland would make far less than £1.4 million and I think that fewer than twenty-five employees would be more accurate for the

definition of a small business. A twenty-five-employee business would probably be

just about the £1million mark. (4/cc/1)

None of the Chamber respondents queried the qualitative measures, agreeing that they were suitable measures for small businesses.

The independent respondents held similar views with regard to the criteria, especially the number of employees, but all felt that the definition was in principle, sound. One respondent did, however, allude to the difficulty of imposing set limitations:

Going on the second one, that their number of employees must be forty-nine or

fewer, do you have a party celebrating becoming medium-sized when you get your

fiftieth employee?(21/ind/1)

A pertinent point indeed and this raises the question of whether or not small businesses themselves agree with the definition. Perhaps small businesses have their own individual perception of what small businesses are? The respondent who felt that the proposed definition described a ...*bloody huge business!*(1/cc/1) might agree that, as a small business owner himself, classifications are only useful if the defined can relate to the definition, otherwise there would be little point in using it.

The definition of a small business is underestimated at the moment; there has to

be a clear definition. (23/cc/1)

There is growing evidence that small firms are starting to punch above their weight, and certainly, with the growth of small firms in the future, you will see a pattern emerge where they will certainly exhibit higher turnover than you might traditionally expect with small businesses and small numbers of people being employed in them (16/SE/1).

The definition of what constituted a small business created welcome debate amongst the respondents, which in turn proved to be useful in focusing individuals on the main elements of the interview. Whilst most of the respondents agreed that the definition was broadly acceptable as a general description, it was felt that changes should be made to the employment criteria and perhaps the balance sheet total. The addition of business types to the criteria is useful in reaching a working definition of small business as this differentiation between high growth businesses and lifestyle businesses allows the principle elements of support to be delivered to the correct recipient.

The Chamber and SE respondents broadly agreed that supports and services which are targeted to high growth firms are not often appropriate to lifestyle type firms, as the intensity of high growth services would be a resource drain and would not return any wider economic benefits to Scotland. The finite amount of resources, especially with regard to funding and staff, means that services must be rationed to those who will make the best use of them. Valid definition of firms appears vital to ensuring the correct services are delivered to the right firms. However, there...*are exceptions* (20/SE/1) and this only serves to highlight the nebulous and dynamic nature of small business definition.

Small Business Proportion

Research Question 1: Member/Client Focus
Main Theme: Members
Sub Theme: Small Business: Proportion
Code: Mem.SB.Pro
Key words:

Key Points
75-100% of members are small
Agrees with Bennett(2002)

Using the original definition, all respondents, with the exception of (24/ind) stated that between 75 and 100 percent of all their clients and members could be classified as small businesses. This, if true, would seem to suggest that the vast majority of support provided by the BSOs is taken up by the small business community, as suggested by Bennett (2002) in chapter three. This is not surprising since small firms are unable to fund, and provide, the same levels of internal support that larger firms have available. Larger firms, especially global, multinationals have internal economies of scope, allowing them to employ individuals with relevant skills to address any problems the firm may have. This is especially true with regard to accounting procedures and marketing for instance, skills which smaller firms may not be able to acquire internally, thus making external assistance, from BSOs, vital to firm success.

Member Density

Research Question 1: Member/Client Focus
Main Theme: Members
Sub Theme: Small Business: Density
Code: Mem.SB.Den
Key words: Financial :Low: Local

Key Points
Low Member Density
Less Than 10% of Businesses use BSOs
Too many players within the environment

Much more interesting is the notion of membership/clientele density, or what proportion of the business community is represented and supported by BSOs. All respondents admitted that the percentage of businesses that are in contact with BSOs is quite small. None of the national respondent organisations, as a whole, could claim any more than 5 percent of the Scottish business community as members or clientele. Locally the numbers are higher, as much as 30 percent through some individual Local Enterprise Companies (LECs), but most respondents still covered less than 15 or 20 percent of businesses in their area, in some cases, far less. This suggests that there is a divergence between different regions, and that the best opportunities for delivering effective business support exist locally.

I would say that it is not a terribly high percentage given the number of other players; the Chambers of Commerce and the local authorities. (16/SE/1)

If business support and representation is necessary, or even important, it is apparent that the message is not getting through clearly enough to potential clients and members. Awareness and perception of business support, along with reasons why more small businesses do not access the available support, are covered further on in this chapter.

In relation to the first research aim, membership/client definition, density and proportion are the first three elements which determine the BSO member/client focus. The definition of a small Scottish business is the first step to addressing the first research aim, BSO member/client focus. It is clear that actually defining the small firm is just as tricky for practioners as it is for officials and academics, but the data provides an insight into the

BSO focus. Member density and proportion determine which companies are represented by the BSO, and which firms are not, especially important if BSOs are to include the majority of the small business community that they currently miss out on.

Representation, Recruitment and Exclusions

Research Question 1: Member/Client Focus
Main Theme: Members
Sub Theme: Focus on Representation/Recruitment and Exclusions
Code: Mem.Foc.Rep
Key words: Value: Impact: Sectoral Focus: Retail: Anybody

Key Points
Few Exceptions: Anybody can get support: especially in Chambers
Retail is not covered as well as other sectors, especially high-tech sectors
High Growth firms receive most resource intensive support
Return on investment is a big consideration for some SE support
Membership not seen as Badge of Quality

The proportion of small businesses represented by BSOs is a relatively small percentage of the 292,000 small firms in Scotland (Bennett, 2002). The nature of representation is general and there appears to be little attempt to create industry or sector specialisation (Bennett 1996, 1997; Grant 2000), especially in the lifestyle/volume sector (FSB, 2002; Storey, 1998). Whilst respondents pointed out that although some of the local organisations have a focus on key regional industries, such as oil and gas in the North East of Scotland, no one industry is singled out for particular attention. Exceptions to this general principle occur when the client/member is in retail, which is regarded as a volume sector. Exception also occurs in the high growth industry sectors such as bio-technology, opto-electronics, software or tourism; targeted sectors which may contain high growth, economically beneficial companies.

We have to be clear where our interventions are genuinely adding value, where it couldn't be added elsewhere and also from the point of view of looking at companies that are maybe going to have a bigger impact on economic development activity (16/SE/6)

The small business retail sector is not able to access the more intensive supports provided by SE, although as one SE respondent argues...*there's nobody automatically ruled out* (20/SE/4).

Consideration has got to be given to where they're going to get their business from, because if you give one person sitting here support, are they just going to take business away from next door, a displacement effect. It is back to looking at what markets we are going to get business from, where are we actually going to generate economic impact for Scotland?...we do not target retail, but if somebody walked in the door who owned a chip shop, they would get help. But once the fish and chip shop is there, we are not going to get involved and say "do you want to export your fish and chips? for instance. We will target those companies that we think have got the most chance of fulfilling our economic development ambitions. (20/se/4)

The potential displacement effect dissuades SE from getting too involved with retail firms. As an economic development agency, SE wants to add to the stock of firms in the economy, generating competitive environments and new markets without damaging the markets and incomes of existing companies. The retail sector can still make use of the information services and other Small Business Gateway (SBG) supports and, of course,

the other organisations within the BSO. SE have an agenda to start as many new companies as possible, and to help grow existing and new businesses into global companies, or at the very least, companies which can compete and add value to the Scottish economy. In line with the resources agenda, the most effort is put into high growth, high return companies, most of which are located in the target sectors stated above. Despite the lion's share of resources being aimed at the high growth sectors, the volume market is not forgotten, and as one SE respondent indicates, SE's principle agenda is to stimulate as many new start businesses as possible:

> *One of the things about Small Business Gateway is that we do not have any sectoral focus. We are just looking to stimulate people into enterprise and to grow as many small businesses as possible in Scotland.* (7/SE/5)

These small volume/lifestyle businesses may not be entitled to the highly resourced, high intensity services that high growth small firms are, but SE commits a portion of its resources to achieving as many new starts as possible, focusing on the volume sector as a whole, rather than any particular industry.

The Chambers of Commerce appear, on the whole, to have no qualms about which businesses they accept into their membership...*it is open to anyone in business* (1/cc/2) and ...*we don't have any rules that would exclude anybody* (3/cc/4). Although there is some local focus on industries such as oil and gas and fishing in the North East and agriculture in the rural areas, the membership of the Chambers is varied. ...*Come one and all, so long as you are in business. But even here there are exceptions...*(6/cc/6). For example two Chamber respondents commented that firms involved in ...*anything to do*

with the adult entertainment industry (12/cc/7) would probably not have their membership processed. According to one Chamber respondent:

> *...there is one company that is going through my mind which tried to join the Chambers of Commerce, but we had quite a number of complaints about their work, and we haven't managed to process their application yet. We do not see ourselves as a badge of quality, but we would not want to be associated with companies who have a bad reputation.* (5/cc/4)

Some of the Chambers, whilst not excluding smaller retailers from their membership, questioned what value they might actually get from being a member, and a few suggested that these sorts of businesses may be better served by joining the FSB. One area in which Chambers appear to be particularly strong, is the area of professional services; lawyers, accountants and banks, for example:

> *We are strong on the service industries; in fact we are hugely service based. Financial services, lawyers, accountants and those sorts of services.* (12/cc/6)

The inclusion of the professional services into the membership allows significant access to the professional service network, and may allow economies of scope for Chambers in terms of what services and supports they can offer to their members, an area that will be discussed later in this chapter. It also exposes potential inequality in the membership; professional services, for example, a lawyer's practice or an accountancy firm, are more lucrative and may be more useful to the Chamber. Additionally, the professional firm may employ many more people than the aforementioned fish and chip shop. A lawyer's

firm would perhaps pay more subscription fees if it was an employing firm, and certainly the membership would benefit more from the firms expertise than that of the chip shop. Does the Chamber system encourage this inequality, and does it have a bearing on who is accepted as a member? The data would suggest that, at Chamber level at least, this is not the case and that practically any business is free, and is encouraged, to join, regardless of their benefit to other members.

The independent respondents are more selective in recruiting their memberships and customers. The CBI, for instance, only recruits members employing more than two or three people, thus excluding sole traders. The bulk of the CBI membership comprises of trade associations and although the business members of these trade associations are not strictly members of the CBI, the CBI can nevertheless claim to represent these businesses. This allows the CBI to claim to be widely representative, with no concentration in any particular industries, though perhaps with a tendency towards a bias in manufacturing.

The FPB and the FSB also operate a wide and varied membership policy, in terms of industrial sectors. However, the FPB, as its name suggests, only accepts private companies and the FSB only accepts small businesses, the majority of whom are... *sole traders or partnerships without employees.* (FSB, 2002)

> *...We cannot assess potential members on a quality basis. These companies, cowboy companies, undercut what everybody else is doing, do the job, finish the job, get the money and two months later they are gone! Two months later it has started again under another name. These guys do not join business associations;*

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it is a waste of their money. Of course I am sure that in any business organisation

you will find one or two members who are unacceptable and what you do is get

them out; otherwise you might bring your organisation into disrepute. (14/ind/7)

As with the Chambers and SE, the independent respondents have a few exceptions with regard to whom they accept as members. These exceptions, out with the fundamental membership stipulations such as being private, small or having more than one employee, are confined to the operation of businesses rather than the sector within which they are active. Irresponsible firms engaged in dubious or perhaps even illegal activities appear to be the only exceptions, and this is applicable to all other BSOs. This strengthens the non-sectoral approach of BSOs, encouraging any and all businesses to seek the support appropriate to their needs. .

Should smaller firms, the sole traders and employee-less partnerships, be given special attention to encourage them to grow? The answer would appear to be that these groups of companies, whilst being the most populous, are being assisted and represented by BSOs, and any question of exclusivity is rejected by the constituent organisations. The real question is that if BSOs had greater resources, would the volume support be any different than it is now; would BSOs prefer to allocate more direct services to lifestyle firms?

The nature and focus of the membership is again examined in this section, and thus is an element which can be analysed under the first research aim; exploring the member/client focus of the BSO. This issue ties in with the previous three, in that it gives a much more comprehensive focus on what types of small business can consume BSO services, and

which firms are missing out on BSO services, through no fault of their own, simply because they are not in a targeted sector or business.

Age of the Member Business

Research Question 1: Member/Client Focus
Main Theme: Members
Sub Theme: Focus on Age
Code: Mem.Foc.Age
Key words: Value: Start-Ups: Three Years: Proactive: Reactive: Established

Key Points
Independent respondents get very few start-ups
SE has a large proportion of Start-ups in its customer base and has specific support
SE has a Start-up target of 8000 businesses per year
Chambers have a more even split but are biased towards established businesses
No overall business support age profile is evident
Three years is the delineation between new start and established businesses

Another element of the customer/member profile is the age of the business (Gem, 2002). The independent respondents all felt that new starts were not particularly interested in their services...*we tend not to get the business start-ups. The business start-ups think they can go it alone until they start running into problems...*(21/ind/5), although the FSB claims that twenty percent of its membership firms are one to three years old. The reasons for joining Chambers or interest groups, and using the services of the public development agencies, will be covered in the next section of this chapter. The supposed arrogance of small business owners, alluded to in the above quotation, is not the only reason that small business starts do not utilise the support available to them; awareness and perception of business services are the primary reasons for non-consumption of BSO services.

SE has particular programmes specifically for new and even pre-start businesses (A Smart Successful Scotland, 1999). Again, in line with the high growth potential of a firm, the support for a new start could be different depending on what sector the firm is in and

what its product is. SE has a target of 8000 new starts per year, divided amongst the LECs and SBGs (Scottish Small Business Birth Rate Strategy, 1993). New business starts are thus a principal focus for SE and their clientele reflects that:

Once these businesses have started, there is a great provision of aftercare throughout the three year period. (8/se/2)

We probably have a slight bias in favour of new starts over older companies. (9/se/10)

The split between new businesses and established businesses is often found in the high growth versus lifestyle business debate:

...those businesses with whom we have a pro-active relationship are, by and large, over three years old. But that is on the pro-active side. On the reactive side, the businesses that maybe turn and ask us an ad-hoc question will tend to be younger businesses. (15/se/4)

The age profile of Chamber membership can depend on the size of the Chamber. The smaller Chambers in the sample tend to have a higher proportion of existing businesses in their membership whereas, often in conjunction with SBG, the larger Chambers have a more even split between new starts and established firms. *Inevitably the majority must be established businesses.*(3/cc/4) The bias in Chambers remains with existing businesses but this is something that is being addressed, principally *...through the likes of Small*

Business Gateway and the organisation that delivers it locally... to encourage small starts to come into the Chamber.(4/cc/5)

To date, the findings show that BSO membership and clientele is varied and is not sectorally focused. It is broadly split between new starts, up to three years old, and existing businesses, with a bias towards the established firms, and encompasses both lifestyle and high growth firms. For some of the respondents, particularly the FSB, FPB and the CBI, the profile of their membership defines the very character and nature of these organisations, and membership profile is also used to channel the correct support to the right clients or members.

Once again, the age of member businesses is an element of member/client focus, helping determine the profile of BSO service consumers in Scotland. This is necessary to highlight whether or not there is a focus on either new starts or existing businesses, and that if there is, which BSOs attract which type of business; new or existing?

6.3 AWARENESS AND MISPERCEPTIONS

Research Question 2: The Role of BSOs
Main Theme: Members
Sub Theme: Awareness: Misconceptions
Code: Mem.Awe.Mis
Key words: Ignorance: Awareness: Misperception: Weakness: Funding: Confusion: Promotion: Formal

Key Points
Awareness of BSO's brands is good but businesses are confused as to what they offer
Entrepreneurs mark support as a weakness
There are too many agencies (or they are badly promoted)
Potential customers do not know which agency to approach and when
Agencies are poorly promoted at a local level
Many agencies put off clients through being too formal and business-like

The literature review highlighted that small businesses have a low awareness of the business support available to them, which is used to partly explain why many small businesses prefer to use other sources of support other than those of the BSOs, such as through local accountancy firms and the banks (Van Bussel, 1998; Bennett (1996, 1997, 2000, 2002); Austrian Institute for Small Business Research (AISBR), 2002). The interviews showed that small awareness of the individual BSOs is actually quite high, but rather it is the level of misperception that is more of a problem. According to one respondent from SE:

I think the biggest explanation is that companies feel that they do not need assistance; sometimes because companies do not feel confident about asking for assistance…they perhaps have the perception, rightly or wrongly, that we will not be able to help them. Some will be in blissful ignorance, thinking that they cannot make use of the service, thinking it is only available to big companies. (9/se/2)

It became clear, from the first few interviews, that awareness and perception of business support is at best, patchy, in Scotland. The message from the SE respondents is that their organisation has high brand awareness amongst Scottish business owners. As respondents explain:

Since we introduced Small Business Gateway two years ago, we have been tracking the performance of that in terms of brand awareness. Our recent survey suggests that it was the second best known after the Royal Bank of Scotland in terms of support for small business. (15/se/2).

Something that we are proud of is the awareness and usage of the SE system. For all the criticism we get, we have a higher awareness than our equivalents elsewhere. There is no economic development agency, literally anywhere, that has as high an awareness as we do. People often say that SE has twenty five percent to one third of the start-ups or five percent of existing companies, but if you actually benchmarked that against what is going on elsewhere, it is up there with the best and is certainly the highest in the UK. (9/se/2)

However, although it may have high brand awareness, SE, in particular, suffers from misperceptions as to what they offer and to whom.

The problem is not so much a lack of awareness, but rather a misperception of what is on offer. People will see us a source of grants, or officialdom, and perhaps will not recognise that the grants are a comparatively small part of what we do. (9/se/5)

The principal misperception of SE is that they ...*give out grants to people. (20/se/7)* and this leads to frustration when firms...*open the door and say, "give me some money".* (20/se/12).

The perception is that "I am not going to get any grants and so these people cannot do anything for me" (9/se/5).

SE respondents concede that changing this message and...*getting that message through*...(10/se/2) to the right people is difficult and challenging, but ...*we are trying our damnedest to change that* (11/se/2).

The main reason cited by SE respondents for the confused message which potential customers are getting, is the constant re-branding of SE services.

> *The re-branding hasn't helped, I do not think, because six years ago there were enterprise trusts, then it went to business shop, then Small Business Gateway and now we are soon to be changing to Business Gateway[15]. We still get people talking about enterprise trusts, so changing the brand three times over the last six years hasn't helped.* (10/se/2)

> *We still get feedback from surveys which suggest that people think the Small Business Gateway and Scottish Enterprise are different agencies, but that is changing.* (9/se/11)

Worryingly, for an economic development agency, some potential customers may be put off seeking Scottish Enterprises services because:

> *...one of the perceptions is that some people see coming to us as a mark of weakness. If you need help from a public body, then you are not as good as the entrepreneur who would not come near us. Also, a lot of our activity is targeted*

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[15] Business Gateway is scheduled for launch in July-August 2003

towards disadvantaged groups, so some of the more aspirational entrepreneurs

may not wish to be associated with the target group work. (7/se/10)

While this is not a view which was widely held by SE respondents, it is, nonetheless, an element of public agency service provision that should be explored further, since it is maybe possible that some potential customers feel that to ask for help is a weakness (AISBR, 2002). If this is true, then clearly it is a problem which SE will have to address; as Scotland's premier economic development agency[16], business owners need to feel that soliciting the help of BSOs is not a weakness, but rather an obvious advantage given the amount of information and knowledge that SE, and the other constituent elements of the BSN, can provide.

Clearly some period of stability is called for in SE circles in order for the message to sink in...*I think that most businesses say "they have got £20 or £30 million to spend, where is my share?* (10/se/2). SE perhaps suffers from historical precedents and the concept of inward investment, which is now being supplanted by a focus on indigenous businesses, but which will take a number of years to work through. This policy has its own weaknesses, and as an SE respondent explains: *There is the misperception that we are only interested in start-ups, and not in longer established companies. That is not true.* (9/se/10).

This point is further underlined by another Scottish Enterprise respondent who states:

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[16] Scottish Enterprise cover approximately seventy five percent of the business population in Scotland, compared to Highlands and Islands Enterprise which covers the remaining twenty five percent.

I think it would be good if everybody was absolutely clear about what Scottish Enterprise is, what we are here to do. I think that there is too many of them [business supports] for them to know. Some are more aware than others, but there will be thousands of others that do not know what is out there. (20/se/12)

The possible overcrowding of the business support environment was not a reason that the majority of SE respondents cited for misperceptions and low awareness (Bennett, 2000, 2002; AISBR, 2002). Chamber respondents, however, did feel that overcrowding was responsible for clouding the overall message received by small businesses in Scotland. According to one Chamber respondent:

There is a level of awareness I think...I'll probably never be satisfied that everyone knows everything about us, and indeed about the other sources of support out there. We might be seen as one of a number of business associations, and looked at in the Scottish perspective, that is probably true, I mean there is the FSB, the CBI, Scottish Enterprise etc. (2/cc/2)

This is a common theme from Chamber respondents - too many cooks spoiling the proverbial broth!

...there are so many services available from so many other different bodies (23/cc/3).

There are a lot of people out there giving help to businesses and it can confuse (5/cc/3).

The area of business support is perceived as being cloudy, in the opinion of Chamber staff, with too many organisations delivering similar services (Van Bussel, 1998; Bennett, 2000, 2002; AISBR, 2002). Indeed, according to Olsen's (1965) logic of collective action[17], too many members and too many interest groups competing for the same influence will reduce the effectiveness of the interest group in achieving or influencing policy change.

Awareness of the existence of the multitude of services appears not to be the root problem, but rather it is a question of perception and what the respective organisations actually do and what they represent.

There is a perception that Chambers of Commerce are for old businesses, not new. There is the perception that we are old fashioned. (12/cc/2)

The name 'Chamber' instils archaic perceptions; Stuffy boardrooms, wood panelling, leather clad furniture, cigar smoke and old boy's clubs. (23/cc/12)

The actual brand 'Chamber' is perceived by potential members as having certain traditional connotations that are not considered relevant in the modern business world. As with Scottish Enterprise's concern that customers see them only as a source of funding, Chamber respondents feel that potential members may see them as just an old boy networking club, with little relevance to their needs. However, unlike SE, which has substantial funding with which to address branding problems, Chambers struggle:

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[17] Mancur Olsen (1965) Logic of Collective Action. People will not participate if they can receive benefit from others' collective action. Also known as the free rider problem.

I do not believe that the Chambers of Commerce, and other organisations, promote themselves, or do not have the resources to promote themselves. (6/cc/5)

Independent organisations appear to suffer from the same problems as the public agencies and the Chambers network; awareness and perception. There is one particular distinction, which is that these organisations do not identify themselves as support organisations in the same way that SE and the Chambers do. They felt that the perceptions of small businesses with regard to available supports, is not of paramount importance, but rather they are seeking an awareness that they are representative organisations, who can, and do, achieve results on behalf of small businesses. None of the independent respondents felt that small businesses were unaware of their existence, preferring to concentrate on the confusion of small businesses towards other elements of the support environment; SE and the Chambers in particular. All were of the opinion that any confusion in the market place is largely the responsibility of SE, although they did concede that significant progress was being made on this front.

One independent respondent felt that small business perceptions of Scottish Enterprise were that it is *...too formal and stuffy* (19/ind/3) and that this puts businesses off. This is a point echoed by other independent respondents:

People do not know where to go for advice. I think it has to be more readily accessible than it is, and not the formality of a posh office. It has got to be someone who goes around small businesses, don't give him a desk, give him a pair of shoes, let him walk around businesses! People are not impressed by all

that formality. People do not know what services are available and they prefer to deal with someone they know. (21/ind/4)

BSOs suffer from a degree of awareness problems, but more importantly it is perceptions that remain the problem. SE maintain that awareness of their organisation is high, certainly comparable to household names such as the Royal Bank of Scotland, but that perception is what holds new clients back from accessing SE supports and services. This is partly due to constant re-branding and historical precedents, which saw inward investment projects receiving substantial cash inputs. Perceptions of formality and bureaucracy also stifle the efforts of SE to gain new clients. Chambers suffer from branding problems, particularly the name "Chamber", which is perceived by many as being old fashioned and conservative. Independents feel that awareness of the individual organisations is sufficient, but that perceptions of what is offered by BSOs and what their role is, is clouded.

Awareness and perception of BSO services is one which impacts directly on the relationships, both intra-BSO and between their customers/members. In line with the first and second stated research aims, actually developing a relationship with a small Scottish business would appear to be the main problem, as they have a fairly poor perception of what support services are available, despite there being good brand awareness for the BSOs themselves. If BSOs are unable to change these misperceptions then developing inter-BSO relationships with small businesses will be more than a little challenging.

6.4 SERVICES AND SUPPORTS

Research Question 2: The Role of BSOs
Main Theme: Members
Sub Theme: Service and Supports: Types of Support
Code: Mem.SS.Typ
Key words: Tangible: Intangible: Information: Web: Phone: Face-to-Face: Training
Advice: Parity: Professional: Duplication: Service Purchase: Business Therapy:
Empathy

Key Points
Information is the most important support, especially for lifestyle and new starts
SE offers parity of service around the country which equates to systematic approach
SE customers can access any support available from SE Network
SE advisors are fully trained. CC and Ind advisors use only their experience
Lifestyle businesses are more easily serviced over the phone or Web
High Growth businesses need more face-to-face service support
Chambers prefer direct face-to-face support offered locally. Local autonomy = varied service
Experience is vital to success of Chamber and Independent advice
Experience of businesses people can be used to give business therapy/empathy
Independent BSOs focus on representative function and provision of information
BSO environment provides full range of required services, but is poorly signposted
BSOs limit amount of duplication but lack high levels of co-ordination

Perception of services and supports available to small businesses in Scotland, is varied and in some cases, wide of the mark. Small businesses, according to respondents, are not aware of the full extent of services offered by BSOs, and do not know what is offered. This corresponds to the existing literature, for example, Van Bussel (1998), Bennett (1996, 1997, 2000); (AISBR, 2002). From the data, misperceptions lead to unrealistic expectations of what they will get when they interact with a BSO. This often ends in disappointment, for example, when a business finds that it will not be getting the grant that it wanted.

In line with the second stated research aim pertaining to the role of the BSO, it is clear that service provision is the most important function of the BSO. From the interviews it

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has become clear that there are four distinct types of service provision, which fall in to the categories of tangible and intangible, as illustrated in table 6.3.

Table 6.3: Types of Services

Tangible	Intangible
Direct	Representative
Passive	
Subsidiary	

There are three types of tangible services and one intangible that are provided by BSOs to the business community. The tangible elements are direct, passive and subsidiary and the intangible is the provision of representation. Of these four types of service, it is not immediately clear which ones are the most important to small business since the uptake of these services is dependent on which BSO is providing the support. The subsidiary element is less utilised than the other three, as the independent BSOs are much less likely, if at all, to provide this type of support. These findings extend the current literature through explicit classification of BSO services in Scotland. The extent to which these findings may be generalised is not clear and should form the basis of further exploratory research.

The first of the three categories, direct services, include networking events, such as intensive one on one advice and seminars. These types of support often require the member or customer to be present, meaning that they may have to travel or make time in a busy schedule in order to attend. The second category, remote services, is delivered over phone lines and through the Internet, both email and the World Wide Web. These types of services require limited action from the recipient and are available on demand, or

during office hours. The third type of support, subsidiary services, consists of services that are actually delivered and consumed externally, but are facilitated or organised by the BSO. Services such as training, where a Chamber organises the training for the member(s), then the training is actually delivered by an external agency, essentially 'third party' support.

The fourth type of support, representation, is no less important than the first three, but it is more of a long-term benefit for a wider range of businesses, and is the stated raison d'être of the CBI, FSB and the FPB.

The nature of what makes a client can also differ, depending on which organisation is accessed. Whilst those businesses wishing to use the facilities and services of a Chamber or independent organisation must become a member in order to do so, companies wishing to use the services of SE need only enter their website or pick up the phone in order to benefit. Thus, the customer contact enjoyed by SE might include companies whose only interaction with SE is through a remote website. This allows passive support for companies who may only wish to get answers to simple questions or simple guidance on regulation or legislation. Passive support enables limited numbers of staff to direct their expertise towards companies that really need more intensive and focused support in order to grow and ultimately to contribute to the Scottish economy. As one SE respondent states:

> ... *We like the Web as a delivery tool, because people can get more out of that without putting too much demand on our staff.* (9/se/12)

In the case of SE, the passive support is more often than not directed at lifestyle businesses, whereas the intensive support, such as client and account management, goes to those companies that will give something back to the economy, the high growth or high growth potential small firms.

I am a great believer that information is one of the best things we can give our customers. One thing I have learned about entrepreneurship is that it is about knowledge and information and that providing information, in the correct Sense of the word, is a bureaucratic process. Then by definition, bureaucracy, in the Max Veber sense of the word, is well placed to deliver that information. (9/se/3)

One of the key currencies in economic development these days is information and all businesses can seek and value information. (15/se/4)

This information is delivered over the Web and over the phone, most often through the Small Business Gateway, and through seminars and direct contact with advisers.

What the public sector is really good at is the boring foundation parts of the business. (9/se/4)

We can help them raise awareness about things they might need to know about, it depends on the company and how active they are in finding these things out for themselves. (20/se/1)

We can advise them and give them free support, training courses, talks from the taxman, the V.A.T. man, marketing and business advice and business information. (11/se/2)

We have our information service, which is market research for all our clients, the start-up activity and the growth activity, which is mainly for existing companies. (7/se/1)

A central theme to the SE support and service provision is that they...*are a national product, so all our offerings are the same, and all are free.* (7/se/15) Thus, a business in Dundee should get exactly the same service as one in Glasgow or in the Borders. The network of LECs and SBGs should allow a parity of services around the country.

The reason that LECs were set up is that local business people can come in and say "this is what we need". It allows local autonomy but the MSPs did not want a case of say, down in Glasgow you have Dunbartonshire and Renfrewshire which share a border. MSPs did not want the case where people on one side of the street get so much help and those on the other side get less or more because they are in a different area. They want everyone to get the same thing. (10/se/12)

This homogenising of the SE system reduces some of the autonomy of LECs and SBGs, as they have to deliver certain products on a national basis, but it provides a systematic approach to business support that can be recreated in any part of Scotland.

Things are now clearer. There are fewer products out there we would duplicate, although that is still a long way from being fixed. We have not been doing it for long enough and it is probably only over the last two years that we have got a standardised system. (9/se/11)

The autonomy of LECs from the Scottish Enterprise Network will be further explored in the following chapter, including discussion of the SE network.

This homogeneous system is also particularly suited to passive support, in that a client based in Dundee can phone a central helpline, which might be based in Glasgow but has national coverage, in order to get information or advice on a particular business problem.

When you phone up, your postcode is noted so that when you call for help from an adviser, you get one from your local area. That adviser is aware of all the advisers in Scotland, so if he needs help, he can search the network for particular sectoral expertise (7/se/4).

Similarly, the web based approach gives exactly the same flexibility, and both delivery mechanisms save resources, both in terms of staff and money. This passive approach is something which SE respondents see becoming more popular (Small Business Birth Rate Strategy, 1993).

If you were to go out and do a survey of the business community, the vast majority would still want to have face-to-face meetings, no question about that. If you do the same survey in twenty-five years time, it could easily be the reverse. (15/se/8)

The intensive, high growth oriented, support available from SE is delivered by trained business advisers (Danson et al, 2000; A Smart Successful Scotland, 1999).

All of our advisers go through an accredited programme called "Premier Adviser". It is run through Scottish Enterprise and it is a ten or eleven month programme which all advisers go through to have their advisory skills accredited, and it is quite detailed. We get a lot of people from the financial industries, people from trainers, people with business experience, quite a mixture, but no matter how experienced they are they still have to go through the accreditation programme. (7/se/16)

These advisers build relationships with clients, helping them achieve their growth goals and enabling them to secure their own future prosperity. This relates to the entrepreneurial dimension of network theory (Aldrich and Zimmer, 1986; Aldrich, et al. 1991; Burt, 1992; Gabbay and Leenders. 1999;Hansen, 1995), which will be discussed in detail in the next chapter. From the findings it is also apparent that the client and account management systems benefit from the centralised SE network, in that if an adviser does not know the answer to a question, or is unable to help with a particular area of the business, then he or she is able to contact advisers elsewhere in the system, and draft them in to help or at the very least, get a different perspective to the problem. The importance of cooperation within the SE network is a key aspect of the supply chain dimension (Cooper and Ellram, 1993; Morash and Clinton, 1997; Ellram and Edis, 1996).

SE does not see itself as offering representative support to clients because as a public, quasi-government agency, they have a conflict of interest when representing to ministers and government officials.

We are not a lobbying organisation; we believe that is best left to bodies like the FSB. We represent small business to an extent that we want to support them; we want to help them grow. We would, for example, encourage a minimisation of red tape, but on the other hand, it is not our role to urge on taxation policy or health and safety policy or what have you. We would see that as best being delivered by representative bodies. (15/se/5)

SE does, however, provide a representative option for small business, in that it deals with them on a day-to-day basis, and so sees the myriad problems that affect these firms. In that respect, and given its almost unlimited access to government officials, Ministers and other policy makers, SE is able to communicate these problems from a coalface perspective. The author would contend that this constitutes representation of business interest, even if it does not involve explicit lobbying behaviour, and thus SE is a justifiable element of the hypothetical BSN structure.

The Chambers offer direct, passive and representative support to their members, who, unlike SE, have to join (in most cases) in order to make use of them, although once the membership subscription has been paid, many of the supports are... *free of charge or significantly subsidised.* (12/cc/3) The passive element is confined to the occasional telephone helpline, for example legal advice, and individual Chamber websites, which are largely confined to posting notice of Chamber events and services, survey results any

news that may impact on members or the Chamber itself. These web sites are not utilised in the same way that SE uses the technology, and this is because direct support and representation are the mainstays of the Chamber organisation, and both are unsuitable for delivery over a web-based platform.

> *At the moment, the incentive for people to become members [*of the Chamber*] is having an organisation that represents them, links them and promotes the area.* (4/cc/10)

This quotation sums up the Chamber service in a nutshell: networking, representation and local community ties. As with SE, the direct support offered by Chambers takes the form of training, business advice, how to get funding and the like. There are two principal differences; firstly, Chambers have a more direct focus on networking, building personal and business networks to expand business opportunities, and secondly, the Chamber 'network' is not centralised and controlled through a hierarchical structure. Rather it is an affiliation of organisations, accredited by the Scottish Chambers of Commerce, which is itself accredited by the British Chambers of Commerce. These organisations in turn share a background and significant links with the World Chambers Network, linking Chambers of Commerce from all over the world.

The implications of affiliation and accreditation are that a certain level of service is expected from member Chambers, but what those services actually are is not controlled or specified. The level and range of services largely depends on the size of the Chamber, which is more often than not determined by the size of its membership. All of the Chamber respondents provide networking opportunities as standard; business breakfasts,

lunches and dinners, allowing business-to-business contacts to be built and/or strengthened...*A lot of them join us because they want access to other businesses.* (12/cc/2) These events are sometimes attended by politicians or local government officials, and are in fact even sponsored and run by local government on occasion, which will be further explored in the following chapter when network relationships will be discussed. The Chamber of Commerce structure aligns itself with the industrial marketing approach within network theory (see for example, Håkansson, 1982, 1987, 1989; Axelsson and Easton, 1992; Håkansson and Snehota, 1995; Moller and Wilson, 1995). According to this perspective, business relationships can be seen as having different substance as well as different functions (Håkansson and Snehota, 1995). The substance of relationships is viewed as having three different layers - activity links, resource ties and actor bonds – which characterise the function of the relationship between actors. These actors include different levels of government and the various elements of the Chamber network, for example.

As the tagline goes *"Membership has its privileges"* (American Express, 1987), and the Chambers of Commerce are no different. Membership of the Chamber bestows a range of member perks and provides alluring incentives for potential members to join up. Assuming a prominent place in the local business community and with good representation of professional services within the membership, Chambers should also be able to secure additional benefits for members; reduced rates for financial services, for example.

We should be able to use aggregation advantages. We should be able to purchase services on their [the membership] *behalf, cheaper than they could do it*

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themselves. We ought to be able to buy a whole range of business services;
insurance, vehicle leasing, professional advice, a whole range of things (12/cc/2).

Other services provided by Chambers include export advice, and the issuing of relevant documentation for that purpose, such as certificates of origin and Small Business Gateway services, as contractors to SE. Other examples include; information on legislation and taxation issues; health and safety, V.A.T., property, data protection and debt recovery for example, training and *"business therapy"* (4/cc/4). One Chamber president saw one of his Chambers' major roles as providing a reciprocal sounding board, for new members, and new starts, in particular.

My own personal view is that the Chamber of Commerce, and other business
organisations that I have been involved with over the last ten years or more, is
that they have given me contacts to other people with similar problems, similar
baggage. You know, a problem shared is a problem halved, sort of business
therapy if you like. I genuinely believe that a good solid Chamber of Commerce
can give support to small businesses, especially if you are a one-man show. It is
very helpful being able to discuss things with other people; there is a lot that you
can read in books, but in the end it comes down to hard experience. Speaking to
someone who has won the t-shirt is invaluable. (4/cc/4)

They need to be part of a body that is empathetic to them on a personal basis,
because if we are with our Chamber members, we are almost giving them
personal motivation to keep going, and they will grow their business and they will
grow the economy. That is what we do. (23/cc/3)

Being local, and part of the business community, makes Chambers ideal for this sort of service, and if experienced business people deliver it, then it could prove to be as invaluable as any other service provided by BSOs. Indeed, for some of the smaller Chambers, this is the only service, aside from networking events, which they provide:

> *...we do not feel that it is appropriate for us to be a delivery organisation, because you then become hamstrung due to commercial constraints. We may facilitate but we are not going to deliver.* (4/cc/7)

This standpoint has more than a little to do with resource constraints, as most of the smaller Chambers have very few staff, and some are completely voluntary. Larger Chambers can devote staff to organising training and similar activities, and so these are viable services. For the smaller Chamber, membership subscriptions have to be made to count, to be value for money, as there are little other sources of funding available to them. One way of offering training and similar services is through the affiliation process; smaller Chambers form alliances with larger Chambers to provide, jointly, a range of services for both memberships. This maintains the autonomy of the smaller Chamber from the larger one and simultaneously increases the turnout at training events and shares costs. Danson, Deakins, Whittam and Fairley (2000) contend that this variety in Chambers of Commerce leads to an uneven spread of services and influence across Scotland. Thus, smaller Chambers in particular need to build and maintain activity links, resource ties and actor bonds (Håkansson and Snehota, 1995) in order to maximise their benefit to their members. This resource sharing will be further discussed in the following

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chapter in the context of possible network relationships for co-ordination and exchange within the business support environment

Independent respondents have representation as their principle service:

> *Our core business is lobbying. I think compared to other the other various organisations that you are talking to, we have more of a core focus on lobbying. Chambers, for example, run a lot of training and export stuff for their members. We do some of that stuff but lobbying is basically what we do with most of our time.* (19/ind/3)

This viewpoint is similar for the other independent organisations, except Deloitte and Touche, who offer hard business services; raising funds, management consultancy, financial consultancy and other similar products designed to grow businesses that have the required potential. These organisations also provide legal help-lines and other similar services, and in some cases will even provide legal aid and lawyers, in order to defend members. In common with SE, the independent organisations provide the ever important commodity of information:

> *It is our job to know exactly what is on the horizon, business prospects or legislation which might affect small firms or what is going on in Brussels. Although we have only got a small base here in Scotland, at our headquarters in London, we have got about seventy policy experts. So if I get a company that rings me up and says "we have discovered asbestos in one of our boilers at the back of the factory, can I be prosecuted?", I might not know the answer, but I will have a*

colleague down in London who will know everything there is to know about the UK law on asbestos, so I can say "right, here is a number for you to call, so that you can get some advice". That is free with the membership. A big business might have people in its employ that will know the answers to these sorts of questions, whereas a small business could waste days ringing up people and not really knowing who to ask. So lobbying is our core business, but for some small firms our work in information is maybe as important! (19/ind/3)

Most of the services provided by the independents really will only have a benefit once the member is employing people, the exception to this being the FSB. The CBI, for example only has self-employed members through the affiliated membership of the Trade Associations, such as the National Farmers Union or the Scottish Retail Consortium. Individual business members must have at least one employee. In the case of the FPB, however although they do have self-employed members, some services such as assistance on employment law and health and safety legislation only apply to those businesses with employees.

This may contribute to the low membership of the FPB in Scotland, as according to the latest FSB survey "Barriers to growth and survival" (FSB, 2000, p.14) almost 200,000 of the 300,000 business in Scotland, are "sole traders or partnerships without employees", thus cutting the potential membership to less than 100,000 firms. If the non-private businesses are removed, this number becomes even smaller. However, this may make the FPB more representative of its membership target.

The service provision of BSOs is central to their role as purveyors of useful, or vital, as BSOs would argue, supports. The role of the BSO is never as clearly defined as when analysing the services that it makes available to the small business community in Scotland. For this reason it is imperative that the types of services are fully understood, and that as a small business, it should be easy to see where to go for what support. As BSOs target certain types of firm, especially for high growth services, so small business should be able to target the BSO that they feel provides the highest level of utilisation and the most appropriate supports for their needs. This is especially true if a firm has to pay a subscription or other fee in order to make use of the BSO in the first place.

The role of the BSO in this case is important to the next section, as it determines why members or customers might use a particular service and why they may, or may not, extend their membership subscriptions.

6.5 MEMBER RETENTION AND SERVICE UTILISATION

Research Question 2: The Role of BSOs
Main Theme: Members
Sub Theme: Services and Supports: Utilisation
Code: Mem.SS.Util
Key words: Apathy: Retention: Frustration: Time: Involvement: Low: Value for Money

Key Points
Many small business owners do not have enough time to make use of services
Those that do join agencies are often apathetic and do not make use of services
Low utilisation rate amongst members encourages frustration
Applies mainly to Chambers (SE are not a member organisation)
Independent organisations expect lower involvement from members
Low value for money. Members do not value some services (SE is free)

The inter-BSO relationships built and maintained by the constituent organisations have a huge bearing on how well supports and services are received by customers and members.

Bad relationships between clients/members and BSOs will adversely impact on perceptions of, and delivery of, support services, and poor communication relations will most likely result in services which businesses do not want or cannot use. These problems illustrate the importance of cooperation and teamwork between BSOs as highlighted in the Supply Chain literature (see for example, Cooper and Ellram, 1993) and the industrial marketing network approach (see for example, Håkansson and Snehota, 1995)

Delivering services to members and customers that they will actually use, is somewhat tricky in Scotland as the majority of respondents cited that: *there has been a degree of apathy amongst businesses* (4/cc/1) and that this is seen as a major stumbling block to effective service provision. Clients, who use Scottish Enterprise's passive support systems, whether it is on the Web or over the phone, are not obliged to continue using the service. As no fee is required and there is no limit to the amount of passive support that may be consumed, especially on the Web, customers can take what they feel they need, any time they need it.

Only one respondent would cite the retention rates of his organisation, a large Chamber of Commerce. He revealed that: *we lose about fifteen percent, but we are recruiting fifteen percent* (12/cc/7). This respondent also revealed that new start members often get to the end of their first year and having grown in confidence and having become a different animal, decide that they no longer need the services provided by the Chamber, and so refuse to renew their subscription. Or, they may have gone out of business and therefore no longer need to use business support! If a member joins and stays for three years, then the respondent felt that the firm would retain its membership for longer.

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Members may join organisations, such as the Chambers of Commerce, pay the subscription fee and then, having not used the services provided, refuse to renew their subscriptions because they feel there is no value for money. The majority of Chamber respondents stated that only about a third of their memberships were active within the Chamber on a regular basis. Whilst this is not as serious in larger Chambers, such as in Edinburgh, which have memberships in the thousands and can thus fill their events with a regular core of four or five hundred businesses, the smaller Chambers may have as few as 70 members, and thus only 20 or 25 regular users.

We put on events that we think are going to be good events, ones that we think are going to be of interest to them, and then very few people turn up. It gets frustrating at times. (1/cc/3)

Some people we never see, others we see once a year. I would say that we have one third who respond, and come to lunch meetings or evening meetings, or will write in...but those who come in and talk to us do not seem to have any problems.(2/cc/5)

Apathy is not the only problem for Chambers:

If you are running a small business, particularly in retail or a trade, we know that they have great trouble in making use of the Chamber services. They can't easily come to events. For instance, there is a guy who runs a photographic shop who is a member and he never to comes to anything. I use him as a case study because I

get my photographs done there, but I never see him at events because he says he just cannot leave the shop. So he is unable to take advantage of some of the services that we provide. (12/cc/1)

In one of the independent organisations, this would not be a problem as their support services are mainly passive, and members do not necessarily have to be involved to gain benefits from the representative services that they provide. Similarly with SE, excepting the high growth customers, small firms do not need to make time to go to the small business gateway for advice on the whole, they can do it from the comfort of their office desk. This problem of time was only really cited as a problem by Chambers, of all sizes, and if direct support in the form of networking events is the principal role of Chambers in Scotland, then there is clearly a predicament. If these services, which are aimed at strengthening the business community, are unable to be consumed by the membership, then either the members are in the wrong organisation, or the Chambers are not delivering an effective service.

Compulsory Membership

Research Question 2: The Role of BSOs
Main Theme: Members
Sub Theme: Compulsion: Gratuity
Code: Mem.Comp.Gra
Key words: Bureaucracy: Low Value: Selective

Key Points
Compulsion only adds bureaucracy and red tape, despite French and German models
Chambers are selective in offering free membership
Free membership is not valued. Something for nothing breeds only apathy
Better to offer discounts on membership

The issue of compulsory membership (to ensure participation by all businesses in an area) was one which was largely dismissed by respondents. Other European countries

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such as France, Germany and Italy have legislation which forces all businesses to join their local Chambers of Commerce, (see for example, Bennett, Krebs and Zimmermann, 1993; Waters, 1998a, 1998b, 1999). In this study most respondents felt that compulsion should not be pursued, supporting Waters (1998a, 1998b, 1999) argument who found that compulsory membership of business associations does not increase the efficiency of these organisations, and in fact, seems to have the opposite effect.

One Scottish Enterprise respondent sums up this general view;

I do not think that compulsion is something that works in small business. I do not think that we should make anybody do something that they do not want to do and I certainly do not think we should make them use government agencies. They have got enough compulsion with tax and regulation systems, so the service has to be good enough to stand up in its own right, and we should never make people join. (9/SE/2)

This view is the most widely held amongst respondents; that compulsory membership does not solve the problem of service consumption, it just adds another layer of bureaucracy that has to be dealt with in the same way tax and regulations have to be dealt with. Not conducive to encouraging businesses. There was, however, a dissenting voice.

One Chamber respondent felt that compulsory membership would be a useful method of attaining a single business voice, a way of strengthening the message to small businesses about who offers what to whom.

We cannot meet everybody's criteria, and because it is not mandatory, because

there are other business representatives out there that offer what seem like the

same services, there is a mixed message. (23/cc/2)

Free Membership

Research Question 2: The Role of BSOs
Main Theme: Members
Sub Theme: Compulsion: Gratuity
Code: Mem.Comp.Gra
Key words: Bureaucracy: Low Value: Selective

Key Points
Compulsion only adds bureaucracy and red tape, despite French and German models
Chambers are selective in offering free membership
Free membership is not valued. Something for nothing breeds only apathy
Better to offer discounts on membership

SE is already free, but Chambers' of Commerce have to be joined, and depending on the

size of business, this could cost anything up to several hundred pounds. So what if

potential members were offered free membership? One year's free membership to every

new start business, for example. Several of the Chamber and SE respondents mentioned

schemes which saw new start customers in the Small Business Gateway, receive one

year's free subscription to their local Chamber, courtesy of Scottish Enterprise.

Respondent (9/SE) argues that services must stand up in their own right, that customers

or members must see the intrinsic value in the services provided for them:

We have tried to do these schemes in the past to get them to join, by giving them

the first year's membership free. I think we have made the decision not to do that

anymore because it was not working, because they were not coming along.

(4/cc/5)

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We used to have a policy of offering free membership for all of them, so that if you start at the gateway you got free membership for a year. But we found that a lot of them were not using it, a fair chunk of them do not last, so you have lost money by servicing them for a year. It is the old thing about, if something is free, do you value it? Would it be better to offer them free membership for a year, and we don't chase them and they don't use us, and then every year we send them the bill? They will say "I have never been to anything". Now that is worse than not offering them anything at all. So we are more selective now, we offer free membership to those who we think have got a good chance of survival, and an element of do they look like the sort of company that would benefit from us? What we do is we offer them free membership for a year, they fifty percent the next year, and a hundred percent the year after. (12/cc/6)

I think it is strange; if you give somebody something for nothing, it is valueless! We find it is better if they feel they are paying a wee bit for it. You can say "this would normally cost you forty or fifty quid, but we will give it to you for twenty", they think they are getting a good deal and value it more. Whether they use the services after is another matter! (2/cc/3)

Free, and compulsory memberships, do not appear to stimulate consumption of services; rather they seem to induce further feelings of apathy, and worse still, perceptions of the service being almost worthless. The successful free membership schemes mentioned by respondents either include some measure of careful targeting, as with respondent (12/cc) or discounted membership packages, as with (2/cc). Other schemes have been abandoned

all together as being ineffective and a source of unnecessary costs in an already resource constrained environment.

This section addresses the first and second of the stated research aims, relating to the relationships of the BSO, both endogenous and exogenous. It is clear that poor, or badly researched, service provision will result in low member retention as well as poor service consumption. Free or compulsory memberships do not meet with favour from the respondents on the whole, and do not appear to be viable incentives to promote membership/client retention or increased service utilisation. Services must be correctly targeted to the client/member base, and most importantly, these services must be valued by consumers, or they become valueless themselves.

Significance of Geography

Research Question 1: Member/Client Focus: Research Question 2: The Role of BSOs
Main Theme: Members
Sub Theme: Services and Supports: Location
Code: Mem.SS.Loc
Key words: Not Significant: Contractors: Researchers: Local Variation

Key Points
location is not a significant factor for service delivery
Service can be delivered on a subsidiary basis through contractors
Representation is not affected, especially for independent organisations
Rural areas are more likely to experience problems than urban areas
Member apathy breeds frustration on behalf of advisors

In the review of the literature, geography was an issue that was presumed, by the author, to play a crucial role in the delivery of services to members and customers, as shown in figure 3.1. Danson et al (2000) also suggest that the rural nature of many BSOs leads to them being less effective through smaller resource and membership pools. However, the majority of respondents did not share this view:

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I do not think there is a significant geographical pressure on us (3/cc/5)

That [geography] is not an issue, because we have the Local Enterprise Forums. (9/se/10)

When we are working with existing companies to help them grow and develop, they have account managers who visit them, so it doesn't matter where the customer is. When it comes to business start-ups we will take the services to their area...we will give them a selection of places where they can come to a seminar. So geography is not really a problem. (20/se/5)

If it is a business who has contacted us and they are saying "we want to export or whatever, can you give us help?" then we will go out and see them. So the advisers spend an awful lot of time out of the office. (11/se/7)

Respondents indicated that by using advisers and contractors who could make personal visits to clients, the limitations imposed by geography could be overcome. It should be noted, however that these services tended to be for high growth firms rather than life style companies. Chambers use their affiliation system to share the burden and to extend the representational capacity. Larger Chambers act as a hub, whilst the membership smaller Chambers get rebates on membership to the larger Chamber, thereby having access to potentially a much wider range of services. This will be discussed in further detail in the next chapter.

None of the independent respondents regarded geography as important, and with the passive nature of their support package, members are not required to travel to consume services. The FSB has four Scottish regional offices: West, East, North East and Highlands and Islands, each divided into local branches which it uses as sounding boards and as a means of developing member interests both at a local and national level. The FPB uses researchers and forum representatives to ensure geographical compatibility, and again the passive nature of its supports lends itself to traversing geographical boundaries.

The CBI uses its association members to communicate directly to their own memberships and then uses them as a proxy for the 25,000 association members that it covers. It only has one office in Scotland however and the respondent felt that although the lobbying capacity to represent members was not hindered, the ability to get out and meet members as regularly as they would like to, was. However, this was felt to be a suitable trade-off to keep membership fees as low as possible whilst focusing on the core, lobbying role.

Only a few respondents agree with Danson et al (2000) that geography was hindering their service provision to the real detriment of their customers or members:

Yes it does hinder us. That [geography] is something that the Chamber should be looking at more. It shouldn't hinder it, we should be able to access any of our Chamber members and be able to represent them anywhere. (23/cc/5)

The difficulty comes in rural areas, in that there is an extra cost for us. Within an urban setting, because you have got a bigger concentration of organisations, it is easier for us to reach them and to work with them, there is much more

opportunity for contact. In the rural context you might be talking about somebody being an hour's drive away or even further, so from that point of view we have difficulty in terms of being able to provide the same type of intensity to them that we do in urban contexts. (16/se/6)

We cover about 94 percent of the population, and yes there are local economic circumstances that vary from area to area. Hence we have this devolved network with Scottish Enterprise, the Scottish Enterprise Network. (15/se/4)

These respondents have revealed that geography can play an important role in how supports are delivered and consumed. Finding the correct mechanism to deliver support at a local level, both directed from a national level or determined locally, can be hindered by the proximity of businesses to the support organisation's premises. ...*If I am honest, the direct one-to-one contact, if you are out of the city centre, is a bit short changed* (12/cc/7). Certainly an adviser can only fit in so many clients into a day, and if he or she has an hour's drive between appointments then not many clients will be seen and perhaps that is not the most efficient use of an adviser's time? According to one SE respondent...*95% of the area that we cover is classified as rural, in terms of how the Executive classify it.* (16/se/6) Clearly rural areas, in line with Danson et al's (2000) findings, will suffer more than urban areas although...*the reality on the ground is that we do offer the same services in rural areas as we do in urban areas...it is just the practicalities of delivering in terms of the resources we have to deploy in these areas* (16/se/6).

This may have something to do with what the next respondent has to say. Apathy is maybe playing an important part in the delivery of services and the geographical resources constraints associated with that delivery.

The difficulty I have with representing members' interests is that they don't tell us what their interests are. They are not clever at that for some reason. Whenever I go out looking to them for a response from them, it is not a big response, but I do not have any difficulty in getting out to them. (2/cc/3)

Geography was thought to play an important role in the business interest group conceptual model presented in chapter three, but this has not proved to be the case. Geography can be analysed within the context of the second research aim, the relationships of the BSO, as it potentially has a bearing on how effectively BSOs communicate with members/clients, and how services are delivered. In this respect, the geographical issue, in respect of the urban/rural divide, may impact on the ability of BSOs to deliver their services.

6.6 MODES OF COMMUNICATION

Research Question 2: The Role of BSOs
Main Theme: Members
Sub Theme: Communication
Code: Mem.Com
Key words: Feedback: Apathy: Web: Phone: Face-to-Face: Third

Key Points
Chamber feedback and response from members is low, only a third regularly reply
Members and customers are apathetic and so response rates suffer
SE and independent BSOs do not experience significant response problems
SE use an external agency to ensure independence of feedback
All agencies are starting to use electronic media to increase response rates
Web sites can be used to great effect in keeping membership fully informed of developments
Direct face-to-face contact is a better way of getting response but is resource dependent
Lifestyle members/clients may have less opportunity for direct feedback, especially in SE

Having established a customer or membership base, which could be anything from 60 companies upwards, there exists the logistical difficulty of communication between the BSO and those it seeks to support. So how does a BSO communicate with its member companies? Getting in contact, through the Web, email, facsimile, flyer, newspaper advertisement or letter maybe fairly easy and straightforward, but getting a response is an entirely different matter. The most important point that was raised by the majority of Chamber respondents was the question again of member/client apathy in terms of replying to and communicating with BSOs. The Chambers have significant problems getting feedback from members:

> *We do try to generate feedback from our members. However, you can lead a horse to water but you can't necessarily get feedback from it* (1/cc/3).

Despite the amusing mixed metaphor, this quotation sums up the general feeling of Chamber respondents with regard to the two-thirds of their membership who are not responding to the communications from Chambers.

It is very difficult to gauge what our members want us to do. If our membership is sitting at seventy or seventy five, maybe a third of them are active members, i.e. ones that we are in regular contact with. Getting feedback from members is very difficult. (1/cc/3)

Not many people come in and see us as would have done twenty or thirty years ago, but there is still the opportunity there. (5/cc/5)

The independent organisations and Scottish Enterprise do not appear to have any particular problems in getting feedback. In the case of the FSB, CBI and FPB, part of the motivation for joining such a representative group is to have your opinion heard, and thus members of these organisations are often more keen to reply to postal surveys and telephone calls than other businesses. Scottish Enterprise use external agencies to monitor their performance and get feedback from customers:

We have a very good customer care initiative, and we use an external agency for that, to evaluate our performance on behalf of our customers using monthly reports. And they will mystery shop to make sure we actually meet our performance targets and objectives...They will also talk to a selection of all our clients once a month, and say "what do you think of that?" "How can we improve

this?" it all builds the credibility of our organisation. We also have comment

cards at every meeting, workshop and advisory meeting. (7/se/8)

By using an external agency, SE believes that its credibility will be enhanced, as it is being independently critiqued each and every month. None of the SE respondents were unhappy with level of communication with clients. One Chamber client cited electronic communication as the way forward in improving response rates from Chamber memberships.

Roughly about 60 or 70 percent of our communication is now by electronic

means, it is actually slightly higher if you take out our bi-monthly newsletter, and

we have a series of emails to tell people what is going on and to ask their

opinions on certain issues. I think it is about ninety percent of our members that

use email on a regular basis. There are some who are very resistant to it, but that

is now our main communication method. (5/cc/5)

Email is now being used by support organisations to encourage a higher response rate from members/clients. SE clients already use email to communicate with advisers and to get information, and Chamber members, too, are becoming increasingly comfortable with this medium. Several of the Chamber respondents felt that it was important to have web sites to allow a further form of communicating with members, for example using member online discussion forums. Web-sites are also being used, in conjunction with the more traditional monthly magazine, to keep members up-to-date with local business news and upcoming issues which may affect them, such as the fireman's strike.

We have a web site up and running, and there is an area on that where they [the membership] *can let us know what they feel about certain issues and we can let them know what we are doing.* (2/cc/4)

However, electronic forms of communication will not take the place of direct contact with very support provider.

E-mail is only used for communication, sending things back and forth. I do not think that it is a medium for servicing clients. (24/ind/7)

This respondent targets high growth companies as clients and the supports he delivers use a more direct, one on one approach. Both he, and his organisation, are acutely concerned with the process of client feedback, in order to assess whether the organisation satisfies client aspirations.

It is very easy to be blinkered and to say, "well, that is what the client wants." How do we know if we haven't asked them? ...We use a mechanism similar to what you [referring to the author] *are using. We sit down with the client and talk to them.* (24/ind/6)

Clearly, email is not going to be used by this respondent for anything more than simplistic communication with clients, for example, setting up appointments or organising networking friendly events. These occasions in themselves provide plenty of direct contact, and selling opportunities. His is a lone dissenting voice, for now, because

as email takes off, and more and more business people are adopting it, it will probably begin to supplant more traditional, and more expensive, methods of communication.

The issue of communication modes is addressed in the context of the second research aim, the relationships of BSOs, as it clearly has an impact on how relationships are developed and maintained, and how successful they might be. This issue may also have a bearing on the first research aim, as successful communication with clients/members is imperative if BSOs are to understand what their consumers want and need, and indeed, who their customers are. This links to the next section, dealing with communication between BSOs and members/clients, in constructing and furthering the aims and objectives of BSOs.

6.7 SETTING THE AIMS AND OBJECTIVES

Leadership or Representation

Research Question 1: Member/Client Focus: Research Question 2: The Role of BSOs
Main Theme: Members
Sub Theme: Leadership/representation. Setting the Aims and Objectives
Code: Mem.AO.LR
Key words: Representation: Leadership: Member-Led: Experience

Key Points
Chambers rely on their own experience to lead members except for very important matters
Independents are fully member led
SE is fully committed to leading customers and does not recognise a representation function
SE does fulfil a representation function on behalf of businesses in the government arena
SE splits local and regional development matters from national development matters
There is no joined unified approach to setting aims and objectives across BSO environment
Unification of approach occurs only within the organisational boundaries
SE is mostly led by the Scottish Executive in setting its aims and objectives

Do BSOs lead or represent their members/clientele? Grant (2000) argues that it is the larger actors within a BSO membership which in fact influence the agenda, to the detriment of the smaller members. However, Chamber respondents were not so sure if they do not both lead and represent simultaneously, SE are adamant that they do not represent clients but will admit to leading them in the spirit of economic development, whilst the CBI, the FSB and the FPB are member-led from back to front. Deloitte and Touche supply only leadership, offering support and guidance based on this management principle. This concurs with Baggot (1995) who contends that BSOs operate in their own self interest although he counters this by claiming that BSOs will circumvent any problems in this approach by representing a wide range of topics to the membership.

The issue of representation and leadership drew some surprising results. It was presumed that Chambers, like the independent groups, would be very much member-led, behaving in a democratic 'Chinese Parliament' fashion, where every member has their say or vote. This accords with Beger (p.79 in Greenwood, 2002), who, as already mentioned, suggests that members want *"strict representation and execution of their interests"*. Respondents indicated that was exactly how the system works for major issues, especially at the AGM or using committee structures, which report to the board. For smaller concerns and run of the mill matters, many Chambers refer to their own personal experience and that of the board, which is often made up entirely of members, in order to retain a certain amount of flexibility. This conflicts with Beger's assertion that members are unwilling to allow business associations and interest groups to act on their behalf using their own expertise, initiative and political vision, even though members do not themselves possess the necessary skills and influence to achieve their own goals. This approach assumes a certain amount of knowledge of the membership, which is hard to get if the problems

with obtaining membership feedback, highlighted earlier in this chapter, are anything to go by. All of these points are underlined by the following comments:

> *Our role is quite clear, we are there to represent our members at all the various governmental forums, from council right up to Parliament. We are also there to try and link our members and try to foster trading links within our patch; that is quite critical. (4/cc/3)*

> *The whole task of being in touch with business is an important one for us,...we're reaching out...by the website, by the magazines and meetings, if people want to come and talk with us, we try to make them welcome and be sure that they know what the channel is. (3/cc/7)*

Every Chamber respondent revealed that there was a combination of leadership and representation of genuine membership interests, although most indicated that representation of the 'business voice' was the preference, but that sometimes quick policy decisions must be taken, and media reports must be reacted to:

> *The aim is to speak and act on behalf of the business community...our policy agenda is very much targeted at meeting the priority concerns of the business community which we identify through consultation...and representing business on those issues, an element of that is leadership. (27/cc/6)*

SE, on the other hand, takes into account what their clientele want, through their comprehensive, externally managed, evaluation systems, but this is not true

representation of client interests. *We represent business to the extent that we want to support them* (15/se/5). SE assumes a leadership role, as encouragers of economic development.

> *One of the key currencies in economic development these days is information...all*
> *businesses can seek and value information.* (15/se/4)

As a government agency, SE is careful to separate development matters from individual regional or local issues, and is reluctant to use its direct connections to parliament to pursue issues that do not benefit the entire business community. With lifestyle or volume businesses, SE remains mainly passive, and thus leadership is neither required nor given. In the context of firms with high growth potential, leadership is provided in the form of market analysis, export advice, customer focus and product development, productivity and efficiency improvements, to name some of the more important services provided by SE. All of this of course, is aimed at realising the high growth potential of these firms, for the benefit of the economy. As one SE respondent explains,

> *We have particular programmes...the likes of some of the cluster programs that*
> *target companies based in particular sectors. We are trying to get more proactive*
> *in what we are doing. What we would hope to be able to offer is some sort of co-*
> *ordination...which is not just here today gone tomorrow.* (16/se/3)

It was presumed in the literature review that the independent organisations considered, would be decidedly member led. The exception was Deloitte and Touche, which as one of the "Big Five" accountancy firms, would be expected to have a clear focus on the

value of its advice, which is essentially fee-driven, and although tailored to the specific needs of its high growth clients it must satisfy Deloittes and Touche's own profit targets and aspirations. This proved to be the case, and in that sense, Deloitte and Touche sets the agenda when it comes to providing small business support.

The FPB is the most adamant member-led of the independent organisations, although it believes the organisation is so tuned in to members' views on some issues that there is no need to seek reaffirmation of those views on every occasion.

If somebody says to us "do small business want to pay less taxation?" I don't need to ask...the answer is yes! (FPB)

The FPB uses full time researchers to gauge the interests and views of their membership, and members are personally interviewed annually.

The CBI is both member led and a provider of leadership, in the context of taking a long term view and identifying important future issues, rather than simply pushing members in any one direction.

On some issues what we are doing is that we are deciding the tactics with the members setting the goals... (CBI)

The CBI assesses the interests of their affiliated memberships through the various member trade associations and regularly surveys their own individual memberships for their opinions. The CBI is quite clear about the setting of aims and objectives:

...the council ultimately decides our aims and objectives and decides what we do. The chairman will...present his thinking to our council meeting[18]...then the council decide what to do...We have a series of committees to help with the detailed things. (CBI)

The FSB also take a dual role perspective of representation and leadership, although there is a dichotomy on the nature of representation between Scottish and English members. The Scottish leadership provides pragmatic advice when it perceives members wishing to tilt at windmills. In such circumstances, the Scottish organisation seeks to go to the core of the issue and take from that elements which can usefully be pursued....*you have to be an organisation which presents solutions.*

In the setting of objectives business representative organisation have on occasion found their agenda being surprisingly directed by members away from standard business issues. For example, one respondent, used focus groups as a means of canvassing members' views and opinions...

...One of the first focus groups that came up was on the health service. I could not believe it, but when you think about it, key members were on a waiting list for an operation...business was suffering as a result...I am not saying we are big on health but it is an issue which affects business. (14/ind/11)

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[18] The Scottish CBI council consists of approximately fifty members who are elected by the membership and at least one quarter of those members have to be small firms

Defining Objectives

Research Question 1: Member/Client Focus: Research Question 2: The Role of BSOs
Main Theme: Members
Sub Theme: Defining Objectives
Code: Mem.AO.Def
Key words: Decisions: Board: Meetings: Consultation: Customer Forums

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Key Points
BSOs form opinions based on customer/member consultation: forums, meetings and surveys
BSOs use experience to decide what members would want or what is in their best interest
Decision making is resource constrained and therefore needs some element of leadership
BSOs strike a balance between leadership and representation in taking decisions
Most decisions are taken at board level and thus the effect of personal ambition is reduced

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It is clear that in all of the respondent organisations, there is an element of leadership in defining the aims and objectives:

We take the members views and think up solutions. (14/ind/9)

The above quotation gives a good indication of the position of the majority of Chambers and independent respondents. Although members are consulted, it is clear that there is often considerable leadership input. Respondents felt that their own business experience and knowledge, coupled with representative boards, allowed them the opportunity to determine aims and objectives, without having to go to the membership on every issue. This concurs with Beger (2002) in that Chambers and independents claim that they are in tune with their members and are carrying out their wishes. As respondents explain:

I wouldn't say we go and ask permission to go and do anything; we do what we feel they might want. (1/cc/3)

Generally speaking the board make a lot of our decisions. We are entrusted by members to lead the Chamber in a particular way, and we do so. (4/cc/6)

We do have a monthly lunch meeting...and there is the chance to put their views to us. (2/cc/4)

We have a strategy board of directors made up of members...our aims and objectives are quite firmly coming from the grass roots. And we lead some of that as well. But the board has the ultimate decision. (6/cc/7)

I do think I'm here to represent the membership's views... because I represent two thousand companies. It is not my views which are important. (12/cc/8)

The independent organisations follow the example of Chambers, and consult their members before taking the decision themselves. The FPB is the only one which doesn't seek to lead, but always to represent. As the FPB respondent notes:

Members give approval first...so no one person or group of people can make up the policy, it must be made up of the members...and it is all screened by St. Andrews University, so we are eliminating bias. (FPB)

Unsurprisingly Deloitte and Touche are, in the context of the sample population, unique in that they only lead.

SE is guided on what it delivers; by Scottish Executive programmes such as "A Smart Successful Scotland" and "Skillseekers". These programmes are implemented throughout the SE network and are delivered to target groups by the SBG and LECs. As a government agency, SE has to answer to its principal paymaster, which in the case of a devolved Scotland, is the Scottish Executive and the Scottish Parliament. It may come as a surprise to some BSO clients just how great a value SE has placed on customer focus in terms of shaping the direction in which the organisation is moving, and although tied to certain programmes, it takes the opinions of customers and business representatives seriously...

One of the things that have occurred since the Parliament has been created is that the private sector business organisations have become more effective, partly because they have now got a conduit, through the Parliament and the Executive, to influence policy. (9/se/11)

There was a universally positive response by SE respondents to the question, "Do you seek approval or source the views of customers when setting your aims and objectives?"

Yes we do, very much so. In moving...to our Business Gateway[19] we had an expert group which comprises representatives of our customer base like the FSB and the Chambers of Commerce etc...(15/se/5).

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[19] In July-August 2003, Small Business Gateway (SBG) will be re-branded as Business Gateway by Scottish Enterprise.

Yes, more and more. We have done a lot of work to have a dialogue with customers through customer forums...in the realm of developing policy and helping decide what our direction might be (16/se/7)

Yes, by a consultation exercise where we talk to private sector organisations...because we need to know if the service is doing what it is supposed to do. (9/SE/11)

From the evidence gathered it can be seen that no single method of setting aims and objectives is used by representative organisations. All organisations have a clear understanding of the need to represent the views of their respective member/client bases that they seek to serve and support. Within these respondent organisations, only the FPB is exclusively directed by its membership's views and, naturally, only Deloitte and Touche is exclusively focused on its own needs. All other respondent organisations use a balance of membership/client representation and leadership when setting aims and objectives.

In the context of the existing literature, the findings align with Schmitter and Streeck (1999) who, as already mentioned, contend that BSOs need to have a "two faced" approach; one to entice members to join, and the other to be realistic in terms of setting agendas.

Whilst the respondent organisations may or may not consult their respective membership/clientele when making policy decisions and setting organisational aims and objectives, it was expected that the Chamber and independent respondents would at least

seek the approval of members before determining strategy. This proved to be the case, and in doing so, a range of mechanisms for communication were utilised.

Mechanisms for communication

Research Question 1: Member/Client Focus: Research Question 2: The Role of BSOs
Main Theme: Members
Sub Theme: Mechanisms for Communication
Code: Mem.AO.Comm
Key words: Funding: Short-term: Misperception

Key Points
BSOs employ a variety of mechanisms for garnering feedback; mystery shoppers/forums/events
Networking events such as lunches and seminars are excellent ways of meeting members/clients
FPB uses researchers to directly interview each and every member on a regular basis
Electronic forms of communication are becoming more widely utilised
local agencies are more able to meet their members than regional or national organisations

All the respondent organisations have a core set of mechanisms that they use in their consultation process to determine views, assess priorities and gain feedback on their services, their support and initiatives. These include the use of seminars, customer surveys, mystery shoppers, focus groups, and one-on-one interviews. As previously mentioned, electronic forms of communication are beginning to replace more conventional written correspondence and telephone conversation.

The FSB uses meetings, surveys and focus groups, but also encourages network activity such as monthly branch meetings with people from the Inland Revenue and the Enterprise Network, for example. The FSB are working with Scottish Enterprise on a new initiative to help new start businesses...*sort of like a buddy program for new starts, for us to supply buddies for new starts...like mentors* (FSB).

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The FPB uses regular surveys and these are done face to face by researchers who actually visit members. The FPB encourages individual representation to provide professional assistance on some matters...*through the management information service they can get representation, legal assistance and help with things like the Inland Revenue and V.A.T. We are not trying to do Scottish Enterprise or Local Enterprise Companies' jobs, but we may point them in that direction.* (FPB)

The CBI, as previously mentioned, uses its council as well as industrial trends surveys specific to manufacturers, which are analysed by economists in London. They also do surveys on specialist issues, for example with the Scottish Environmental Protection Agency (SEPA). The CBI experience of networking events is that it is invaluable for small business *...in terms of making personal contact it is very important, because it is a very lonely job running a small business.* These networking events also help the CBI in understanding the issues confronting their members.

Chambers of Commerce use similar mechanisms to the independent organisations, but they also use networking activities, encouraging groups such as the ethnic community to join to promote a greater sense of representation, with varying degrees of success...*it is almost like they have a reticence to join the Chamber...probably because they have a strong network themselves and do not need to network* (23/cc/4). This quotation prompts suggestions of, if not exactly racism, then certainly a certain degree of stereotyping. It also begs the question; is stereotyping a significant factor in determining which businesses get access to services?

Chambers also use their committees and specialist groups as a means of identifying members concerns...*we do not have standing committees for the sake of it, we form flexible working policy teams to work on issues that are the key priority agenda. So at all times we have regular engagement with the business community that we represent, and that makes us very powerful* (27/cc/6).

Customer surveys have been a particular success for some Chambers...*they're the main means in which we've got people engaged with the issues. The response rates have not been huge...but it has been enough to say we have a reasonable cross section* (3/cc/6).

Scottish Enterprise communicates with their customers both directly and through external agencies. One SE respondent viewed the process of communicating with his clientele as a...*hand holding venture, and a journey for them, and advice is given at every stage* (8/se/2). SE also uses market research to determine awareness levels of its various programs and mystery shoppers to determine the effectiveness of their delivery systems. SE is very much committed to the one-on-one relationship, especially in those companies identified as having high growth potential. This one on one relationship allows an advice and mentoring relationship to be developed. Another tool well used by SE is the sub-contracting of SBG services, to either professional consultancy firms or even Chambers of Commerce, such as in Fife and Edinburgh and Lothian Chambers, and feedback is gathered by these organisations on behalf of SE.

While viewing networking as extremely useful, particularly for new start business, SE recognises, through its internally commissioned Fraser of Allander report,...*that small businesses in Scotland are not particularly good at networking...*(15/se/2). This

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respondent goes on to identify that the formal small business representative organisations achieve a combined membership of no more than 10 percent of the total small business population 292,000.

The setting of BSO aims and objectives most definitely has an impact on the relationship that support organisations have with their members/clients, and as such, addresses the first research aim. The previous three sections show that the relationship that BSOs have with their members/clients can be quite decisively led by support and representative organisations, but that at the very least, the tacit approval of members/clients is sought before any formal decision is taken. Exceptions to this occur when a rapid response is required, such as indicating FPB views on taxation, in that BSO boards and executives feel that the communication is sufficient with their members to allow them to act as a proxy for membership opinion without having to consult them on every issue.

The communication mechanisms utilised by BSOs may be efficient enough to allow an implicit understanding of membership/clientele opinions, but when these mechanisms do not operate as effectively as anticipated, then conflict can occur between BSOs and members/clients.

6.8 CONFLICT

It is almost inevitable that BSOs will from time to time, come into conflict with members or clients, or even with each other. In the data gathered from the respondents, it becomes apparent that conflict is not a common occurrence, in fact it is comparatively rare, and the majority of respondents struggled to think of specific instances of conflict. While conflict in the BSO context is not, to the authors knowledge, explored in the academic literature,

this research identified that when conflict does occur, it can generally be grouped into three categories; failure to satisfy member/client expectations, intra-membership disputes regarding focus and direction of policy and duplication of services already provided by BSOs. Each of these categories of conflict is now reviewed in turn.

Member Expectations

Research Question 1: Member/Client Focus
Main Theme: Members
Sub Theme: Member Expectations. Conflict
Code: Mem.Con.Exp
Key words: Representation: Leadership: Member-Led: Experience

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Key Points
Client misperceptions cause conflict especially regarding funding
Confused and misdirected customers/members are easily disillusioned and upset
Customers/members are too often short termist in their expectations
BSOs need to educate customer/members as to what they can provide them with
BSOs need to promote themselves better to reduce levels of misperception and confusion

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The first of these types of conflict can also be linked to the problems with awareness and perception which were discussed earlier in this chapter, in that perhaps small businesses do not know what to expect from BSOs and are thus left feeling disappointed and unsatisfied with what they get. Complaints would form the majority of this type of conflict and could be expected to influence the setting of aims and objectives. For example, from targeting long-term, widely beneficial changes in policy to instead focusing on more short-term member or client friendly strategies which have little long-term impact and may only affect a small group of companies. As one SE respondent explains:

People always see us as a source of funding, which is a big source of irritation...they just know that they want £10,000, they have this world beating idea, but when you ask them about the idea they don't want to go into too much detail. (7/se/9)

This concurs with Havness and Senneseth (2001) who speculate that the key factors influencing the logic of membership are increases in market share, total sales and/or the number of employees, and that failure to impact any of these factors will lead to dissatisfaction.

All of the respondents felt sympathy towards their BSO colleague who recounted this tale regarding every representative organisation's nightmare customer:

Every now and then you will get the company who thinks that God owes them, and we have one particular guy who is forever causing chaos in here. He will speak to MSPs; he will speak to the papers, write letters and so on. He spends a lot of time doing that. Dealing with people like that is difficult, we feel like saying "go away, you have had all you are entitled to" (11/se/9).

A very extreme example of conflict arising from a member's unrealistic expectations of his representative organisation was cited by one of the independent respondents:

I can think of somebody exactly who I concluded that membership would not be suitable for...it would be better for him to go somewhere else to become a regional chairman with his highly idealistic views (21/ind/8).

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In relation to the literature, Danson et al (2000) argue that members must share the blame with BSOs for unrealistic expectations given their inability to self diagnose. This leads to them having a set of assumed, as opposed to actual, needs which BSOs are unwilling or unable to fulfil. This agrees with Grant (2000) who argues that BSOs are restricted by resources. Although more resources did not make for a more effective BSO, it did allow them to tackle more issues for their members and to offer more services.

Intra-membership

Research Question 1: Member/Client Focus
Main Theme: Members
Sub Theme: Intra-membership Conflict
Code: Mem.Con.Intra
Key words: Members: Anger

Key Points
BSOs need to be careful that organisational policies do not pit members against each other
What is good for some businesses is bad for others and BSOs need to make informed choices

The second example of conflict is where the BSO agenda is seen by one group of members to favour another section, such as between large companies and small companies or indeed where one group would have a different view on a particular piece of legislation as posited by Grant (2000), who contends that with diverse memberships, larger, more powerful members will heavily influence the nature of the interest group agenda, perhaps to the detriment of the majority of smaller, weaker members. In addition, the author suggests that the instance of intra-membership conflict would in all likelihood weaken the influence of an organisation, leaving it open to being ignored by policy makers and influential actors.

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As one independent respondent explains:

We quite often find that manufacturers are desperate for interest rate cuts but retailers are concerned about the economy overheating...and if anything want interest rates held steady (19/ind/13).

In this respect, the BSO must take the decision to either favour one group of its membership over another, or drop the agenda altogether. Dropping the objective would most likely be seen as a last resort, taken at board level, and may even upset the entire membership rather than just an element. Even so, this is an example of where the BSO must be decisive and take a leadership role, deciding what it feels is best for the membership, in terms of its aims and objectives.

Duplication of members' services

Research Question 1: Member/Client Focus: Research Question 2: The Role of BSOs
Main Theme: Members
Sub Theme: Duplication of Members' Services. Conflict
Code: Mem.Con.Dupl
Key words: Duplication: training: Professional: Services

Key Points
Member BSOs have to guard against offering services which their members offer
Examples of duplication could be training, legal and other services
Duplication is primarily restricted to Chambers of Commerce
Conflict of this type is rare

The third example of conflict is where organisations such as the Chambers of Commerce provide training, or other such services, which are already supplied by a member or members. Competing with a member is something that most Chambers were extremely keen to avoid. According to one Chamber respondent:

Training in particular...while there hasn't been serious conflict over that there have been one or two exchanges of views... and we have tended not to get involved in activities which would undercut or compete with our members (3/cc/8).

However when it comes to training another Chamber respondent took a slightly different, more bullish view:

This Chamber has been doing training for donkey's years and we seem to have done reasonably well. We do not have many training companies as members (12/cc/10).

The pattern would seem to be that if an organisation has already established a business activity, then members joining that organisation would seem to be accepting of that activity. Conversely, representative organisations need to tread lightly when undertaking new business ventures which may already be provided by their membership. This concurs with (Van Bussel, 1998; AISBR, 2002) who argue that this type of conflict also reduces the effectiveness of organisations.

Not all representative organisations, however, would adhere to the above view. An alternative, and somewhat unique, view was given by one Chamber respondent who discovered, after entering into a partnership on an insurance deal, that two members were upset because they had the ability to supply the service but were not selected to do so. The respondent's view on the criticism was:

That is acceptable because you have to remember that we are not just a members representation organisation, we are also a business. I think that it is quite critical that that message does get across...member's subscriptions only make up twenty nine percent of my turnover. (6/cc/8)

The above respondent is quite clearly missing the point of running a membership organisation. This view reveals a lack of sensitivity from this respondent, whose position is clearly that members do not contribute enough to the Chamber to have a significant role in deciding Chamber services. As mentioned, this was an entirely unique opinion in terms of the respondent sample population, and is not one which the author observed from any other Chamber or independent respondent. Obviously, as a government economic development agency, SE has an altogether different method of deciding what services to offer and has no reason to fear duplicating services provided by its clients, although, using the medium of the Local Economic Forum, inter-BSO service duplication is significantly reduced.

The respondents were unanimous in their views that conflict of any type is rare between BSOs, and were insistent that sensitivity in dealing with the causes of complaints prevented them from escalating into more serious conflicts. Members' unrealistic expectations of the service and supports which BSOs can deliver, and their misunderstanding of the long term nature of political lobbying, account for the majority of conflicts. The short termist ambitions of the membership are clearly at odds with the long term nature of lobbying and as such must lead, inevitably, to conflict. This

misperception of the nature of lobbying is more likely to lead to chronic, long term conflicts bubbling under the surface.

Conflicts arising from the duplication of service provision are dealt with in a variety of ways when they occur. While there are no universally formal mechanisms for dealing with such conflict, it is nevertheless accommodated by each of the respondent organisations, if it occurs at all. Chambers, in particular, are more likely to resolve duplication issues, by simply including members' own service provision as part of their own, thus allowing economies of scope to be achieved, to the mutual benefit of the organisations and their memberships.

Conflicts caused by differences in priorities between members appear to be so rare that most respondents have no formal mechanism for dealing with them, and will more often than not simply take the pragmatic, Solomonesque approach to resolving such disagreements. Whilst conflict may be rare it does occur, and this issue addresses the second research aim, regarding the relationship between BSOs and small firms. Intra-BSO conflict, when it does occur, must be effectively dealt with so that the aims and objectives, and the service provision, of the BSO are not compromised, to the detriment of the membership/client base as a whole. As revealed below, there are quite a number of small business survival issues which affect small businesses, and if members fail, the membership is reduced. If the membership is reduced significantly, so is the power of the 'business voice', especially in Chambers of Commerce and independent organisations.

6.8 SMALL BUSINESS SURVIVAL

Research Question 1: Member/Client Focus: Research Question 2: The Role of BSOs
Main Theme: Members
Sub Theme: Survival Factors
Code: Mem.SBSur.Fact
Key words: Cash-Flow: Insurance: Business Rates: red tape: Employment law:
information Knowledge
: Infrastructure: Information and Communication Technologies (ICT)

Key Points
Financial Support is crucial to business survival
Host of other factors affect business survival (Berryman, 1987)
BSOs agree with prevailing business survival literature
BSOs can help businesses survive by imparting key skills and most importantly,
information
The independent BSOs are more concerned with national issues
Chambers are more concerned about regional and local survival issues
SE focus on a joined up system which feeds down from national to local, addressing
problems

As detailed in the literature review, there are a host of factors that affect small firm
growth and survival, and in Scotland it is estimated that some 50 percent of new start
businesses will fail within four years of their foundation (DTI, 2002). Small businesses
must contend with...

> ...*market competition...for anyone who is exporting, the strength of the
> pound,...insurance is a concern at the moment, post-September 11th, all insurance
> premiums are going up...business rates...can take a big chunk of income...people
> with specific skills, if they leave you cannot replace them...employment law is
> complicated...people these days are much quicker to bring a claim* (19/ind/5).

In the face of these obstacles, companies must also have a product for which there is a
demand, they must be able to get that product to the point of sale in a cost effective
manner, retain a profit margin in so doing, and ensure they reinvest in the future of their

business. If small businesses do this, then they will survive, and if not, they will perish. This concurs with Berryman (1987) who posits that a range of management incompetences are the principle sources of business failure. This, of course, applies to all business, so what is it that BSOs can provide for small firms to improve the chances of survival for small businesses in Scotland? According to independent respondents:

Our members tell us business rates and, following that, red tape legislation; things like national insurance, P.A.Y.E., that kind of thing. But the main thing in Scotland is business rates...76.6%, if you want the number, of our members tell us that business rates are our major problem. (21/ind/3)

The two things we have been saying... to the government are that we need to see an investment in infrastructure, particularly broadband ICT [Information and Communication Technologies] *and investment in people* (14/ind/3).

As organisations with a national perspective, regional or local small business survival issues are of less concern to the independent respondents. Consequently, the survival issues which they feel to be important are those that would have a benefit for all sorts of businesses, both large and small, and are issues which have a general economic impact. Surprisingly, cash flow is not the problem for independent organisations that the author anticipated.

The available academic literature does not take into account the views of providers of business support; this research provided respondents with the opportunity to offer their

own views on small firm growth and survival and to identify any issues that they feel may be specific to Scotland. As respondents explain:

At start-up, the critical thing is for a business to develop a competitive business idea which we can adequately differentiate, that generates cash flow that allows the company to profit and grow...get to the money quick! (9/se/3)

The...crucial factor is cash...There are all sorts of theories about how successful and very profitable our businesses are...But the basic fundamental at the end of the day, is cash control. (24/ind/3)

...late payments are causing a real problem. Bigger companies not paying their bills on time for contract work. (5/cc/2)

I would say things like getting a customer base quickly enough. I see companies joining us, and they are trying build up customer bases and you see them panicking, running round our networking events trying to get business. (12/cc/4)

...the business being properly planned and thought through, having proper investment...because a number of those coming to us now are coming too damn late...eighteen to twenty four months down the line, and they have run out of money! And that could have been picked up very early with proper planning and proper advice. (6/cc/4)

Cash, and maintaining cash flow is evidently the crucial issue to all businesses, but significantly, it is management inefficiencies which appear to be given the most emphasis by respondents, even if they don not actually say as much. In line with Berryman's (1983) evidence, management skills, or a lack of them, are as important as simply maintaining a regular cash flow. Respondents cite that for the volume sector, cash flow is not as important as having a sound business idea, knowledge of markets, competitors and suppliers, and an ability to get customers. Cash is seen to be more of a problem for high growth firms, but for all firms it is *managing* cash flow that it important.

Without customers, firms will not get any cash in the first place, and from the coalface it is evident that the factors affecting the survival of small businesses, are different at different phased in the growth cycle. In the start-up period, intensive "infant care" is required, which respondents described as a:

> *...handholding venture and a journey for them. And advice is given at every stage* (8/se/2).

Additionally:

> *It is an advice thing...many of them come thinking we are going to chuck money at them, but with one or two exceptions, there is not a lot of money* (10/se/2).

> *We provide a lot of aftercare for clients...the networking facility is looking after clients for up to three years* (7/se/6).

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What we would hope to offer is some sort of co-ordination...that is not just a 'here today, gone tomorrow' type of relationship, but more about understanding what needs are at set times...it should have continuity and go hand in hand in terms of their development needs (16/se/3).

Once a business is established, the needs of the business begin to change with a greater emphasis on management systems. The first rush of adrenalin associated with the start-up period is gone and the business must settle into a systematic and professional routine of cash generation and collection.

As the business becomes established, the challenges become a bit more managerial...the companies that thrive and grow are the ones who do not just get to grips with the systems and problems, but come out of these problems and opportunities with an organisational sense. They develop a management system which helps them run their business on to the next stage. (9/se/3)

Maintaining cash flow, ...the degree of capitalisation of small firms, it is often too low to sustain the type of investment that is actually required.... A difficulty in being able to recruit and retain people....lack of investment in research and development... is often forgotten about in small firms. (16/se/3)

Referrals are the best way to get good solid business, and we try to do that, try to deal with each other...and make sure that members know who we are and what is in the area. (10/cc/3)

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It is still overheads. The biggest whack of it is the rates set up. And understanding what technology can do for your business...the email side of it. (12/cc/10)

It also became clear that small business survival issues could also be divided along the lines of high growth and lifestyle businesses. The implication being, that if the small firm is of high growth potential, then it will face funding problems when it attempts to grow, and if the firm is a lifestyle company, then funding may be less of an issue.

If they get through the first phase, then particularly in businesses that have growth potential, you have to invest in growth...In the first stage he probably doesn't need that much money, but when you get into your second stage, if it is a growth business, then it is actually about developing the product and taking the product to markets. (8/se/3)

In the process of the research, it became evident that financial support for small businesses was not viewed as being the most important service BSOs could provide to their membership/client base to improve chances of survival. In addition, it was argued by the all respondents that there is no organisational bias towards any particular small business survival issue, rather it is the managerial inefficiency theme which emerged, and it is one which is significant in the context of the BSO. It suggests to the author that, at the very least, the BSOs have a consistent experience of the issues most relevant to the survival of small firms.

The respondents, at least tacitly, agree with the prevailing small business survival literature as again and again, respondents referred for a need to provide information,

advice and mentoring ahead of the provision of financial assistance, as it is this knowledge and information which enables small firms to generate the cash that they ultimately need to sustain themselves. This makes information provision the most important service that BSOs can offer small firms; that in the absence of professional, managerial experience and practice, BSOs can impart these skills and the advice of those who have successfully been through the process of starting and running a small firm. Small business survival has to be addressed under the first stated research aim, in that the focus of BSOs should include the survivability of all small firms, because if small firms fail then there are no members or clients to use the BSO services.

6.9 CONCLUSION

In order to address the first of the stated research aims, BSO member/client focus, it was necessary to build a suitable profile of the small business BSO user. Is there such a thing as a typical BSO consumer? What industries are members/clients drawn from, what age are the businesses, what proportion of small businesses are represented in the BSO membership/client base? Most importantly, the question of what a small business in Scotland actually is, had to be answered to ensure that both the respondents and the author were talking about the same firms.

Each of the respondent organisations showed a consistency of issues encountered in day-to-day dealings with their membership/client base. The organisations demonstrated variations in their methods of identifying issues from aims and objectives, to conflicts, recruitment, retention and rejection of members/clients.

The small business definition, originally conceived as an amalgam of academic and official classifications (Stanworth and Gray, 1991; Small Business Service, 2002; US Committee for Economic Development, 1980; Bolton, 1971; Scott and Bruce, 1987), was critically reviewed and added to by respondents, allowing a more practical definition to be constructed in chapter nine. The quantitative small business criteria were perceived to describe an altogether larger business than was intended, and respondents queried the value of the balance sheet as a criterion over turnover, which respondents felt was a more appropriate measure. An element of the small business definition which had not previously been considered by the author was the actual label 'small' business, and it had not been presumed to have a significant effect on service consumption. This perception was wrong, and the label 'small' business can be perceived as mildly offensive or inappropriate by BSO members/clients; a situation which has significant ramifications for BSOs offering a range of services to 'small' businesses. If a member cannot or will not identify with a label, then service consumption will be reduced and the level of business support becomes less effective, reducing the influence of BSOs on the small business community in Scotland.

One proposition is to use the SE labels of volume and high growth, or a similar delineation, to deliver services to small firms. These categories could be used to band service provision together so that a firm which was more suited to passive advice would not seek to use direct, intensive high growth support services which are inappropriate to their needs. This would reduce the level of member/client dissatisfaction through setting client/member service expectation to an appropriate level and would reduce the level of misperception that is currently to be found.

BSO members/clients do not possess a 'typical' profile, at least in terms of the age of the business and the industry it is involved in. There is evidence to suggest that age is an important criteria, used by SE in particular to differentiate service provision, but this is not a hard a fast rule. There is a slight organisational bias towards existing business taking membership in smaller Chambers and towards new start companies, nought to three years old, seeking LEC and SBG supports. Larger Chambers and the independent respondents, however, showed little in the way of age bias. BSO membership/client bases are not drawn from any one specific industry or industry sector, and the membership/clientele is, in most cases, varied. Some specific regional focus is to be found, but not to the detriment of other businesses, although the findings show that certain economically valuable and high-tech industries are more likely to be targeted for high growth service delivery.

The respondents were, on the whole, adamant that anyone in business can join or use their organisations service packages, regardless of profile (Bennett 1996, 1997; Grant 2000). The findings show this to be largely true, with the most notable exceptions being small retail firms, which are not typical SE customers due to local displacement effects, and illegal and shifty operators. Several Chamber respondents would not accept adult or sex shops as customers, but the majority of those questioned impose no restriction on who can consume their services. The three business interest groups in the sample have some measure of restriction; the FPB only accepts private firms, the CBI only accepts firms which employ more than one person and the FSB only takes small firms, those with less than 49 employees.

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The membership/client coverage is estimated at not more than ten percent of the Scottish small business population, of 292,000 firms (Bennett, 2000). Not surprisingly, major urban centres had a higher number of members, but there is no significant difference in membership density between urban and rural regions. The density of membership/clientele is relatively low on a national basis, less than ten percent of the business population is covered, with a slightly higher density at local level. The majority of the membership/client base is regarded as being small, and their geographical proximity to the BSO was not felt, by respondents, to be a significant issue (Danson et al 2000).

The second of the stated research aims focuses on the role BSOs play within the business support environment and the most obvious role of BSOs is the provision of support services. The findings have allowed the categorisation of BSO support services into four new categories: Tangible supports are direct, passive, subsidiary and the intangible support is representation The respondent organisations offer a comprehensive range of services within these categories, which can be accessed; *directly*, on a face to face basis; *passively,* via telephone or web site/email; on a *subsidiary* basis, via a third party or on a *representative* basis, which does not directly involve members/clients, only their views and opinions. In terms of the proposed BSN construct , the findings suggest that BSOs assume different roles (Håkansson and Johanson, 1992), and the provision of supports follows this pattern; SE primarily provide their direct services to high growth or high growth potential firms, and their passive element to the volume or lifestyle small business. SE respondents did not believe that they fulfilled a representative function, although the findings suggest that they actually play an important role in representing small business issues: This was evidenced by SE's contribution on Local Economic

Forums and, through collaboration with Chambers of Commerce, its ability to communicate local issues to important policy makers and influential actors in the Scottish Legislature. This element provides support for the suggested BSN construct, observing that inequality is absorbed and reduced within the support environment (Håkansson and Johanson, 1992)

The Chambers offer more direct services, such as networking events, over passive support, and local representation, whilst the independent respondents favour passive supports, but define their overall, primary role as one of representation. Chamber respondents, in particular, felt that direct service provision is the most helpful for small firms and that those who deliver it need to empathetic and experienced if they are to deliver effectively. This ties in with what was said about the sharing of experience and knowledge, in that 'business therapy' was felt to be of the most important services that BSOs could deliver, to show members/clients that businesses face the same sorts of problems and that they do get through them.

The first and second research aims also attend to the relationship that the BSO has with its members/clients, how aims and objectives are set and agreed on, how BSOs communicate with members/clients and intra/inter BSO conflict (Baggott, 1995; Grant, 2000; Schmitter and Streeck, 1999; Havness and Senneseth, 2001; Beger, 2002). The misperceptions of the role and capabilities of BSOs abounded among the respective membership/client bases, ranging from the view that SE is no more than a provider of grants, to the misunderstanding of the timescales involved in political lobbying. The brand awareness of BSO respondents was perceived to be high, but those questioned bemoaned the level of misperception, and felt that consumers' expectations were often

dashed as a result of this. Funding was cited as the most common misperception, especially from SE respondents, but the independent organisations were of the opinion that members/clients need to understand the representational aspect more clearly. The short-sighted, profit-related expectations of members reduces the scope of BSOs, forcing them to seek influence and policy change on matters which can be address in the short term, rather than seeking long term benefits. Independent respondents were adamant that a good representative function was slow by its very nature, and that the serious changes to legislation would only be achieved over longer periods; perhaps as much as two or three years in some cases.

Respondents, in general, believe they provide representation of members views, flavoured with a dash of leadership, in order to strike an agenda for the organisation. Exceptions to this were, at one end of the spectrum, the FPB, who make no bones about the fact that their agenda is totally determined by their membership; and at the other end of the spectrum, Deloitte and Touche, whose interaction and association with small business is determined by the firm's own internal agenda. The majority of respondents, however, adopt a middle ground in respect of leadership and complete representation, with major issues being debated by the membership/clientele and minor, or less significant, issues often being dealt with by Chamber boards. SE does not consider its role to be representation, but they are still involved in the representation process at the Local Economic Forum and as a government agency they are the best placed organisation within the business support environment to get the ear of the most important policy makers and departments. SE's representation function is not necessarily an individual one, but rather a significant element of the business support environment's representation function as a whole.

Communication with members was an area which the majority of Chamber respondents acknowledged can be a problem. The independent and SE respondents all felt that their communication approaches were satisfactory and that they had a good knowledge of member/client opinions and views, but the Chamber respondents clearly have an issue with member apathy. Chamber respondents cited apathy as a major problem in soliciting feedback from members, and that this apathy did not just extend to keeping in contact, it ensures that on average only one-third of the membership is 'active'. Despite the apathetic nature of many Chamber members, only a very small proportion of respondents felt that compulsory membership of the Chamber would be a good idea, most feeling that the level of compulsion for small businesses was already high enough and that mandatory membership would achieve nothing but disquiet. Similarly the issue of free membership was largely rejected, mainly on the grounds that it was not valued and therefore not used by the majority of those it is given to.

Intra-BSO conflict was cited as being rare and not a major concern for BSOs. SE has a dedicated complaints procedure which it uses to deal with conflict, whilst independent respondents clearly feel that conflict is not really an issue, except when member expectations are dashed in terms of representative support; members short term expectations do not marry with the long term nature of effective representation. Chambers respondents also report few instances of conflict, with the majority being labelled as intra-membership conflicts (Grant, 2000), i.e. between members, or because of duplication of member services, for example when a Chamber provides training that a member firm already provides. Conflict is not seen as a major problem by respondents,

and the findings suggest that it does not have a significant bearing on the effectiveness of BSO support provision and is often easily dealt with.

All respondents were unanimous on the importance of advice in establishing a business and ensuring the survival of that business. While control of cash flow was cited as the fundamentally important aspect of business life, it was lack of information and knowledge which, ultimately, causes more business deaths, than any other single factor. The respondents agree with Berryman's (1983) assessment that management inefficiencies were to blame for most business failure, and that the greatest management inefficiency was the inability to manage cash.

The next chapter will introduce the findings on the network theme, integrating it with the relevant literature and its conceptual fit with the research aims. The key network themes which will be discussed are the nature and importance of personal networking, the network facilitation function of BSOs, the Local Economic Forum as a network hub and the myriad relationships, both intra-BSO and inter-BSO, which underpin the workings of the hypothesised BSN construct.

CHAPTER 7

Network Themes Analysis

7.1 INTRODUCTION

In the context of business and management, network theory has...

> "...primarily been used by transaction economics, industrial marketing and entrepreneurship" (Shaw, 2002, p.469).

Within network theory there are three dominant paradigms each of which contributes to the conceptual framework utilised in this study. These are the Industrial Marketing Approach (Håkansson, 1982, 1987, 1989; Axelsson and Easton, 1992; Håkansson and Snehota, 1995; Moller and Wilson, 1995); the Transaction Cost Approach (Shaw, 2002; Ciborra, 1990, Zanfei, 1990; Williamson, 1985, 1989); the Entrepreneurial Approach (Aldrich and Zimmer, 1986; Aldrich, et al., 1991; Burt, 1992; Scott, 1991; Gabbay and Leenders 1999). Also relevant to this study is the Supply Chain Management Approach (Arntzen, Brown, Harrison and Trafton, 1995; Cooper and Ellram, 1993; Ellram and Edis, 1996; Macbeth and Ferguson, 1994; Morash and Clinton, 1997).

Each of these approaches contributes to the conceptual framework used to analyse the Scottish business support environment. The Industrial Marketing Approach provides a basis to understand the relationships which underpin the activities of business support organisations, specifically in terms of *actor bonds, resource ties and activity links* (Håkansson and Snehota, 1992) and *organisational* networks (Drucker, 1988; Scott-Morton, 1991; Sproull and Kesiler, 1991; Charan, 1991). This approach addresses the member/client focus, role, and relationships of BSOs, as well as the hypothetical business network construct, specifically how BSOs communicate, share resources and jointly

organise activities. This approach also provides a structure to analyse the relationships between the different types of organisations with the business support environment.

Transaction Cost Economics focuses on the perceived "costs" of establishing, building and maintaining relationships (Shaw, 2002; Ciborra, 1990, Zanfei, 1990; Williamson, 1985, 1989). In addition, this approach provides a basis to understand the networks of *exchange* (Thomson, Frances, Mitchell and Levavcic, 1991). This relates to the range of resources that are available to BSOs, how they share these resources and the cost, or reduction in cost, to each BSO. In short, this approach provides an insight into how Scottish BSOs maximise benefits from a limited pool of resources.

The Entrepreneurial Approach provides a basis to understand personal actor bonds relationships and the motivations behind forming them. Specifically, it examines the different levels that actor bonds may have, from the uniplex to the multiplex (Scott, 1991). This approach also considers the *human* network, (Berkowitz, 1982; Burt, 1983; Knoke and Kuklniski, 1991) and its impact on the relationships between BSOs and their members/clients, and the relationships between BSOs and government, national and local. In the context of Scottish BSOs, this will provide a basis for gaining insight and understanding into the many personal and business relationships which together form the business support environment in Scotland.

The Supply Chain Management Approach emphasises the need for coordination and team work (Cooper and Ellram, 1993), effective communication (Ellram and Edis, 1996) and the integration of material and related information flows (Morash and Clinton, 1997). If these conditions can be met then these relationships can increase the ability to innovate

and develop new products by effectively drawing on the expertise of suppliers (Macbeth and Ferguson, 1994). This in turn may lead to an optimisation of production costs, taxes, tariffs, local or cultural content and distribution costs between BSOs (Arntzen, Brown, Harrison and Trafton, 1995). This will allow the researcher to understand the extent to which Scottish BSOs adopt these strategies and principles.

The concept of networks

As with the problems of obtaining a universal definition of small business, the expression network has become a somewhat nebulous term used to describe a variety of relationships in a wide range of contexts, for example from the *personal network* of family and friends to the computer network that connects computer workstations together in an office setting. In chapter four, *human, organisational* and *exchange and co-ordination* networks were discussed. It was explained that *Human* networks are social structures of ties which facilitate exchanges and relations between individuals and groups, whilst *organisational* networks describe relationships which are used to facilitate repetitive resource exchanges for economic benefit. Networks for *exchange and co-ordination* are characterised by resource and activity sharing between actors, and they are distinct from markets and hierarchies. This chapter will demonstrate how these three network types can all be found within the context of the business support environment.

Network relationships can also be discussed in terms of the level of *embeddedness* displayed by various actor and organisational bonds; embeddedness refers to the notion that organisational bonds are economically influenced by social bonds (Uzzi, 1996, 1997; Naudé and Buttle, 2000). Embeddedness, and its relative strengths or weaknesses, is characterised by trust, rich information exchange and joint problem solving arrangements

between actors, and the literature notes how the fewer of these three characteristics exist, the weaker the level of embeddedness (Uzzi, 1996, 1997; Naudé and Buttle, 2000). In the forthcoming analysis, the nature and extent of *embeddedness* in the Scottish business support environment will be discussed.

Chapter four also explained how network *nodes* describe the interaction of the various actors, and determines their capacity to connect all members of the network (Håkansson and Johanson, 1992). Nodes are direct ties between agents which are formed through interconnected commodity links, cross ownership and long term ties between individual actors (Håkansson and Johanson, 1992; Huggins, 2000) and details the ability of individual actors to form relationships with peripheral actors through intermediaries; for example, Scottish Enterprise (SE) links to new starts through the local Chamber of Commerce as an intermediary, as SE contracts out its Small Business Gateway (SBG) services.

Each network has limited resources, and different members have different access to these resources. The term 'resources' is used in a broad sense, including information, financial capital, human capital, social capital, organisational capabilities, technology, knowledge, and other intangibles. The unique feature of networks is that they accommodate inequality within their boundaries. Each BSO has different capabilities and different access to resources, (Håkansson and Johanson, 1992) as evidenced in chapter six. Each BSO adopts different roles in order to maximise the utility of their own resource pool, with each finding their inequalities absorbed.

As in the previous chapter, this chapter will be structured around the matrices used in the analysis. The keywords and the key points appear in each matrix as part of the core and sub themes of each research question.

The key points which emerged from the networking theme are: personal networks; network facilitation; network relationships, which will discussed in terms of the Scottish business support environment, both internally and externally, the Local Economic Forum (LEF) as a network hub and the formal contracts and ties within the business support environment. These relationships will be analysed in terms of their actor bonds and ties with both local and national governmental structures, as well as the relationships with the professional service network; lawyers, accountants and bankers, and finally autonomy will be discussed. The network facilitation theme contributes to the second research aim, as it forms part of the role performed by BSOs, in terms of providing networking events. The remaining issues in this chapter address the second and fourth of the research aims; they explore the dynamics of the business support environment, taking into account the strength of *embeddedness* with actors, both internal and external to the business support environment.

7.2 PERSONAL NETWORKING

Research Question 2: The Role of BSOs
Main Theme: Personal Networking
Sub Theme: Value
Code: Net.Pers.Val
Key words: Personal: Networking: Contacts: Advice: Development:
Experience: Information: Entrepreneur

Key Points
Personal networking is vital to new business in particular
Personal networks provide an invaluable source of information and advice
Personal networks can provide sources of business therapy, using the experiences of others
Personal networks often supersede the business support environment
Personal networks are critical to the success and survival of small businesses

The respondents were unanimous in stating that forming and maintaining network relationships is of vital importance to small business survival and growth, which supports the literature (Birley, 1985; Donckels and Lambrecht, 1995; Rosenfeld, 1994, 1996; Van Bussel, 1998; Dubin and Aldrich, 1991; Bennet and Robson, 2000).

There was also unanimity in the view that business people in Scotland are not particularly good at networking, evidenced by a high level of reticence and apathy towards networking behaviours. This finding was also apparent in the literature (GEM, 2002). In the context of this study, respondents explained how building relationships with other businesses and other business people was hard work, requiring both time and effort to build a personal network and to maintain it. As respondents explain:

> *I think it is very important, and I say that not as president of the Chamber, I say*
>
> *that as a local businessman. One of the things I have found, personally, is that*
>
> *there is a distinct feeling of loneliness and isolation. Chamber of Commerce has*

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given me contacts to other people with similar problems and similar baggage.
(4/cc/4)

I think in terms of them making personal contacts, personal interests, it is very important because it is a very lonely job running a small business, being the boss and so on. (19/ind/3)

I think it is very important, because it is the step out into no-man's land. You see other folk concerned, worrying...themselves about the sort of things that they are doing, and then actually getting advice as to how problems were solved, is very reassuring. (8/se/5)

As suspected in the review of the network literature, the notion of *Business Therapy* can be explored in terms of a network not for sharing resources, but rather a network for the exchange of experiences, thus making owning and managing a small business a less lonely situation (Birley, 1985; Van Bussel, 1998). All respondents recognised the benefit and importance of making relationships with other business people, and some even conclude that not making them is severely detrimental to the development of the small business economy. As one respondent explains,

I am a great believer in the personal network. I think they are fundamental to the development of the entrepreneur. I think the inefficiency of these personal networks is one of the reasons why we have a problem with entrepreneurship. It is perhaps one of the reasons why a body such as Scottish Enterprise exists (9/se/5).

A number of respondents made mention of the fact that people in small businesses sometimes ignore the support available from local enterprise companies (AISBR, 2002) and turn to personal trusted contacts, even though this contact may not be qualified to offer advice on the topic they take to them as highlighted by Donckels and Lambrecht (1995) and Rosenfeld (1994,1996). According to one of the independent respondents:

> *They will actually go to their accountant for advice before they go to their Local Enterprise Company. The local accountant doesn't know anything about marketing, he doesn't know anything about manufacturing, production, processes, and yet they will go to their local accountant before they go to the LEC.* (21/ind/4)

The point that this respondent was making is that people in small businesses are more likely to seek advice from acquaintances, accepting they may not be qualified to give such advice, rather than seek assistance from the unknown LEC. This point of view echoes the points made by key authors in the literature review (see for example, Birley, 1985; Donckels and Lambrecht, 1995; Rosenfeld, 1994, 1996; Van Bussel, 1998; Dubin and Aldrich, 1991; Bennet and Robson, 2000). But all is not lost; there is at least one banker who has an optimistic view of the future for networking, which he related to one of the respondents.

> *He said "one of the problems that we have in Scotland is the weather. If you look at the most entrepreneurial parts of the world, they are all sunny. The South East of England, California; they are sunny! The bad weather here makes it worse, but do not worry, things are on the up with global warming.* (9/se/6)

Perhaps this comment is not politically correct or is less economically accurate than desirable, but it is impossible not to be impressed with the sense of optimism displayed by one of the more traditionally conservative members of the business community, even if global warming might also bring increased hurricanes and tornados!

> *It is very helpful being able to discuss things with other people. There is a lot you can read in books, but it comes down to hard experience, speaking to someone who has worn the t-shirt is invaluable (4/cc/4).*

Not all respondents are unconditionally convinced of the inherent value of personal networking and they view more formal types networking as being more useful to the developing business person:

> *The quality of information you get from these informal networks is less good than elsewhere...there are fewer people around than in other parts of the world who have real experience of running a business...In areas of the world like Scotland where entrepreneurial spirit is comparatively rare, it stays rare. Cycles which are virtuous like in other parts of the world where entrepreneurs beget entrepreneurs, it works the other way in Scotland (9/se/7).*

Overall, personal networks were viewed as critical to the development, survival and growth of small businesses and all respondents make strenuous efforts to encourage and improve networking by providing opportunities to meet other business people (see for example Birley, 1985; Donckels and Lambrecht, 1995; Rosenfeld, 1994,1996; Van Bussel, 1998; Dubin and Aldrich, 1991; Bennet and Robson, 2000). At the same time, all

respondents bemoan the Scottish reticence to network effectively (Gem, 2002). Reassurance is also recognised as being as relevant a commodity for exchange as more typical resources such as staff or funding, and its importance to the well being of the small business owner, cannot be underestimated.

In terms of the proposed conceptual framework, it is the entrepreneurial literature which best fits the personal networks found in the data (Aldrich and Zimmer, 1986; Aldrich, et al., 1991; Burt, 1992; Scott, 1991; Gabbay and Leenders 1999). There appeared to be a blend of personal relationships, augmented by relations between companies. In the case of personal networks, it is the exchange and co-operation between BSOs and their clients who appear to assume primary importance, although the resources shared are more likely to be of the experience and information rather than pecuniary types. Exchanging personal experiences, and sharing the burdens which come with running a small business, are key factors in encouraging survival and growth (Birley, 1985; Donckels and Lambrecht, 1995; Rosenfeld, 1994, 1996; Van Bussel, 1998; Dubin and Aldrich, 1991; Bennet and Robson, 2000).

7.3 NETWORK FACILITATION

Research Question 2: The Role of BSOs
Main Theme: Network Facilitation
Sub Theme: Mechanisms
Code: Net.Facil.mech
Key words: activity: events: Face-to-Face: seminars: Informal: Women

Key Points
BSOs run a wide variety of events which facilitate networking
Networks are invaluable sources of information and knowledge
Network facilitation is the primary function of the Chambers of Commerce
Informal networking is more of a focus than formal networking
Women are better at networking than men

Considering the importance placed upon networking by the respondents, it is no surprise to find that all of them facilitate and/or develop networks for their members/clients in some fashion, argued by Birley, 1985; Rosenfeld, 1994, 1996 and Van Bussel, 1998 as being critical to the success of small businesses. The Chambers of Commerce are the most obvious network facilitators in the business support environment, given their position in the local community and their links with local businesses. SE and the independents are more circumspect in their network facilitation, with SE in particular, happy to allow other organisations, such as Chambers of Commerce, within the business support environment to concentrate on developing the network, and networking skills of small businesses. This is a level coordination considered necessary by Cooper and Ellram (1993) and Ellram and Edis, (1996) as being critical to the effectiveness of the output, in this case the facilitation and development of small business networking skills.

We certainly engage in networking activity in terms of exporting...we fund marketing trips to other countries...and we provide language and backup support..., which have been particularly successful (3/cc/3).

The most common form of network facilitation is the business breakfast, lunch or dinner, which allows the social aspect of networking to be developed in an informal environment. It is this informal manner which Birley, (1985) and Rosenfeld (1994, 1996) consider to be of great importance to small businesses in the development of their personal networks. Meeting new suppliers, customers and even competitors, in such an environment helps strengthen the personal and business networks of small businesses.

The biggest selling point for a new start business is the contacts they can make

with others, new suppliers, and other people to do business with (5/cc/3).

It allows activities such as *business therapy* to be carried out as well as allowing the professional services, such as accountancy, law and banking, and other government agencies for example; the Inland Revenue, customs and excise and V.A.T., to interact with small businesses. Van Bussel (1998) suggests that it is these professional services, coupled with the personal network that the small business owner manager will turn to for advice before engaging the purposive business support organisations. Thus including these agencies within the network facilitation is considered to be crucial (Birley, 1985). These services and agencies are invited to seminars that allow them to instruct small businesses, and get to know them, providing small firms with a way to ask questions and network at the same time. As respondents explain:

Oh yes, we do that, that is a kind of big activity that we are doing. We have a

weekly business breakfast meeting...we have MSPs speaking at that, people in

Careers Scotland. And we have an annual dinner and all that kind of thing. Also

we produce a magazine that we send out to members on a monthly basis. (3/cc/3)

There are a variety of routes to go down...the sort of co-op type, Rotary clubs,

these sorts of things. We encourage some of the guys to get involved in these. We

get guys into the Chambers of Commerce and things like that...these are the sorts

of things which lead you into opportunities. I think if you work from a firm

perspective, I do not believe that sticking an advert in a journal or magazine is

going to bring in any business...it has to be done on a face to face basis
(24/ind/4).

Through the year we do a series of events and seminars about particular subjects,
and the main purpose for us setting it up is to provide information and a forum
for discussion with members. But on the other side there are obviously people
who do not normally...meet, to meet and have a chance to network (19/ind/4).

Networking, in particular, facilitating networking is a key service offered by BSOs. Many business people are not proficient at networking, and as we have already heard, it is not a skill which appears to be prized in Scottish society (GEM, 2002). This is why it is important for BSOs to be able to offer small firms the opportunities to meet with like-minded people and those who may be advantageous. They also provide members/clients with the skills needed to build and maintain networks. This approach is underlined by one of the SE national respondents:

I think that is one of the ways forward for us in terms of policy for small
businesses, to facilitate this whole process of networking...you can have a formal
mentoring program, which is a good way of opening networks for people, and we
are in the process of introducing an informal networking, a buddying, program
for business start-ups. (15/se/3)

Network facilitation at SE level includes targeted networking, for groups such as women, the ethnic community and young people under twenty-five. The strength of ethnic networks has already been mentioned, and SE recognises that encouraging them into

other networking opportunities is difficult. SE tackles these target groups through initiatives such as "Smart Successful Scotland" (Danson et al. 2000). However, Women into Networking (WIN) is a network facilitation program which is run by, and to an extent funded by, SE. Respondents felt that women are better at the softer business issues, such as networking:

...women are better at networking than men I think, they network differently, they open up and chat more easily than men. (10/se/4)

Networks provide not only the opportunity to meet other business people and those who impart important knowledge and information, they also provide and informal meeting conduit for government officials, ministers and civil servants and the local business community.

The selected conceptual framework can be applied to the facilitation of networks or networking activity. Personal and organisational actor bonds are made and maintained through activities and events facilitated by BSOs, which aligns with the Entrepreneurial literature (See for example, Aldrich and Zimmer, 1986; Aldrich, et al., 1991) and the Industrial Marketing Approach (see for example, Håkansson and Snehota, 1995). As with personal networks, experience and knowledge can be shared as a resource, but firms may conclude mutually agreeable financial agreements, for example, new buyer-supplier relationships as illustrated in the industrial marketing approach (Håkansson, 1982, 1987, 1989; Axelsson and Easton, 1992; Håkansson and Snehota, 1995). The *human* element, (Berkowitz, 1982; Burt, 1983; Knoke and Kuklniski, 1991) takes precedence in this area of networking, as it is the social and personal actor bonds which secure and strengthen

any other relations, and to which networking events such as business breakfasts and the like, are focused. Again, efforts to facilitate networking in Scotland are hampered by the national reticence to 'network' (GEM, 2002), and this is an issue which needs to be addressed if network facilitation is to be used in a more effective manner (Smart Successful Scotland, 1999).

7.4 NETWORK RELATIONSHIPS.

Research Question 2: The Role of BSOs: Research Question 4: The BSN construct
Main Theme: Network Relationships
Sub Theme: Value in the formation and maintenance of network relationships
Code: Net.Rel

Key words: Informal: Formal: Local Economic Forums: Duplication: Combined Functions:
Co-ordination of activities: Resources

Key Points
BSOs share a common goal of economic development and are aware of other BSOs activities
Local Economic Forums are useful for coordinating local economic development activity
Local Economic Forums reduce the levels of duplication between BSOs
BSOs operate at different levels but activity is co-ordinated to provide a full spectrum of issues
Smaller Chambers co-operate with larger regional chambers to save resources
SE uses the Chambers network to ensure local delivery of services
Network relationships allow BSOs to concentrate on core competencies

The relationships between BSOs, small business and government can be defined by three characteristics: *Actor Bonds, Resource Ties* and *Activity links* as argued by the Industrial Marketing Approach (Håkansson and Snehota, 1992, 1995). Collectively, these can be used to explore the nature of the linkages which connect the various actors within the business support environment. These characteristics can be informal, as in the case of personal relationships between two friends or acquaintances (Birley, 1988, Van Bussel, 1998), or more formal, such as the sharing of staff or funding and the co-ordination of

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activities and events between various actors (Håkansson and Snehota, 1995; Huggins, 2000). The strength of these ties may vary; from having simply been introduced to someone at a network breakfast to being long-term friends; or from having a spoken agreement to share resources and co-ordinate activities, to having formal written contracts guaranteeing them (see for example Scott's (!991) theories on uniplex and multiplex relationships). Thus, the nature and outcome of these linkages can be quite different depending on the strength of the relationship between the actors involved.

This section will discuss the network relations, both endogenous and exogenous, which exist within the business support arena. These will be explored in terms of its formal and informal resource ties and activity links, and the actor bonds which underpin these relationships (Håkansson and Snehota, 1992, 1995), with a particular interest in the Local Economic Forums as a form of network hub, connecting and co-ordinating the various network *nodes* (Wellman and Berkowitz, 1988; Håkansson and Johanson, 1992) and the use of contracts to ensure mutually beneficial resource ties between the various support organisations. The relations with the Scottish Government will then be discussed, providing an insight into the types of relations that different BSOs endeavour to forge within local and national government structure, and the level of *embeddedness* (Uzzi, 1996, 1997) between BSOs and the Scottish Legislature.

There are a number of ways in which the business support environment might be created and maintained, through informal and formal relations, sometimes using contracts, but mostly not. Even when there is no direct networking between BSOs, it is often the case that organisations are aware, and supportive, of initiatives being pursued by other BSOs

in relation to the perceived commonality of economic development(Huggins, 2000), as revealed by a Chamber respondent:

> *When big developments and big changes happen...you find there is a liaison with Scottish Enterprise...and the local council. The national government tends to hand it down to local level [government], and Scottish Enterprise, to deliver.* (4/cc/8)

From the respondents there emerged some interesting views relative to other actors within the business support environment, for example individual Chambers of Commerce felt they were less influential than national organisations like CBI, FSB or FPB. In contrast, these named organisations felt no inferiority as Scottish arms of larger pan-UK organisations.

> *If they go to the CBI or the FSB, or the Scottish Chambers, then they get a pan-Scottish view, but if they go to [the local] Chamber, it is not a Scottish issue.* (12/cc/12)

The respondent organisations that appear to have the closest working relationship and have the most *activity links* and *resources ties* (Håkansson and Snehota, 1995) are SE and the Chambers. LECs, SBG and Chambers regularly co-operate, sharing resources to their own, and their client/members' mutual benefit. This fits with the Supply Chain arguments proposed by Cooper and Ellram (1993) and Ellram and Edis (1996) who contend that the best way to ensure the optimum output (product) is to engage in a high level of cooperation. SE respondents recognise the localness of Chambers, and are able to exploit

their ability to deliver to the local business community from the perspective of a non-governmental organisation. Similarly, Chamber, especially the smaller ones, are able to tap into the much greater resources open to SE, which allows them to stage networking events more cheaply and to use SE staff to help organise things; this is especially true of Chambers which are voluntarily run. This concurs with the Transaction Cost Approach, which considers the underlying motivations for building and maintaining relationships based on the costs involved (Shaw, 2002; Williamson, 1985, 1989). By sharing events, these relationships minimise the drain on the resources available to a BSO thus the cost of maintaining and building the relationships is considered worthwhile. Organisational bonds, which see SE staff on Chamber of Commerce boards, and Chamber staff on LEC boards, strengthens the social and organisational *actor bonds*, which in turn strengthens and enhances the *activity links* and *resource ties* between these organisations (Håkansson and Snehota, 1995).

BSOs recognise that they each play different roles (Håkansson and Johanson, 1992) and each of them take care to limit the amount of duplication between them, as much to reduce costs and create economies of scale and scope than for co-operations sake. These inequalities appear to be evened out through the business support environment, and from the perspective of the small business community and the government, are underpinned by different types of *resource ties* and *activity links* (Håkansson and Snehota, 1995). For example, the findings show that the independent organisations are more likely to share information, within and outside the business support environment, than staff or funding, but this is as valuable to the business support environment as sharing personal and pecuniary resources. These ties and links are facilitated in a number of ways, from using Local Economic Forums to using personal *actor bonds*.

We are not a lobbying organisation; we believe that is best left to bodies like the
FSB. (15/se/5)

As noted in the literature review, network structures can reduce inequality between members (Håkansson and Johanson, 1992), and it appears that it is no different in the business support environment. Although the pool of resources available BSOs are finite and are unequal, the organisations appeared able to co-ordinate and share resources for the benefit of each other and members/clients (Cooper and Ellram, 1993; Ellram and Edis, 1996). Furthermore, the BSOs, in common with network structures, appeared to allow each member to find its role, thus reducing duplication and enabling economies of scope and scale in the production costs of service supply (Arntzen, Brown, Harrison and Trafton, 1995). The principal method of achieving this co-ordinated approach is through using mechanisms such as Local Economic Forums (LEFs) which were set up by the Scottish Executive in 2001.

The next section discusses the respondent use of LEFs as a hub for sharing and disseminating knowledge and as an *exchange* and *co-ordination* mechanism for the constituent organisations (Thomson, Frances, Mitchell and Levavcic, 1991).

Local Economic Forums

The reduction of the duplication of services, and the determination of local economic development policy, is central to the function of LEFs. By meeting with BSOs, within a formal context, it is possible to bring more influence to bear on local issues. LEFs also include members of the local business community, in an individual rather than on a

company basis, as well as key departments of the local government. For example, in Ayrshire, the LEF is made up of the three local councils, SE, the local Chambers of Commerce and a selection of independent groups, especially the FSB which is considered to be strong in Ayrshire and several independent business owners.

We do a lot of work with the Federation of Small Business on the [Local] *Economic Forum. And the Economic Forum has occasional meetings with people such as the CBI. Ian McMillan, the head of the Scottish CBI, was at a lunchtime meeting with some of our people...not so long ago.* (3/cc/10)

Before embarking on the fieldwork for this analysis, LEFs were not considered to be of high importance, or indeed a priority in the overall BSO strategy. However, following data collection, it has become clear that LEFs could and should fulfil very important functions as network hubs; reducing duplication of local business services, strengthening the messages emanating from BSOs and the government, and helping to determine and deliver a cohesive local economic development strategy for each region. National programmes can be delivered locally, using local elements in the business support environment, and external agencies. Local delivery of national services is presumed to be enhanced by the presence of LEFs.

The Local Economic Forums comprise all the main players in economic development...local authority, Chambers of Commerce, the FSB, other employer groups and even some of the utility bodies (16/se/8).

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By including both the public and private BSOs, as well as prominent local business people, in the LEF, the local government will have a better understanding of the needs and wants of small firms in its areas. This valuable information is disseminated to the national level of government, which can then build a profile of the needs and wants of small businesses as a whole in Scotland. Similarly, BSOs and business people are able to get a better idea of what government is planning for them, locally and nationally.

Currently only a few areas, most notably Glasgow, Fife and Ayrshire, are using their LEF as it was intended to be used. However, as LEFs have only been in existence for two years, their use and their effectiveness is still being evaluated by BSOs. When the fieldwork was being undertaken, the importance of LEFs was not thought to be great, but the research findings suggest that they are becoming more and more important, and if used effectively and in the spirit of co-operation that was intended, then they may become extremely important drivers and co-ordinators of local economic development policy.

Prior to the setting up of LEFs, there was general concern about the quality of support services to small businesses on a local level; there was particular concern about overlap and duplication of effort between the various representative organisations. When asked how this had changed since the establishment of the LEFs, respondents replied as follows:

One of the Local Economic Forums' tasks was to reduce overlap and they have been looking at delivery of local business services for some time now. There is a flattening down now of duplication. (7/se/15)

I am on the Local Economic Forum here...looking at this issue about how you

rationalise services to business, like the Gateway, the stuff that comes from

councils and indeed, the private sector. (12/cc/4)

LEFs also provide an opportunity for smaller constituent organisations in the business support environment, to have their view both widened and enhanced, by allowing them a seat at the top table and allowing them to align their area of activities more closely with the LEC area of influence, again addressing the problem of inequality (Håkansson and Johanson, 1992). As one respondent explains:

It is important that there is a Chamber representation mirroring the same area as

the LEC covers. We do that through the Local Enterprise Forum, and we have our

place round the forum meeting. (1/cc/5)

This means that in areas such as Renfrewshire, which is covered by one LEC, SE Renfrewshire, but contains three separate Chambers, are a good example of this. Rather than accepting the influence of the larger Chamber, both of the smaller ones have the opportunity to add their voice and contribute to the discussion, although both Chambers have regular discourse and meetings with the larger one. Not everyone has had entirely positive experiences with LEFs with at least one respondent who went against the prevailing mood of the times. He insisted that LEFs are not such a good thing, and that perhaps they are not quite as local as their name would suggest:

We have had tasks passed down. Where do they get these tasks from? Who decides them? Are they relevant? They might well be relevant, but if the Local Economic Forum is waiting for tasks to be handed down, then what is the point? What is the Local Economic Forum for? To devise strategy for within your local area? So why are they handing tasks down? (4/cc/13)

Notwithstanding the disappointment articulated by the above respondent, it needs to be re-iterated that the vast majority of respondents subscribed to this view on LEFs as expressed by the following respondent:

I keep coming back to it [LEF] *because it is a major forum which brings together the public and private sector...councils, who are themselves political structures... and it is a formal forum, on which we have an important role. We are not the only participants of course, the FSB is there and a number of individual businesses are represented, and we are there to have the business voice represented with the councils.* (3/cc/10)

As already mentioned, BSOs relationships can also be categorised as formal *resource ties* and *activity links* (Håkansson and Snehota, 1992) through the implementation of formal agreements. For the most part, *Entrepreneurial* (Aldrich and Zimmer, 1986; Aldrich, et al., 1991; Berkowitz, 1982; Burt, 1983; Knoke and Kuklniski, 1991) and *Industrial Marketing* (Håkansson, 1982, 1987, 1989; Axelsson and Easton, 1992; Håkansson and Snehota, 1995; Moller and Wilson, 1995; Drucker, 1988; Scott-Morton, 1991; Sproull and Kesiler, 1991; Charan, 1991) network relations between the individual actors in the business support environment appear to be informal (Birley, 1985). The first example of

formal exchanges is to be found in the LEF context, shown above, and the second is through written contracts to provide services (Huggins, 2000). A strong example of this is the use of external local contractors to deliver the Small Business Gateway service. SE is free to use any private agency to deliver the SBG service, and in a few areas, the local Chambers have won that concession. The formal delegation of activities, and formal sharing of resources, staff, funding and information, is a particularly strong tie within the context of the notion of a network structure occurring in the business support environment. As two Chamber respondents explain:

We do the Business Gateway here...and I think we have 80% of Small Business Gateway customers, and the high growth stuff. We have a division who actually follow that process of birth and early stages of life (12/cc/3).

So we have got what we call clinics, for our members and our Gateway customers. So you can get access to lawyers, accountants, tax specialists, health and safety, that sort of stuff...typically we have got arrangements with them so that you get the first hour free, and if the individual wants to take it further, then it will be on an agreed basis (12/cc/5).

Another common aspect of resource sharing and *activity ties* occurs vertically within the business support environment, rather than horizontally. For example, hierarchical resource sharing from SE National to LEC to SBG, with provision of funds and staff, and activity links, and perhaps resource sharing, between large regional Chambers and smaller more local ones, and as importantly groups of smaller Chambers getting together to pool resources and stage joint events.

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We do a lot of work with [the neighbouring Chamber] *with a member of staff of ours who is on secondment to them, to help them build up membership, because they have been struggling a wee bit.* (3/cc/10)

We have linkages with the neighbouring Chambers...so the four of us really work within a working group..... We have done quite a few combined functions under this banner. So there is a kind of crossover with the surrounding areas. (4/cc/5)

If BSO network relationships provide a mechanism for sharing and co-ordinating finite resources for the benefit of clients/members, then the *resource ties* and *activity links* with the government provide valuable information for the legislature and are surely as important (Håkansson and Snehota, 1995). There is evidence that BSOs cultivate personal *actor bonds* with key policy makers, politicians, civil servants and councillors, and exploit *human* and *organisational* relations to conserve resources and increase the level of service and representation that they can offer.

It has been demonstrated that BSOs, at local/regional and national levels, act as a mechanism for resource sharing and *activity links* between the constituent member organisations. However, the inter-BSO relationships are just as important to the smooth operation of the support function as intra-BSO relationships. The network of *actor bonds, resources ties* and *activity links* (Håkansson and Snehota, 1992, 1995) between BSOs and the government, at both local and national level, is vital to achieving the aims and objectives of the BSN. Without the co-operation of government structures, the BSOs would be unable to achieve change or influence the construction of business legislation,

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and would be left with only the tangible support function with which to assist small Scottish firms.

7.5 GOVERNMENT

The relationship that BSOs have with the government, both local and national, is crucial in developing an entrepreneurial environment. All BSOs put a great deal of time and effort into cultivating these social (Aldrich and Zimmer, 1986; Aldrich, et al., 1991) organisational (Håkansson and Snehota, 1995), and exchange (Ciborra, 1990) network relationships.

As one independent respondent explains:

I have known certain officials for years and years, even when they move departments. There was one guy who worked in the Enterprise Department, for years, but now works in the local government departments, working on the local government bill. (14/ind/10)

Different BSOs concentrate on particular areas of government, for example, Chambers are more likely to seek dialogue and to build working relationships with local councils, and in fact may even have staff local government from economic development departments. Conversely, organisations such as the FSB, FPB and the CBI are far more interested in cultivating senior government officials and ministers, as this is where they see the real influencing power lying. Based on the research findings, SE is quite different in this respect.

National Government

Research Question 2: The Role of BSOs: Research Question 4: The BSN construct
Main Theme: Networks
Sub Theme: National Government
Code: Net.Govt.Nat
Key words: Enterprise: Departments: Influence: Message: lobby: MSP: MP: Civil service:

Key Points
BSOs build relationships with key individuals and departments in the national government
An insider approach is more successful in achieving aims and objectives
SE has a direct link to government and is able to provide important information
BSOs are apolitical
Independent BSOs consider the national government to be their primary target
Chambers of Commerce submit all national issues to Scottish Chamber

Scottish Enterprise, as a government agency, has not unnaturally, a very clear view of the imperatives affecting its methods of operation and the success of its delivery in relation to the prevailing political establishment. As one SE respondent states:

These guys are our masters, so we need to retain their confidence in what we are delivering, and if we are not, then we need to find out very quickly what it is they want us to do (9/se/14).

As a quasi-government department, or a quango, SE has very good access to the top echelons of the Department of Enterprise and Lifelong Learning (DELL), as well as its relevant ministers and civil servants. These relationships with ministers and other government officials highlight the benefits of coordination (Cooper and Ellram, 1993) and demonstrate the organisational efforts of these actors to manage and integrate material and related information flows (Morash and Clinton, 1997). They can also be

viewed in terms of activity links, resource ties and actor bonds (Håkansson and Snehota, 1995), through examining the substance of the relations.

Opinion, from the research findings, is divided in this organisation as to whether SE does in fact have a role to play in terms of lobbying government. The majority of SE respondents claimed that links with government officials remain as informal meetings, lunches and seminars with local constituency, or list, MSPs and MPs. However, some of the SE respondents feel that SE does have a lobbying role to play:

We certainly wouldn't lobby on the political side, although we lobby within the system for things like resources, ministerial attention...we do try to make sure that we are getting the message across to MSPs, ministers and so on. And that when they ask us questions, they get them answered as soon as possible. (9/se/12)

By dint of their government status, and their access to key government officials and politicians, SE are able to increase the BSO profile in government circles, whilst being able, theoretically, to secure a bigger chunk of resources, both funding and staff. SE is clearly assuming a central (Uzzi, 1996, 1997), and indeed pivotal, role in the Scottish business support environment.

Through sharing knowledge and information, from members and clients, and through working at the 'coalface', SE appears to provide a direct conduit between small Scottish business and the Scottish Government, which allows a more practical assessment of business needs, than might be gleaned from the civil service. This is an example of an increase in communications which can lead to the dissemination and sharing of

knowledge, whilst providing better and quicker solutions to problems throughout the business support environment (Ellram and Edis, 1996). The majority of ministerial relations are cultivated at the highest levels of SE, but not exclusively, although it is, more often than not, something which respondents under the rank of Chief Executive do not appear to take much part in.

The independent respondents questioned, primarily accessed national government; targeting whichever MSP, MP, minister or civil servant they believe will be most easily influenced and who has the most power. Respondents from these organisations claimed to be rather successful at influencing ministers, citing personal friendships as examples of relations between organisations and government, a key example of the formation of actor bonds (Håkansson and Snehota, 1992) and the existence of human networks (Berkowitz, 1982; Burt, 1983; Knoke and Kuklniski, 1991). Independent respondents clearly felt that a softly, softly approach is more suitable to building relations with government, as

> *...It depends on the MSP, it depends on their influence, their committee, it depends on what they can do...Lobbying, politics, is all about mutually beneficial relationships, we have got to be able to give them something.* (14/ind/10)

Most of the independents are affirmed apolitical organisations, and do not differentiate between parties or even between list and 'First Past the Post' MSPs. There are, however, always exceptions to every rule, as one independent pointed out:

> *We try to tailor our message to different parties, the Tories are very pro-enterprise, and have a regulation agenda, and we work with them on some of*

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those things. The purpose of the SNP is to lobby for independence, and certainly

most of our members have not been in favour of independence and that does

create a sort of slightly different relationship with the SNP...I guess maybe thirty

years ago, when Labour was about nationalisations and state control...our

members in the 1970s, I'm sure were not very keen on that. (19/ind/15)

The Chambers prefer to leave national governmental relationship building to the Scottish Chambers of Commerce, which currently has a civil servant, on secondment, as its deputy director. Scottish Chambers handle most of the national, political agenda, leaving local Chambers free to deal with regional and local level government. As members of the Scottish Chambers, local Chamber boards are able to submit their views to the national level, without having to spend time and effort pursuing matters individually, thus practising a high level of resource cooperation as opined by Cooper and Ellram (1993). This method also gives strength to the Scottish Chamber message, representing, as it does, the 24 local Chambers.

We know...if there is a burning issue which is causing local businesses a problem,

we, as the Chamber, would contact our MSP, but we do not have regular

meetings or regular interface with our MSP. (4/cc/8)

On a national level we do not do a great deal, that would be done more by the

SCC. (5/cc/7)

If the following respondent's view is anything to go by, then perhaps it is just as well that the majority of Chamber influence at national level is exerted through the Scottish

Chambers (SCC) than through the myriad of local Chambers. Having one strong voice to act on behalf of all the Chambers in Scotland, and to represent the broad, national agenda of the Chambers of Commerce to government, allows SCC to target ministers which it may have personal actor bonds with, rather than having to go through the civil service. In this respect the SCC currently has a distinct advantage; the Deputy Director of the SCC is, himself, a civil servant on secondment from the Department of Education, Lifelong Learning and Transport, and thus offers a strengthened level of embeddedness (Uzzi, 1996, 1997) between Scottish Chambers and the national Executive.

At Holyrood level, there is a public sector caution, and this sounds terribly negative, but you do get the impression that the approach of civil servants is to minimise difficulties for their ministers, rather than achieving improvements on the business agenda. (12/cc/14)

The level of government which has most influence over small businesses is the local authority council. BSOs would be remiss if they did not cultivate the same, or greater, level of *embeddedness* (Uzzi, 1996, 1997), *actor bonds, resources ties* and *activity links* (Håkansson and Snehota, 1995), that they have with national government. Again, working within the three proposed network structures, local BSOs and local government form strong ties, sharing staff, funding and information, to the general benefit of local economic development.

Local Authorities

Research Question 2: The Role of BSOs: Research Question 4: The BSN construct
Main Theme: Networks
Sub Theme: Local Authorities
Code: Net.Govt.Loc
Key words: Council: MSPs: local Authority: Contacts: links: Ties

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Key Points
SE deal with local authorities through LECs and SBG
Local and Regional Chambers of Commerce prefer to deal with local authorities
Local Authorities have the most effect on small businesses
BSOs are careful to forge strong links, contacts and ties with local government
Chamber staff are often embedded within the local Authority
Chambers act as a local contact between LA and other agencies (education, professional, banks)

The independent respondents questioned for this research tended to deal with local government on a courtesy basis, rather than with a view to achieving any great progress with their own agenda. The FSB leaves the detailed interaction with local government to their local branch offices, and the other independent representative organisations interact less often at this level, an example of transaction cost networks, whereby the BSO is performing a cost/benefit analysis on local relationships (Grannovetter, 1985). SE continues to interact with local government through the LECs and SBG, and of course through the LEFs. Furthermore, SE would appear to give a relatively high profile to local government and this is perhaps somewhat surprising given their pan-Scottish brief. SE and local government could be seen as natural partners in economic development, and for the most part this appears to be the case. In the words of three SE respondents:

> *We meet MPs, MSPs and councillors on a regular basis. Our chief executive has a regular round of these meetings (8/se/9).*

> *Councillors, MSPs, MPs, MEPs, liaise significantly with Local Enterprise Companies on local issues...we can access every level (15/se/7).*

We have actually got some council staff within the business gateways, but their

tasks are the same as SE staff, you wouldn't know that they are council staff

(8/se/14).

Based on the findings, however, the Chambers of Commerce appears to be very proactive, and in some cases is deeply embedded with local government (Uzzi, 196, 1997). For example, one respondent, who is the president of his Chamber, is also a local councillor. He explains:

Our focus is through the local authority; that is the thing that affects most small

businesses on a day-to-day basis (4/cc/8).

This type of relationship allows for a much stronger business voice in the local government, and also facilitates stronger organisational ties, which in turn can lead to resource benefits for the Chamber; staff or even funding (Håkansson and Snehota, 1995). As Chamber respondents detail:

This local authority is very proactive with regard to the business agenda and

there are initiatives that we are doing jointly, where the behaviour or the

approach of the officials is very relevant to speed and effectiveness (12/cc/14).

I do make sure that we have good contacts and links with the local economic

development department and with the planning department on the council, and

with the environmental protection department (5/cc/7).

Some Chambers are also aware, and keen to exploit, possible representational benefits, from cultivating strong local government ties, believing they can take their case further by working through local politicians' own network links (Håkansson and Snehota, 1995):

We are conscious of forging good ties at the local level, and that is working very well...good links at local level, with local government allows...access to more senior, national, politicians. (1/cc/5)

Further ties which many Chambers of Commerce develop, are to be found through councils taking membership of the Chamber. The Chamber acts as a local network hub by channelling the services of several public and private agencies; including banks and other professional services, local councils, local higher education colleges and universities, to provide a strong network of services, educational and otherwise. These are examples of strong organisational ties, the substance of which can be viewed using the actor bond, resource ties and activity links model Håkansson and Snehota, (1995). It could also be viewed as an example of a supply chain, evidenced by the cooperation, coordination, dissemination and sharing of information for the benefit of the consumer (or small business) (Cooper and Ellram, 1993; Ellram and Edis, 1996; Morash and Clinton, 1997).

In operating as a network structure, BSOs could also tap into other useful networks in order to maximise the benefit to members/clients. The professional networks of lawyers, bankers, accountants, architects and consultants are important sources of support for small businesses, and indeed they are the first port of call for many smaller firms (Birley,

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1985; Van Bussel, 1997). By including these networks within memberships, BSOs offer small businesses yet another method of accessing the wider less specialised support, through individuals such as lawyers and accountants, with whom they have built strong *actor bonds*. These relations are often reciprocal and built on trust, and as Van Bussel (1997) and Birley (1985) contend, these characteristics are important in how small firms access purposive supports. Small firms need not access SE services directly[20]; they may access them through accountants, who as members of the local Chamber may refer the small firm owner and encourage him to join the Chamber. The Chamber in turn may be contracted to deliver SBG service, an example of activity kinks and resource ties (Håkansson and Snehota, 1995), or may have strong organisational relationship or actor bonds with SE, and so the small firm owner is able to access SE support through an accountant or lawyer, for example (Håkansson, 1982, 1987, 1989; Axelsson and Easton, 1992; Håkansson and Snehota, 1995; Moller and Wilson, 1995). The next section brings these professional networks into sharper focus.

7.6 PROFESSIONAL NETWORKS

Research Question 2: The Role of BSOs: Research Question 4: The BSN construct
Main Theme: Professional Networks
Sub Theme: ties with professional networks
Code: Net.Prof
Key words: Resources: Consultancy: services: Contracting: Formal training:

Key Points
BSOs form and maintain links with the professional network
Chambers encourage the professional networks to become members
Membership allows Chambers to offer more services to their members (subsidiary services)
SE use the professional network on a contract basis to widen their reach and level of services
Network relationships with professional firms allow BSOs to concentrate on core competencies

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[20] Van Bussel (1997) contends that small firms dislike approaching large bureaucratic organisations, preferring to access organisations which are similar in structure to themselves.

The FSB does not see itself as a delivery organisation and, therefore, does not seek to create network links to other professional delivery organisations, beyond making available a legal helpline, for the benefit of its membership. The FPB follows similar lines and actively...*encourage members to join local business association's* (FPB). The CBI already has those business associations as members, and thus forms an interesting BSN linkage between the CBI and the FSB. The CBI sees itself mainly as...*a lobbying, networking information provider for its membership.* (CBI)

The Chambers of Commerce take an entirely different perspective to the independents in that they see themselves as delivery organisations, working with their own members, other professionals and SE, to create delivery programmes. These delivery programmes are available to their own business members and some are available to small business in general. Many professional firms; for example, accountants, lawyers and banks, see membership of the Chamber as a very good way to network, to establish new contacts and to maintain existing relationships. These relationships may be social (Birley, 1985; Aldrich and Zimmer, 1986; Aldrich, et al., 1991) or organisational (Håkansson and Snehota, 1995; Moller and Wilson, 1995), and may conclude in new business and may even result in securing service delivery contracts with the Chamber. The literature review showed that small business owners are careful about how they seek advice, if they seek it at all, in that they prize trust and reciprocity in relationships and often value personal actor bonds over organisational ones (Birley, 1985; Van Bussel, 1998). This point is underlined by one Chamber respondent's comments:

People trust more through word of mouth referral, rather than just listening to the marketing hype of an organisation. (5/cc/3)

Thus the professional services see Chamber membership as a good investment (Grannovetter, 1985), and the Chambers see them in a similar light, as these two Chamber respondents explain:

One of the things we do, certainly for the Gateway and our membership, is that we have a network of...I suppose you could call them consultants from the professional services, who could offer their services [to the membership] (12/cc/5)

We should be able to purchase services on their behalf, cheaper than they could do themselves...in the UK we have 130,000 members, so they ought to be able to buy a whole range of business services, insurance, vehicle leasing and professional advice. (12/cc/2)

Among all of the non-governmental respondents, only Deloitte and Touche described themselves, not unnaturally, as being unique providers of a wide range of professional services, but acknowledge the importance of networking and to this end the company stages many networking events. Deloitte and Touche encourage their own employees to participate in local networking activities, and take membership in organisations such as Chambers of Commerce and rotary clubs etc (Håkansson and Snehota, 1995). In the sense of professional networking, Deloitte and Touche are users of other networks through which they market their own professional services and are able to provide access to extended professional networks for their client base, and as the Deloitte and Touche respondent explains:

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We network through the banks, enterprise companies, the legal network, and venture capitalists. (Deloitte and Touche)

SE has extended links with third party, professional organisations in the creation and delivery of services and support programs. At the coalface in the SBG delivery, there are examples of contracted professionals (for example, activity links, Håkansson and Snehota, 1995) working within the agency.

A lot of the people who work in Small Business Gateway are not Scottish Enterprise employees, it is a mixture, we contract a lot. (7/se/4)

We contract out our small business services. (20/se/5)

As the main providers of small business support programmes in this country, SE has a large number of trained advisers providing a wide range of in-house services. This agency does not, however, attempt to provide all services and support by itself, and enthusiastically embraces third party support for delivering services where and when appropriate (Grannovetter, 1985). As one respondent explains:

For specific purposes, globalisation networks for instance. I think the cluster networks have brought together some companies which have brought new marketing initiatives or skills development. (16/se/5)

Skills shortages and management training were highlighted at the end of the previous chapter as being serious deficiencies in many small businesses. These areas are fundamentally important to the survival, and growth, of small businesses, and it is vital that small firm owners are able to gain access to these types of support.

All Chambers of Commerce were unanimous in providing informal training, especially for start-up businesses:

> *So somebody has a redundancy package and something that they always wanted to do is start up on their own. They don't have the business acumen they need to somewhere to start with their networking and their business to business information. Then there is somebody else at a senior level in a corporate environment who has been spoon fed their information and their instructions for such a long time, and all of a sudden they are out in the big bad world and it is a lonely environment. (23/cc/3)*

While all Chambers will provide this low level training, none of them recognise this as impinging on the more formal training packages provided by either their own professional membership or indeed others. Some of the Chambers in the respondent group were adamant that they would not be deliverers of services such as formal training as they perceive this as a job for SE, and for other support agencies, which have the resources, in both staff and funding, to provide worthwhile skills packages and training for small business members and clients. Again these are examples of organisational Håkansson and Snehota, 1995) and transactional (Grannovetter, 1985) network relationships.

Other Chambers make no apology for their presence in the training sector, which they see, with some justification as providing exactly what their small business membership requires:

> *In this Chamber, training is particularly useful for small businesses,...the training, if I am honest , is mainly down at administration, office skills, IT and junior management, but we are trying to move up the management training, middle and senior management.* (12/cc/2)

> *We provide small business with...business mentors, access to something called "the business buddy programme". We actually match them up one to one matching their particular needs.... We work with them in small groups of five to eight people and the whole point of that is to actually build their confidence level up.* (6/cc/2)

To this same end, Chambers, particularly the large city Chambers, are keen to establish links with universities, both to provide information and knowledge and to deliver certain types of supports and training; examples of both industrial marketing networks (Håkansson, 1982, 1987, 1989; Axelsson and Easton, 1992; Håkansson and Snehota, 1995; Moller and Wilson, 1995) and supply chains (see for example, Cooper and Ellram, 1993; Ellram and Edis, 1996; Morash and Clinton, 1997).

This relationship is then often repeated with further and higher education colleges, universities, colleges and other educational and training establishments. These educational organisations are encouraged to become members of their local Chamber,

providing them with customers and affording the Chamber with economies of scope, in terms of its service provision. This symbiotic *exchange* and *organisational* network also conserves precious Chamber resources, allowing them to spend in areas the Chamber is more proficient in, such as organising network events.

All of the respondents organisations questioned have a national operation, and in the case of the independents and the Chambers of Commerce, pan-UK operations. SE has a hierarchical structure, contained within the SE network; SE National, the 12 LECs and the SBGs, which it uses to provide nationally determined services at a local and regional level. With national parent bodies being a feature of the suggested BSN, the question of autonomy rears its head; how much autonomy do the respondent organisations have from these parent bodies?

7.7 AUTONOMY

Research Question 2: The Role of BSOs: Research Question 4: The BSN construct
Main Theme: Autonomy
Sub Theme:
Code: Net.Auto
Key words:

Key Points
Chambers of Commerce are fully autonomous from higher levels save for a code of practice
Independent respondents have a large degree of autonomy but campaigning is centralised
SE allows LECs some autonomy but insists that major programmes are followed

The Chambers of Commerce, although affiliated to the Scottish Chambers of Commerce, and hierarchically the British Chambers of Commerce, are not controlled or significantly guided by a remote organisation, and have a great deal of freedom and flexibility at the local level. It would seem that the only barrier to this freedom is that they adhere to the

code of practice of Chambers and that they offer a minimum range of services as part of their accreditation.

The independent respondents also belong to larger, pan-UK organisations, but rather than being controlled by them, they use these linkages for additional support or to strengthen their voice, which are examples of *resource ties* and *activity links* (Håkansson and Snehota, 1992). As these two independent respondents explain:

> *We have got regional managers and we also have researchers who go out and speak to our members, they are based locally, we don't have an office as such...As far as running Scotland is concerned, the campaigning and all that sort of thing is centralised.* (21/ind/6)

> *Basically we have an arrangement, which sort of mirrors the constitutional settlement for devolution. So on issues that are controlled by the Scottish Parliament, we have autonomy for our members in Scotland.* (19/ind/11)

Deloitte and Touche was the only independent respondent that retained some level of higher control. This was an example of a truly centralised control system, operating on a regional level. SE, on the other hand are a large, bureaucratic, centralised organisation, trying to simultaneously control and develop national programmes and to deliver them on a local, region by region basis, whilst allowing individual LECs some measure of autonomy as to how they deliver these services. As one national SE respondent explains:

They [LECs] *are pretty autonomous; they are still companies in their own right, albeit subsidiary companies. They have their own board of directors and they have got significant local discretion within the national framework.* (15/se/5)

SE uses the *exchange and co-ordination* network form to disseminate tangible and intangible resources to the all areas of the network (see for example, supply chain networks; Cooper and Ellram, 1993; Ellram and Edis, 1996; Morash and Clinton, 1997).Tangible resources such as staff and funding can be re-allocated to different areas of the SE network on demand to deal with local and regional crises, such as the recent foot and mouth epidemic. The view on levels of autonomy, granted to regional SE from national level, can best be summed up by this respondent who believes full autonomy exists:

...in terms of setting priorities, because we might say a bigger priority is to generate high growth start-ups. We are unlikely to expect latitude as far as saying "we are not going to do business start-ups" because that is important. There is a framework in Scotland, for economic development, and then there is a strategy, "Smart Successful Scotland". So we are guided by that, and that means not starting out with a blank piece of paper. (20/se/6)

7.8 CONCLUSION

This chapter began by revisiting the three dominant network theory paradigms; *transaction economics, industrial marketing and entrepreneurship* and the supply chain management model. All of these have contributed to the analytical framework of this study. The Industrial Marketing network model provided the framework to address the member/client focus, role, and relationships of BSOs, as well as the hypothetical business

network construct, specifically how BSOs communicate, share resources and jointly organise activities. This approach also provided a structure to analyse the relationships between the different types of organisations with the business support environment.

The Transaction Cost model was useful in understanding how Scottish BSOs maximise benefits from a limited pool of resources. According to the findings, BSOs did not attempt to provide all services and support by themselves, instead often embracing third party support for delivering services where and when appropriate. This finding corresponds to Grannovetter's (1985) work.

The Entrepreneurial Approach provided a basis for gaining insight and understanding into the many personal and business relationships which together form the business support environment in Scotland.

The Supply Chain Management enabled the researcher to understand the degree of co-operation that existed at all levels, despite this being mostly implicit rather than completely overt at times. The initiative to establish Local Economic Forums, throughout Scotland was mostly welcomed as an opportunity for all the major contributors to participate together in providing support to the local economy.

This analytical framework provided the basis to address the second and fourth research aims, namely, to explore the Role of Support Networks, focusing on Business Support Organisations (BSOs) and to explore the hypothesised Business Support Network (BSN) construct.

In terms of the second research question, key aspects of the role of BSOs are the provision of services and information, and the facilitation of both personal and business networks. This refers to establishing, building and maintaining relationships between clients and BSOs.

The study found that all respondents agreed that personal networking by those running small businesses was indispensable to the health of small business, but were equally unanimous in the view that Scots were in general poor at networking. One of the least obvious, and least tangible, resources that can be *exchanged* is personal experience, which has a high reassurance value for another unanimously agreed feature of the small business owner/manager, namely loneliness. Despite these limitations, all BSOs placed networking events, building *actor bonds* with new suppliers, customers, and other sources of support, as a very high priority on their services and support agendas, and all ran networking events, such as business breakfasts or lunches (Håkansson and Snehota, 1995). These networking events included the opportunity to meet professional service providers as well as other business people. Birley (1985)Van Bussel (1998) and Bennett and Robson (2000) agree with respondents as to the importance of building personal and business networks, and that they are often valuable sources of support and information. In the context of provision of services, the findings show that the independent organisations are more likely to share information, within and outside the business support environment, than staff or funding, but this is as valuable to the business support environment as sharing personal and pecuniary resources.

A further key finding, addressing the second of the stated research aims, was that respondent organisations shared many aims in supporting small business but often

diverged in structure, approach and the mode of delivery. This commonality is a key feature of *organisational* networks ((Håkansson and Snehota, 1995; Drucker, 1998; Charan, 1991, Huggins, 2000); a common goal of improving the survivability and competitiveness of Scottish businesses, small and large, despite each of the respondent organisations having a different role to play in achieving that goal (see for example, supply chains; Cooper and Ellram, 1993; Ellram and Edis, 1996; Morash and Clinton, 1997). According to respondents, structures and mechanisms, such as LEFs, go a long way to providing *co-ordination* of these common goals, reducing duplication and attempting to clarify the message emanating from BSOs.

If the various services and supports, which are available, could be linked in an appropriate manner then they would provide a very useful "road map" for the small business owner/manager. This would assist small businesses to find their way to exactly the right advice amid the plethora of organisations, mentors, friends, acquaintances and packages currently on the market. Facilitating this goal is the finding that BSOs were acutely aware of each other and appeared comfortable, in the main, with the roles cast for each other, and that the assembled evidence goes someway to support the suggestion that BSOs operate within a network structure, now termed as the business support network (BSN).

With regard to the fourth research aim, namely to explore the hypothesised Business Support Network (BSN) construct, the study explored the nature of relationships BSOs have with each other and with government (at local and national levels) and professional support networks. In terms of these relationships, the research also identified strong and weak *resource ties, activity links* (Håkansson and Snehota, 1995) and levels of

embeddedness (Uzzi, 1996) between BSOs and Government. The findings show that SE and the independents have a stronger bias towards national government while the Chambers were more active within Local Government departments. No matter where BSOs interacted they have all apparently found their own appropriate level of Government to satisfy the needs of their membership. This indicates that BSOs are operating efficiently in terms of building network relationships, and that they are pragmatic in determining the resource implications necessary to influence everybody. Shortage of staff and funds means that BSOs form *actor bonds, resource ties* and *activity links* (Håkansson and Snehota, 1995) with those individuals, committees and departments that will provide the greatest benefit to fulfilling organisational aims and objectives, in order to limit the drain on their limited resources.

In areas of government and the business community which have been determined to be appropriate for BSOs, there is an emphasis on building strong *entrepreneurial* (Aldrich and Zimmer, 1986; Aldrich, et al., 1991; Burt, 1992; Knoke and Kuklinski, 1991) and *industrial marketing* (Håkansson, 1982, 1987, 1989; Drucker, 1998; Charan, 1991; Axelsson and Easton, 1992; Håkansson and Snehota, 1995; Moller and Wilson, 1995) networks.. There was a strong recognition of the need to use professional networks to support membership aspirations, although all Chambers provided some low-level training support to members while a few Chambers ploughed their own furrow on some levels of training. By including the professional and educational networks, BSOs can increase their economies of scope through facilitating this *subsidiary* support, thereby affording members/clients with a greater range of services, whilst simultaneously reducing the strain on limited resources (Cooper and Ellram, 1993; Ellram and Edis, 1996; Morash and Clinton, 1997).

An important finding relating to the existence of a BSN was the notion of centrality, posited by Uzzi (1996, 1997). All respondents had some degree of support or control exercised upon them by a central or national authority. This centralised control was least evident in the Chambers of Commerce and most evident in SE, who operated with a national framework and strategy while allowing LECs to set the priorities for their area. Uzzi (1996) states that there is always at least one organisation within a network structure which assumes, or is forced to adopt, a central position in ensuring the smooth flow of resources between actors and maintaining the overall network structure. This would appear to be the case for Scottish Enterprise which, as a government agency, has the resources, both tangible and intangible, necessary to fulfil this role, and further strengthens the case for the BSN construct.

The next chapter will critically analyse the remaining themes of communication orientation; lobbying, media and protest, as well BSO perceptions of government, optimism over the economy and the issues of entrepreneurial development and the contribution that small business makes to the economy.

CHAPTER 8

Emergent Themes Analysis

8.1 INTRODUCTION

The previous chapters have dealt with the two most important themes; membership issues and network issues. This chapter discusses the remaining themes; firstly communication orientation, focusing on lobbying, use of the media and openness to protest as mechanisms for influencing key individuals and government departments. As representation is considered a key support service, especially for the independent respondents, this issue is deemed to be of significance, especially with regard to how BSO respondents choose their particular communication orientation strategy. Secondly, respondents' perceptions of the Scottish Legislature, in terms of its understanding and prioritisation of small business issues since devolution, are discussed. These perceptions are important as they colour the approach taken by BSO respondents in order to represent members/clients, and they also help determine the communication orientation strategies of BSOs. Finally the socio-political and economic environment, particularly the contribution of small business to the economy, entrepreneurial development and optimism about the economy over the next twelve months, are reviewed. These issues are grouped together in this chapter because they deal with the BSOs external environment and how they communicate with, operate in and make sense of it.

To help understand the significance of the BSO communication orientation, the respondents' perceptions of the Scottish legislature are brought into question, exploring whether BSOs are confident in governmental abilities to improve the lot of the small business, and whether they believe that the authorities are doing their best to improve the environment in which small businesses operate. This environment is then discussed with reference to issues such as the contribution of small business, the development of an entrepreneurial climate and optimism over the economy in the short-term. Finally respondents are asked what one thing they would change about their organisation, to

discover whether or not there is any pattern that emerges with regard to how BSO respondents would improve their own organisations, and whether or not these 'improvements' could be built into recommendations for strengthening the BSO and its relationships, in addressing the third stated research aim.

Organising the voluminous research data into key themes was deemed to be a more reflexive strategy. This would afford a more comprehensive coverage of the material and allow subsequent analysis and discussion in relation to the stated research aims in chapter nine.

We now consider the communication orientation of BSOs, how they seek to pursue their representational aims and objectives through use of the media, or protest, and how they seek to directly influence target individuals, departments or committees, at both local and national level, using personal relationships and other one-on-one contact situations.

8.2 COMMUNICATION ORIENTATION

Communication orientation is a term that was introduced in chapter three, and is the method, or methods, which BSOs use in order to engage their target audiences and influence policy change or secure local economic development benefits. The three communication orientation methods are; lobbying, media and protest (Whitely and Winyard, 1987). We also considered the Beer-Eckstein (1960) model of business group strategy which suggests that business groups do not utilise the media as this would reveal political impotence. The authors contend that these groups will only user an insider approach, utilising personal contacts and influential individuals within key government departments. They highlight that these individuals will not be ministers but rather civil servants. The author contended that groups would adopt a multifaceted communication

orientation, utilising the media as well as lobbying, an argument supported by Whiteley and Winyard (1987) and Grant (2000). Lobbying involves interaction with the different levels of government, from using personal relationships with key individuals, to targeting departments, committees and the civil service (i.e. The Scottish Executive). The industrial marketing network literature can be used to analyse the substance of this web of relationships in terms of actor bonds, resource ties and activity links (Håkansson and Snehota, 1995). The entrepreneurial networking literature would also be useful in analysing the social relationships which underpin a successful lobbying communication strategy (Burt, 1992). Media communication involves the use of the various types of broadcast media available to BSOs; television, radio, magazines or journals, national and local newspapers, to ensure that the 'business voice' is heard in an attempt to influence policy makers or officials. Protest is the most contentious of the three modes of BSO communication, and is associated more with environmental and social pressure groups. Protests can take the form of anything from petitions to picketing or demonstrating with placards, and often garner attention from the public and the media.

This section is concerned with why BSOs make these influential network connections, rather than how, as this has already been addressed in the previous chapter. The role of personal relationships is also considered alongside the other two communication orientations, and whether or not they are used separately or as a multifaceted communication orientation. Protest, as a communication orientation, was not expected to be used by BSOs, and this proved to be the case. Respondents felt that protest was more liable to annoy than influence…*for instance look at the anti-hunt lobby, those guys in the orange suits, it just turned everybody off. Not a good tactic!* (14/ind/11). Building personal relationships with key individuals, using an insider approach, was deemed more likely to produce results. Lobbying was the favoured approach for Chambers and

independents, but was rarely used by SE, mainly due to its position as a quasi-governmental organisation, and it therefore does not need to 'lobby' the politicians who are its bosses and paymasters. The media is extensively used by all respondents, as evidenced in the media section, with the exception of Deloitte and Touche, although the different organisations use quite different media communication orientations to each other.

Lobbying

> Research Question 2: The Role of BSOs
> Main Theme: Communication Orientation
> Sub Theme: Lobbying
> Code: CO.Lob
> **Key words:** Lobbying: Insider: Targeting: Long term: Issues: relationships:

Key Points
Chambers and Independents are apolitical
Local and Regional Chambers use Scottish Chambers to lobby at national level
BSOs carefully target departments and individuals to preserve resources
SE does not lobby but has extensive access to all levels of government
Most lobbying is carried out by senior officials or board members

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Lobbying borrows much of what has already been covered in the previous, network themed chapter. In building their personal network relationships, respondents took care to target those individuals who might bring some benefit, both personally and organisationally (Birley, 1985; Van Bussel, 1998). As one independent respondent notes: *...it is all about mutually beneficial relationships* (14/ind/10). Different constituent elements of the BSN concentrate on particular areas of government, for example, Chambers are more likely to seek dialogue and to build working relationships with local councils, and in fact may even have staff that hold positions in local government. In contrast, organisations such as the FSB, FPB and the CBI appeared to be far more interested in cultivating senior government officials and ministers, as this is where they

perceived the real influencing power lying. SE is quite different in that it is a government organisation.

Lobbying, or directly influencing key policy makers and actors within the government, is the principle support activity carried out by the independent respondents, again excluding Deloitte and Touche. The self-proclaimed role of the CBI, FSB and the FPB is to represent the interests of their members to those that can change, or influence change, in policy. This approach fits well with both the Beer-Eckstein (1960) and Whiteley and Winyard (1987) models of communication strategy, although Beer and Eckstein contend that ministers should be ignored in favour of civil servants.

These organisations are rather more pragmatic than many would-be representative groups, of any persuasion or issue, in that they do not waste time trying to influence change, when it cannot be changed. This finding is underlined by one independent respondent:

> *If I am lobbying, I am going to make sure that I am lobbying the subjects which I can do something about. Yeah, regulation and tax are big issues, but we lobby Brussels and the Chancellor on tax. Legislation is coming through about environmental responsibility, but it does not come from Scotland, so there is no point lobbying the Scottish Executive about something about which they can do nothing...Many business organisations say, "right, we want to change tax, so we will lobby the Scottish Government.", not going to work!* (14/ind/4)

It emerged from the data that knowing what can and cannot be changed is an important first step; the second is to know who to target, or which department to engage with. As one respondent explains:

Our job is to know the people at Scottish Enterprise or the officials who work on particular issues. We have to talk to them about what business is thinking and feeling. Scotland is a pretty small place and so it is quite easy to network, and I know quite a few of the ministers in the Executive...I also know quite a lot of civil servants on key issues. (19/ind/14)

The national government structure is the natural target level for national interest groups, given the independent respondents relative lack of interest in local government. It is not surprising that, in terms of their overall organisational aims and objectives, influencing local authorities is not a high priority for them. That is not to say that local government does not engage with them, as this already occurs in the Local Economic Forum, but is confined to the remit of regional branch managers.

Reciprocal relationships are valued by policy makers and so developing mutually beneficial multiplex relationships (Scott, 1991) with key influencers seen as a key tactic by independent organisations. This approach combines the professional business or political relationships with personal and social contact (see for example, Hansen, 1995). This was emphasised by one respondent:

If you look at the literature on lobbying, it is about the prevailing drift of government policy. You have to be an organisation which presents solutions

rather than always being negative. If we are critical then we will be constructive
[in our criticism], we will present a clear vision of what we want....Lobbying,
politics, is all about mutually beneficial relationships. We have got to be able to
give them something. (14/ind/8-10)

Chamber respondents are more or less opposite to the independents in their chosen
lobbying communication orientation. The majority of the Chambers confine their national
lobbying to networking events with their local or constituency MP, MSPs and MEPs,
emphasising a more entrepreneurial approach as highlighted in the second and third
phases of Hansen's (1995) networking model. This means that the role of national
lobbying is largely left to the Scottish Chambers:

If we had an issue which we felt, as an individual Chamber, we should push, we
would target the department concerned, and probably the minister. But I would
say that most of what we try to do in terms of the Scottish and London
Parliaments is done through the Scottish Chamber. (2/cc/6)

On a national level, we do not do a great deal, that would be more done by the
SCC. (5/cc/7)

We have not been strong on encouraging contacts with politicians, because we
see that essentially Scottish Chambers ought to be doing that, and we would be
treading on each other's toes! (12/cc/11)

This final respondent makes an important statement about clarification of the different roles of BSOs, and relates to the point made in chapter six about there perhaps being too many cooks, whilst further clarifying the issue of the absorption of inequality within the business support environment (see for example, Håkansson and Johansson, 1992). From the findings, it is argued that allowing the Scottish Chamber to be the national mouthpiece strengthens the Chamber voice and prevents the message from being unduly diluted. Without the need to lobby nationally, the influencing activities are often confined to local government:

Our focus is through the local authority. That is the thing that affects most small businesses on a day-to-day basis. (4/cc/8)

We have an ongoing dialogue with the local council. (2/cc/6)

It is important to note that every Chamber and independent respondent believed that their organisation was completely apolitical and any influencing activity is cross party. However, casting a shadow over their political and professional parity are comments from one respondent:

...I would not meet with more than one political party at once; I find that is completely counter-productive. They sit and take notes about each other! (5/cc/7)

Obviously, the party that holds power, which at the time of writing is the Labour-Liberal Democrat coalition, will be lobbied the most. Chambers are keen, for the most part, to establish relationships with their local MSPs, MPs and MEPs, and keep them informed about the local business issues. A question that all respondents were asked was whether

or not they distinguished between First Past the Post (FPTP) MSPs and List MSPs. Not a single respondent distinguished between these two 'types' of MSP, again reaffirming the cross party, apolitical nature of independents and Chambers. Again this approach highlights the deficiencies in the Beer-Eckstein Model (1960) as it is clear that these groups do not favour civil servants over ministers, rather they choose who to interact with based on what they think those actors can do for them as espoused in the third phase of Hansen's (1995) networking model.

SE, as already described in chapter 7, can be viewed as a supply chain, with knowledge, information and services as the output. This supply chain also includes the government who, as the resource providers for SE and consumers of information provided by SE, could be placed at both the beginning and the end of this supply chain (Morash and Clinton, 1997; Ellram and Edis, 1996; Macbeth and Ferguson, 1994).SE, as a government funded public agency, does not need to lobby as they already have direct links to key individuals and departments at national level as described by respondents:

> *We like to make sure that the Scottish Executive likes what we do, because they are our paymasters at the end of the day.* (7/se/11)

> *I think ...*[the LEC chief Executive]...*meets with the MSPs on a fairly regular basis, but I think it is mainly just update reports on what we have been doing.* (10/se/9)

SE also has dealings with government at local level, as one SE respondent explains:

We do have dealings with local politicians, particularly on the council, the guys in local economic development. It is usually done at board level. (11/se/9)

Individual ministers are not such high priorities at national level, as SE is more interested in committees:

It is the committee structure which we are more interested in, so individual MSPs, be they first past the post, list, shadow or whatever, are not really our target. (16/se/10)

The following respondent, however, sums up SE's potential for influencing and its capacity for virtually unlimited governmental access:

We have lots of contact with politicians at the national level. Within our customer services department there is an officer who spends most of his time in Edinburgh, for example, liaising with MSPs on matters of interest. Councillors, MPs, MSPs, MEPs, liaise significantly with Local Enterprise Companies on local issues, but also on a national level, our Chief Executive [Robert Crawford] has a very close relationship with senior ministers in the Scottish Executive, and the communication is regular. We can access every level! (15/se/7)

Ultimately, it is the public economic development agency that will have the greatest access to the key actors within the government, acting within the SE supply chain. This is not to say that SE would have the greatest level of influence, but it is safe to say that as a government agency, the government will at least listen. The need to build and maintain

personal relationships with ministers becomes reduced, as access is granted, regardless of social actor bonds (Håkansson and Snehota, 1995). Independent and Chamber respondents are not so fortunate, although some Chamber respondents have been, and still are, active participants in local government; one being a local councillor, and the other an ex-Lord Provost. This level of access, however, is more unusual, and Chambers more often than not, have to rely on building strong actor bonds, activity links and resource ties (Håkansson and Snehota, 1995) with local economic development departments in order to ensure the continued, or future, existence of synergistic, mutually beneficial relationships with the local authorities.

The majority of Chambers remain content that local government is the most appropriate level of government for them to engage with (see for example, Bennett, 2000; Whiteley and Winyard, 1987; Grant, 2000). Independent respondents, working on a national basis, are less concerned with local issues, unless they have a bearing on national issues, and are thus more focused on lobbying national, rather than local, government institutions. Influencing members of key policy committees and departments, at both ministerial and civil service level, was the more favoured approach for independent respondents.

Media

Research Question 2: The Role of BSOs
Main Theme: Communication Orientation
Sub Theme: Media
Code: CO.Med
Key words: Newspaper: Radio: television: Publications: News releases:

Key Points
BSOs do not confine themselves to one particular medium
SE handles radio and television output at a national level
BSOs are both reactive and proactive with the media
BSOs rely on extensive in-house publication
Independent respondents prefer national newspapers: Chambers use newspapers

The favourite medium for communicating BSOs' aims and objectives using the mass media is the newspaper. This medium can be used in a variety of different ways and to different effect; from reacting to stories or articles, to even conducting debates over several weeks, as found in the Scotsman (12/12/2001). For example, the FSB, the FPB and the CBI carried out a rather public argument on the subject of the Small Business Rates Relief Scheme[21]. This theme can be carried to Chambers of Commerce, which also adds its voice, through the Scottish Chambers mostly. Chamber respondents felt that the national dailies are more interested in Scottish stories than parochial, local issues, which are often covered by local newspapers.

This communication strategy is highlighted by Whiteley and Winyard (1987) and Grant (2000), but is the antithesis of the Beer-Eckstein model (1960) in that this approach suggests that use of the media reveals political impotence. The former authors recognise that in a modern business group, the media can be used as a very effective bargaining tool and as a useful communication orientation, particularly when combined with a lobbying component.

As with the lobbying, use of the media, as a communication orientation, differs markedly between different BSOs. Relations between elements of the media and BSOs can be fruitful or strained:

> *We have had our fair share of thrills and spills with the media over the years, and*
>
> *for quite a while relations were not all that good, we objected to a lot of criticism*

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[21] Wednesday, 12th December, 2001. The Small Business Rates Relief Scheme (SBRRS) proposed that larger companies subsidise the business rates of smaller companies. The scheme was partly formulated by the FSB in conjunction with the Scottish Executive, and was opposed by both the CBI and the FPB, which was not surprising given these organisations mixed membership, both small and large.

from the media. As an organisation we are probably oversensitive about the media...it is a two way street; we are trying to promote things in the media, and there is a significant part of the media which is reactive, responding to what has come up. I would guess this week that the guys in our press department will be a bit busy with the Chunghwa[22] thing. (9/se/13)

There are many elements that BSOs can choose from, in terms of communicating via the media; television, radio, in-house magazines or journals, national and local newspapers are just a few examples. Promotional literature is mostly used by SE, but this is combined with extensive use of nearly every other type of media.

We are regularly asked to put forward our point of view for newspaper articles, television programmes and radio programmes. I am by no means the most senior person here but within the last few weeks, I have been interviewed two or three times by the newspapers, interviewed on the radio and interviewed on television. So we are asked to participate quite a lot in the media. (15/se/7)

There is evidence in the data, that in some areas, co-ordination of services in the LEF has led to BSOs producing a single media publication, rather than several separate ones (see for example, activity links and resource ties, Håkansson and Snehota, 1995). This concentrates readership onto fewer, universally important issues, rather than a myriad of parochial issues affecting small numbers of businesses. SE, through its LECs, often drives this, further suggesting the centrality of SE to the business support arena.

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[22] Chunghwa Picture Tubes, an inward investment program which received almost £20m in public grants, closed its Lanarkshire factory in January 2003 one month before the company lost its enterprise zone status, thus facing a rates bill of £3.5m and a water bill of almost £250,000.

Last year we put loads of effort into stopping everybody doing their own individual publications, and creating one business publication. We, and our partners in business support, produce one publication that says, "Here is what is going on". We don't have the economic development departments of councils do their own thing, and everybody else doing their own thing. The partners are mainly the two councils and ourselves, but the Chambers and the Federation were involved because we did it through the Local Economic Forum. (20/se/8)

This respondent also backs up the notion that the LEF is one of, if not the most important communication mechanism for the BSN, allowing regular discussion between the most significant business organisations at local level in order to develop local economic development policy, and reduce duplication of services, including media publications. This further clarifies and strengthens the message of the 'business voice' at the local level using a supply chain orientation as proposed by Cooper and Ellram (1993) and Morash and Clinton (1997) who suggest that in order to maximise the knowledge flow and to optimise the output of the supply chain, actors must have high levels of cooperation and coordination. An increase in effective communication can lead to the dissemination and sharing of knowledge and to better and quicker solutions to problems throughout the supply chain (Ellram and Edis, 1996).

The use of television and radio advertising is not devolved to LEC and SBG level, but is retained by SE national, which has a large press and PR department for exactly that purpose...*the TV that we target are the national television stations, and it is handled at SE national level* (7/se/12). This may change as SE continues to develop...*The TV*

adverts for Scottish Enterprise are a national advert, but now we are exploring the use of

ITV micro-regions (10/se/11).

The evidence shows that Scottish Enterprise's proactive use of television and radio is in the main concentrated on advertising SE and its services. There is also, however, a reactive use of radio and television by SE when there is a need to respond to issues or stories of local or national importance. SE is proactive in using newspapers at local and national level to advertise their services and to react to articles or stories, and together with their television and radio advertising, SE is engaged in the battle to influence people. This influencing is not, as with other BSOs, directed at politicians per se, but at business people who are not using BSO services. With its unique access to government, SE hardly has any need to bother trying to influence politicians and government officials by using media communication orientations.

The Chamber and the independent respondents eschew the lure of television and radio, principally because of the cost, and instead work on building a profile in local and national newspapers. Arntzen, Brown, Harrison and Trafton (1995) consider that the strategy adopted by organisations to optimise their output is primarily determined by resources, production limitations and local and cultural restrictions, an approach which fits well with the Chamber and independent media strategy. As respondents explain:

> *The favourite approach is through news releases going out and being picked up,*
> *or sometimes phoning an individual who we know is sympathetic and then giving*
> *them a story.* (21/ind/9)

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The media comes to us when they have particular business stories, and we react to that. We will put press releases out, we give stories to papers, articles etc.... we tend to be quite proactive in the media, giving them pieces, a few hundred words, and that is a good way of sending our message across. (14/ind/11)

We have a regular page in one of the local newspapers and our chief executive puts together pieces in which he will highlight any problems our members have, when appropriate. (4/cc/9)

The local media is very critical to us, and they do it well. They actually give us a lot of support in getting our aims and objective across and also come to us for comment on various things. (6/cc/10)

It is clear that independent respondents prefer to use national newspapers, with the Glasgow Herald, the Scotsman and the late Business A.M., being the preferred choice because... *if they* [members] *only read the Record or the Sun, then they will not see us in the media* (14/ind/11). Local newspapers are more valued by Chambers in promoting local business issues, and advertising membership events and seminars, as most respondents from smaller Chambers felt that the big three national daily newspapers would not be interested in Chamber businesses unless it was from a big city Chamber or from the Scottish Chambers of Commerce.

As well as using established areas of the media, respondents also publish their own in-house magazines. The FSB, CBI and FPB all have their own monthly or quarterly magazines, and the FSB even has regional editions for its four branches. Each Chamber

respondent published their own magazines, or co-published them with larger Chambers or, as in a few cases, co-published on as a local/regional basis (see for example, Håkansson and Snehota, 1995).

Protest

Research Question 2: The Role of BSOs
Main Theme: Communication Orientation
Sub Theme: Protest
Code: CO.Pro
Key words: not effective: anarchy: NO: motivation

Key Points
Protest is not something that BSOs would consider
Protest is an ineffective and counterproductive communication orientation

The unequivocal response to the question "could you, or would you use protest as a method of communication ?" was, no!

I do not think that protest is an effective way. (14/ind/11)

We would never use that, ever! (21/ind/10)

We are not in the business of anarchy! (1/cc/6)

We would have the ability to, but I don't think that that would be the best process, so no chance of standing outside the Scottish Parliament with a placard. (6/cc/10)

This unequivocal voice was questioned by one, more radical, Chamber respondent, who believed that protest, as a communication orientation, is well within the means of the Chamber of Commerce. The respondent believed that:

If there was something that the local authority, for example, did, that really irked our members, then yes, leading a protest on that would be something that we would do (4/cc/9).

Another Chamber chief executive perhaps understands the membership better:

To mobilise anybody you have to motivate them, so there has to be a benefit to them...that motivation is going to be monetary at the end of the day...so if they had a lot to gain then I suppose I could [mobilise the membership to protest]. (23/cc/9)

The overwhelming message from all the respondents was that protest, as a communication orientation, is not effective in influencing policy makers, or anybody for that matter, on issues relating to small business.

Based on the findings, the most effective communication orientation for those BSOs trying to influence policy appears to be the lobbying approach. Use of the media helps to raise interest in issues, but ultimately, as one independent respondent explains:

...there is no point standing outside interest raising all the time. If you want your opinion considered then you have to get in there and make your point. (14/ind/4)

Actually talking to ministers, forming social bonds with civil servants and participating on committees, is recognised by respondents as being the only way to influence and change policy. The process may take many years, and in that respect could be hijacked by the membership in their pursuit for tangible, short-term benefits. This highlights the importance of networking to achieving and setting organisational and aims and objectives within the business support environment. Targeted social ties (Hansen, 1995; Aldrich and Zimmer, 1986; Aldrich, et al., 1991; Burt, 1992; Gabbay and Leenders, 1999) appear to be the most useful method of achieving goals, and organisations will only target those individuals who can provide the necessary returns. To do otherwise would be to waste valuable resource.

Media informs, protest annoys but lobbying convinces, and it is something that BSOs must be proficient at, if they are to represent their memberships effectively. Communication orientation is an important part of the role of BSOs, as it partly determines aims and objectives, or rather how to achieve aims and objectives (Whiteley and Winyard, 1987; Grant, 2000). This material is particularly useful in helping us to address second stated research aim, exploring the role of the BSO, as it concerns how BSOs attempt to influence and change policy in Scotland, and how the media can be used to determine the overall goals of the BSN, especially with regard to their use of newspapers. Any significant disagreement will most likely air itself in a national daily or two, whilst SE uses the media to address its own problems of awareness and misperception, rather than involve itself in inter-BSO squabbling.

The data concurs with Whiteley and Winyard (1987) in their suggestion that there are six types of communication target; Political Parties, Civil Service, Parliament, media, and collusive agreements with other groups. Certainly the respondents indicate that the principal targets are the parties, although not all at the same time, and that an apolitical, cross party approach is the desired strategy, using an organisational approach rather than a personal one. Respondents also target the civil service and parliament, i.e. ministers and key influencers, and that these tend to be characterised by personal relationships, often built over significant periods of time. The use of the media can be indiscriminate and is more often than not reactionary rather than proactive, but that personal relationships do have a bearing, especially for the independent groups and perhaps the Chambers of Commerce. The overall feeling was that SE targets the media on an organisational basis rather than a personal one. The author argues that as far as collusive agreements go, the LEF is a perfect example of such co-operative activity, even if it is only felt to be an implicit link by respondents.

The work of Grant (2000), covered in chapter three, shows that wider, more varied memberships have a bearing on communication orientation, at least in terms of member expectations. Limited resources; time, money, access and information, all have a bearing on which strategy is employed by BSOs, and that in turn the communication orientation can be effected by whoever is in power, and how the economy is faring. The one area of Grant's overview of interest group activity is the notion of sanctioning capability and the ability of organisations to mobilise members. Respondents argued that sanctioning and member mobilisation is not within their remit as business support and representative organisations, leaving this particular strategy to environmental and welfare groups.

The following section has some degree of influence on the particular communication orientations that a BSO might adopt, and allows us to reveal how BSOs view the government, both at local and national levels. For example, if Chambers of Commerce and the independent organisations felt that the prevailing political winds were, in their opinion, blowing the wrong way, or that the priority given to small business issues was not enough, then this may move BSOs to adopt a more public, media communication. It may also galvanise them to influence and persuade key policy makers as to how important small business issues are. Certainly there is evidence that government officials do read the newspapers, and from time to time, they even respond to public debates initiated by BSOs, such as Scottish Finance Minister, Andy Kerr replying to FPB criticism of the small business rates relief scheme in the Scotsman in November 2002.

8.3 BSO PERCEPTIONS OF THE SCOTTISH LEGISLATURE

Research Question 2: The Role of BSOs
Main Theme: BSO Perceptions of the Scottish Legislature
Sub Theme: Government priority to Small Business
Code: SPE.
Key words: High: awareness: Interest: understanding: business experience

Key Points
Scottish Executive give a high priority to Small Business
SE support the Executive but Chambers and Independents are not as sure
Executive is increasing its awareness of small business issues and is trying to resolve them
MSPs do not have enough business experience

Respondents were questioned on their perception of the Scottish Government, both at national and local level. Questions focused on how much priority government gives to small business, its understanding of the needs and wants of small Scottish businesses and the change in priority given to, or understanding of, small business issues since devolution

Based on the review of the literature, it was anticipated that the answers to these questions, could be expected to divide the respondents into two camps. On the one hand SE could be relied upon to express a positive view of the Scottish Government in answer to all three questions. On the other hand, the independents and the Chambers would typically express a negative reaction on the Scottish Governments performance in each of the three areas.

On the whole, the answers that the SE respondents gave corresponded with the anticipated responses. The SE respondents believed that, government in Scotland is giving a high priority to small business affairs and understands small businesses better than ever before, since devolution. As respondents explain:

> *Very high, very high priority...we have to concentrate on...our own indigenous companies...that is where I think there is a big push by us and the Scottish Executive, to the small businesses of today.* (8/se/10)

> *I think the* [Scottish] *Executive treat the matter very seriously...I do believe that there is an increasing awareness of the needs and I think...that is one of the main benefits of devolution* (15/se/9)

> *As a consequence of devolution we have got much greater interest in small business and enterprise. It is much higher up the agenda...and the creation of* [the Scottish] *Parliament has played a part in that because our transparency is much*

higher. We are subjected to more scrutiny, we have been forced to take small

business enterprise more seriously, and I see that as a good thing (9/se/8)

There were, however, some exceptions:

I wouldn't necessarily think that it is uppermost [as a priority], *I mean things like*

health, education and transport are much higher in profile, economic

development, we feel, is down the agenda overall...there is quite a good

understanding in the practitioner community, but [for] *individual MSPs or*

government departments, who are not in economic development, it [small

business understanding] *will be quite variable.* (16/se/12)

I think if you had asked me the same question six or nine months ago, then I

would have said low. On a political level, Wendy Alexander was battling uphill, I

think now it has dawned on [Jack] *McConnell* [Scottish First Minister] *that*

industry and business is important. (10/se/12)

Crucially, and at odds with the anticipated responses, the majority of Chamber respondents felt that the Scottish Government, if not understanding small businesses fully, was at least making progress in that respect and that the level of priority that they give to small business is fairly high. The majority also felt that the government had improved since devolution, and that the Government is less bureaucratic and so easier to access. According to respondents:

I think they are trying to give it the priority. I was encouraged greatly when I saw a headline in the paper that the Scottish Executive will promote enterprise at School level, and that to my mind is fantastic. (1/cc/7)

I think there is a level of understanding there; I certainly do not think it would be right to say that they do not understand small business. (3/cc/13)

Only a fortnight ago, Jack [McConnell, First Minister] *came to our business breakfast...he has set out on a deliberate campaign to show that small business is important...it is easier to make contact with those who are responsible for small business support in Scotland.* (5/cc/9)

A large proportion of Chamber respondents replied as expected with a critical view of government's prioritisation and the extent of their understanding of small business issues. As Chamber respondents explain:

I do not think they [small business] *get enough* [priority]...*I do not think it is any worse or better* [since devolution]. (12/cc/13)

The Scottish Executive was endeavouring to be well meaning, but has come up with a deeply flawed approach in its small business rates relief scheme...the Scottish Executive doesn't think long term enough and there is not strategy for business support in Scotland...we have a set of actions...which have been loosely grouped together and branded as strategy, but that doesn't make a strategy. (27/cc/10)

If you look at the make-up of MSPs, the amount of business experience is very limited. It is the old story, would you want somebody operating on you if they had not been trained? ...you look at their backgrounds and you find lawyers, teachers and social workers, and even a few councillors [but] *very little business experience.* (12/cc/14)

The independent respondents were content with the priorities, but some were unsure whether or not the Scottish Government were...*close enough to the coalface,* (19/ind/18) to properly understand the major small business issues.

Very high priority, I think it has focused our mind since devolution. (21/ind/11)

I think the level of support is reasonable...but I don't think it has changed hugely over the last several years. (24/ind/8)

The view taken by respondent organisations on the questions relating to government appreciation of small business, and small business issues, showed a predominantly positive response, indicating that the priority and the understanding of small business issues is high and has improved since devolution. There were some dissenting voices, making pointed criticism of the performance of and the capabilities of the Scottish legislature. There was a feeling expressed that there was a lack of business experience within Parliament and too little interest or awareness as to the needs of small business. While this is a minority view, it was nevertheless expressed in a robust way, by articulate respondents, and consequently their opinions should not be discounted.

It is clear, from both the findings and the literature review, that the Scottish Legislature has a great degree of influence over the small business environment, but it is also important to consider other environmental pressures which may be taken into account by BSOs, for example, what is the state of entrepreneurial development in Scotland, and what is the Government doing about it? Respondents were also questioned as to whether the contribution that small business makes to the Scottish economy is valued and understood by the public, the business community and the Government. Finally respondents were questioned on their optimism over the Scottish economy in the short term.

These findings add to current literature by giving an understanding of BSOs perceptions of the current Scottish Legislature.

8.4 THE SOCIO-POLITICAL AND ECONOMIC ENVIRONMENT

BSOs operate in a socio-political economic environment that is undergoing a sustained period of change, beginning with devolution from Westminster and ending who knows where. As with many developed economies, small firms account for the majority of businesses, but how appreciated is that contribution? Similarly, in the opinion of respondents, what is the economic outlook in the next twelve months, and are there any socio-political or economic environmental issues that may impact on small businesses? Lastly, what are the government, and BSOs, doing about developing and encouraging an entrepreneurial environment, in which small businesses can grow and prosper?

Contribution of small business

Research Question 2: The Role of BSOs:
Main Theme: The Socio-Political and Economic Environment
Sub Theme: Contribution of Small Business
Code: SPE.SB.Contr
Key words: greater/increasing recognition: under-recognised:

Key Points
No organisational bias. Respondents answered using own experience
Increasing recognition of small business contribution
Contribution of small business is under-recognised

We have already demonstrated, in chapter two, that small businesses play a crucial part in the economy of most developed countries and are easily the biggest sector within industry, dwarfing the numbers of large and medium businesses (DTI, 2000; Gem, 2002). However, we have also highlighted that small business is not particularly newsworthy, typically garnering less than 5% of the business pages in newspapers and magazines (Storey, 1998). Respondents are divided on their opinions on how well recognised the contribution of small business is within the Scottish economy, with a slight bias towards those who believe that the contribution of small business is both well recognised and appreciated. The degrees of difference in the responses, however, show no pattern within organisational boundaries and appear to be based upon personal experiences operating within the small business sector of the economy.

> *I think one of the great changes that has occurred over the last ten years, is that there is a greater recognition...and the push that made it more than anything was the push that came from the politicians (9/se/17).*

I think there is an increasing recognition that the small business sector is very important to the economy. From the small business sector comes the growth and I think that is generally well recognised now (5/cc/12).

More and more recognised...on the back of the Irish economy...because Ireland took the view of assisting national companies which then had this domino effect...so there is a model we can base success on (2/cc/11).

I think there is an increasing recognition of the contribution of small businesses, but I still believe that we have some way to go. And I think it is part of the issue that we have in Scotland, in terms of attitudes towards entrepreneurship (15/sen/11).

Not as well as it should be, there is the unkind jibe that people in government are better at distributing wealth than generating it, and it does not generate itself. I think there is a lack of understanding about the role of small business (12/cc/15).

It is probably under recognised...there is a traditional view that small is always going to be small and it is not really adding an awful lot of value to what is going on (16/se/13).

As stated, there is no discernable pattern regarding opinions on small businesses economic contribution and respondents do not fall into any organisational profile with regard to their attitudes towards this subject. This issue addresses the focus of BSOs, in that the contribution of multi-nationals and other large firms, employing hundreds or

thousands of people, is widely recognised and appreciated, but that of small business is still clouded. BSOs are thus able to adjust their aims and objectives to take this into account. One of the reasons that the contribution of small business is not as well regarded as it ought to be, could be due to the problems with developing an entrepreneurial culture in Scotland. Aside from the weather, as mentioned in chapter six, being a factor, what else affects this development and is anything, in the opinion of respondents, being done to address the problem?

Entrepreneurial Development

Research Question 2: The Role of BSOs:
Main Theme: The Socio-Political and Economic Environment
Sub Theme: Entrepreneurial Development
Code: SPE.ED
Key words: entrepreneur: Skills: bad reputation: business rates: red tape

Key Points
Entrepreneurs have a bad reputation
Legislation is the biggest barrier to entrepreneurs

We have established that the entrepreneurial culture in Scotland is poor (Gem, 2002) and that it has become a hot topic within the public support agencies in particular (A Smart Successful Scotland, 1999). When asked in an open question to define the critical elements to the survival and growth of small businesses in Scotland, the majority of respondents cited cash management (an example of management efficiency, or inefficiency (Berryman, 1983) as the number one issue in keeping entrepreneurial development down. There was a large vote in favour of reducing business rates, red tape and legislation and a wide range of other elements from networking to joining the appropriate association, to training - all of which are extremely worthy and critical to the growth and survival of small business.

Only a very small percentage of respondents believed that the types of people managing the business were the critical element, and only two respondents used the word entrepreneur and one of those, only after prompting. The reticence of the BSO respondents, as key elements of the economic development infrastructure of Scotland, to even use the word entrepreneur, perhaps highlights a significant cultural difficulty confronting the business community. As these two national SE respondents explain:

I think that people who are coming into business, have got to really want it, they have got to really understand what they are letting themselves in for. (8/se/3)

You can teach skills that an entrepreneur will use, you can show entrepreneurs how entrepreneurship works. (9/se/8)

Encouraging and developing an entrepreneurial and competitive environment for small business is tricky. Firstly, it is accepted by the respondents that Scottish people are not good at showing their appreciation for small business owners and entrepreneurs, as one SE respondent describes:

There is this idea that if you are an entrepreneur then you are into shady dealings...some surveys have said that small business entrepreneurs are ranked below dustbin men. (10/se/14)

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Secondly, even the weather gets the blame, for dampening the ardour of potential new business ownership since we do not enjoy the sunshine of California, but rather the dreich, rainy climate of Scotland!

It is clear that the entrepreneurial climate in Scotland, and more importantly, the perception of what it is like to be an entrepreneur, is not as developed or as optimistic as it ought to be. "Entrepreneurial" is almost classed as a dirty word in some circles, and it is apparent that there is a long way to go, and a lot of work to do, before these perceptions change for the better. Until then, the Scottish economy will struggle along as it has been doing, more in hope than confidence that the prevailing entrepreneurial climate will change. A prime example of the attempts to effect the necessary change is to be found in SE's forays into primary and secondary schools under the banner of "A Smart Successful Scotland". Clearly there is a problem with perception of entrepreneurial activities, where the 'Arthur Daly' connotation as a businessperson of dubious character, underlines the all too common focus on the negative aspects.

After discussing the contribution of small business to the Scottish economy and the state of the Scottish entrepreneurial climate, the third element of the environmental theme is economic optimism, and this is important as it may also affect organisational aims and objectives. Knowing what is likely to be important, in an economic, environmental sense, is vital in understanding the environment and how it may affect members/clients, and more importantly how you can help members/clients overcome or understand these problems.

Optimism about Economy

Research Question 2: The Role of BSOs:
Main Theme: The Socio-Political and Economic Environment
Sub Theme: Optimism over the economy
Code: SPE.Opt
Key words: Optimism: pessimism: economy: recession

Key Points
Majority of respondents are optimistic about the next 12 months (no organisational bias)

As with previous questions, there was a very mixed response when asked to give a forecast on the state of the economy over the following twelve months. The majority of respondents were optimistic; some sat on the fence and a minority were pessimistic about the performance of the economy in the coming year. The comments below underline the variation in respondents' views:

The growth gap between Scotland and the rest of the UK, according to our figures, has narrowed, nearly disappeared...So for the Scottish economy, we are actually very optimistic. (21/ind/12)

I think the Scottish economy will do well over the next twelve months. (24/ind/8)

Despite the latest flurries about the financial services sector being in recession, I am quite optimistic. (12/cc/14)

I am pretty optimistic...I think there is a lot happening in Glasgow. Some of my colleagues from the strategy side have talked about things happening for Glasgow (7/se/14)

I think we have been working in a false economy for the last eighteen months, so I am not that confident for the next twelve months. (6/cc/12)

It is looking pretty rocky at the moment, there is clearly all the fallout from low value-added manufacturing disappearing, and I think we have this systemic thing of under-investment in research and development. (16/se/13)

Again, as with the previous issue, there is no distinguishable organisational bias that emerges from this section, although SE could be expected to toe the company line, although not all SE respondents did this. The message is that while the Scottish economy may not be in the rudest of health, it could be a whole lot worse. This issue is, by its very nature, one for the future, allowing exploration of issues which may impact on BSO relations with small businesses. A more revealing question is contained in the next section, allowing respondents to rub the proverbial magic lamp, and change an aspect of their organisation.

It was intended that this section would reveal interesting points for discussing any recommendations which would strengthen the relationships between BSOs and members/clients and government, which addresses the third research aim. People who work at the coalface, who encounter and are forced to deal with problems, are invariably the very ones who have the solutions to those problems.

8.5 CHANGE ONE THING

In bringing the interviews to an appropriate close, the researcher was interested to discover what the respondents believed would be the most useful change that could be made to, or within, BSO structure and function. Each interview ended with the question

"If you could change one thing about your organisation, what would it be and why?"
Changes fell into one of three broad categories, with the vast majority of respondents issuing a cry from the heart for an increase in resources. This was followed by another emotional plea to raise the profile and awareness of the benefits and services available from BSOs. The third category deals with organisational structure and the wish to release the inherent dynamism within the organisation. These findings relate to core themes throughout the previous two chapters; principally Awareness and Misconceptions and Service and Supports. Resources and organisational dynamism impact directly on the provision of service and supports and the ability of BSOs to provide the service required by their members and clients. Raising awareness impacts upon profile and awareness and influences member expectations and the general take up of supports that are on offer.

Resources

Research Question 2: The Role of BSOs
Main Finding: Change Resources
Theme: Service and Supports
Code: COT.Res
Key words: Constraints: reduction of quality/scope

Key Points
Resources constrain the ability of BSOs to offer full range of services
Resources constrain the ability of BSOs to meet members/clients as much as they would like to
More resources would make BSOs more effective in helping small businesses

Danson, Deakins, Whittam and Fairley (2000) comment on the uneven spread of resource throughout the Scottish business environment, particularly within the Chambers of Commerce. Thus, smaller Chambers in particular need to build and maintain activity links, resource ties and actor bonds (Håkansson and Snehota, 1995) in order to maximise their benefit to members. This need to continually maintain and build activity links and

resource ties could be reduced in some instances with higher levels of resource, for example.

In the main, the respondents would increase their personnel resources, in order to improve the quality of their services in general and the interaction with their members, in particular.

I desperately need to get more resources onto what I broadly call member relations; that is providing things for them. We have 2000 members out there and when it comes to the crunch, I have only two people out there. (12/cc/16)

I think we are now at the situation when you...get spread so thin that it cuts down your ability to help businesses. (8/se/14)

If there was one thing, it would be to have a full time member of staff to take the burden off the volunteers (4/cc/17).

The very nature of these heartfelt pleas for more resource goes right to the core of this nation's ability to provide an acceptable level of service and support to the small business community. Particularly poignant is the third of the above quotations from respondent (4/cc) where we have a volunteer president, with a volunteer board and volunteer helpers, making a thoroughly decent attempt to provide support and representation to their colleagues in other small businesses.

In light of the voluntary nature of much of the Chamber efforts in promoting business issues and supporting the business community, the under-resourcing of key elements in the local BSO structure is a pathetic state of affairs, and reflects badly on the government given the importance of small business to the Scottish economy. The repercussions of not supporting BSOs are a continuance of the misperceptions of entrepreneurial activity and the low awareness of the small business contribution to the Scottish economy. Resourcing BSOs, especially at the local level, would quite clearly enhance the available services, allowing more Chamber staff, for example, to commit more of their time to supporting small businesses and would help provide more of the services that small businesses need.

Profile and Awareness

> Research Question 2: The Role of BSOs
> Main Theme: Change Profile and Awareness
> Sub Theme: Members: Awareness and Misconceptions
> Code: COT.PA
> **Key words:** Awareness: Misperception: profile: effectiveness

> **Key Points**
> BSOs are frustrated at small business confusion towards available services
> BSO profile is not high enough to draw in members

Member awareness and misconceptions was a theme particularly close to respondents' hearts, with the main points revealing that members were often more interested in short term increases in market share, total sales and/or the number of employees (Havness and Senneseth, 2001) and that failure to deliver often results in conflict and apathy. The literature also suggests that while small businesses are aware of the BSOs within the support environment, they are unaware of the depth of services available to them (Van Bussel, 1998; Bennett (1996, 1997, 2000, 2002); Austrian Institute for Small Business Research (AISBR), 2002).

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A number of respondents felt inhibited in their attempts to reach a wider potential business membership due to misperceptions, low profile and lack of awareness of business supports available to small business in Scotland. Given that less than 10 percent of small business is regularly interfacing with their local/regional BSOs, the wish to increase the profile, and therefore the awareness, of representative and support organisations, is not misplaced.

> *One thing that is probably still frustrating is there are a lot of people who still don't know what we do. I think it would be good if everybody was absolutely clear about what Scottish Enterprise is, what we are here to do.* (20/se/12)

> *I would like us to have a higher profile in the media, to have a better PR system that would raise our profile.* (3/cc/18)

> *...stability from moving from Enterprise Trusts, to Small Business Gateway. I think if we had more stability in that respect, we could be more effective* (11/se/16).

The business community and the Scottish economy would benefit if the powers that be were able to grant this particular wish.

Organisational dynamism and structure

Research Question 2: The Role of BSOs
Main Theme: Change one thing
Sub Theme: Change Organisational Dynamism and Structure
Code: COT.ODS
Key words: dynamic: organisation: structure: direction

Key Points
SE is to inflexible
Increased dynamism would improve the effectiveness of SE

This finding can also be related to the supports and services theme in chapter 6, as it relates directly to BSOs capability to respond to the needs of their customers and members in a timely fashion. Within SE, there was a keen sense of latent energy in the organisation, and also a sense of frustration at being unable to access and liberate this energy for the benefit of the small business community.

I would like us to acquire the same zealousness in ceasing certain activities as we have in initiating them. (15/se/11)

There has been a lot of change but we still lack that connection to be able to think of a new strategic direction and then actually act on it. **(16/se/14)**

If I was going to change anything in the organisation, I would make it more rapid, and the ability to realign its resources. (9/sen/18)

I suppose SE is run on what someone once described as a 'Commonwealth' basis, meaning that there are twelve LECs and Scottish Enterprise, so there are thirteen bodies...the commonwealth group just slows things down, we would probably be just that touch more dynamic if we were not a commonwealth. (7/se/16)

It is interesting to note that it was only SE respondents who wished for organisational change, to the structure and dynamics of the agency. Concerns are clearly aligned to the slow pace of change and the organisation's ability to adapt to new directions, quickly and efficiently.

8.6 CONCLUSION

The research has shown that the independent BSOs and Chambers of Commerce regard themselves as existing to influence change in policy and the general business climate on behalf of their members. Their preferred means of doing this is through lobbying influential individuals and committees with the use of media to support their message, in other words, they use a multifaceted communication orientation to achieve theirs aims and objectives (Whiteley and Winyard, 1987; Grant, 2000). Scottish Enterprise, on the other hand, which has little need to lobby to make their feelings known given the ready access it has to ministers and key departments, uses a more one-dimensional communication orientation in the main. It uses television, radio and newspaper advertising to disseminate its message to the small business population. There was an, almost, universal agreement that protest is not a viable communication orientation if a group actually wanted to influence political opinion, rather than just annoy and irritate politicians.

Key targets for the BSO communication orientation differ between organisations; SE has access to all levels of government, and meets regularly with key politicians, civil servants and departments. Independents only target those individuals who can provide some sort of return, and will often follow an individual from department to department to keep the strong *actor bonds* (See for example, Hansen, 1995; Aldrich and Zimmer, 1986; Aldrich,

et al., 1991). Influential committees and departments are also important targets, although local government appears to be only consulted as a matter of courtesy. Chamber respondents were clear that their representative role is a local one and their choice of communication orientation targets reflects this; LEFs enable wide discourse with the key players are local level, and strong *resource ties* and *activity links* are built and maintained with local council economic development departments (Håkansson and Snehota, 1995). Some of the Chamber respondents are able to use an insider approach to representation; one respondent is a local councillor and another was a former Lord Provost, and so the level of *embeddedness* (Uzzi, 1996, 1997) is high, providing benefits, both to the Chamber and the local authority. An interesting point of note is that none of the BSO respondents questioned differentiate between FPTP MSPs and List MSPs, as a cross party, apolitical approach is taken with respect to building *actor bonds* with local MSPs. At the local level, the majority of Chamber respondents simply meet with whoever is the local MSP, regardless of elected status and party, although at least one respondent stated that he would not entertain more than one party at time because they...*take notes on each other* (5/cc/7).

There was a divergence of opinion among respondents on the political establishments' comprehension of small business issues, their prioritisation of small business on the political agenda and the progress, or lack thereof, since the devolution settlement. The view of SE respondents was generally that small business had a high priority, there was a good level of understanding of small business issues amongst politicians and that progress had been made since devolution. This view is perhaps not so surprising given the quasi-governmental status of SE, but what was surprising was the strength of feeling of the small minority of SE respondents, who do not share the positive view of the

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majority. The independent respondents also took a benign view of the government prioritisation and understanding of small business issues, Chambers tended to be, in the main, in the positive camp, but the small minority of dissenters have a particularly robust sense of lack of progress, low prioritisation and a strong opinion of the relatively limited capacity, and business ability of most MSPs.

You look at their backgrounds and you find lawyers, teachers and social workers, and even a few councillors [but] *very little business experience.* (12/cc/14)

It seems that there is some work to be done by the Scottish legislature to convince a significant section of the Chambers of Commerce, that it is doing its best to understand and prioritise small business issues. Chamber respondents felt overall that the devolved Scottish Legislature was now more transparent and easier to access than before, something which was echoed by other respondents, and this meant that the Scottish Executive and Parliament should be closer to small business. The Chamber respondents who felt that the Legislature needs more work, conceded that the more priority was being given to small firms, and that it should be increased, however, it was also recognised that small business concerns must measure up to general social concerns and vote winning issues; for example health and education.

A slight majority of respondents felt that the contribution of small business to the Scottish economy was recognised and appreciated, and that the differences of opinion on this point crossed organisational boundaries and seemed relevant only to personal experience. Those who felt that the small business contribution was not widely recognised,

acknowledged that this was improving, albeit slowly, and that traditional perception of small businesses staying small was proving difficult to shift.

Perhaps one of the most disappointing topics that emerged from the research is the low level of encouraging noises emanating from the business support environment on the subject of entrepreneurial development. It almost seemed as though the respondents themselves were shy of even using the term entrepreneur, since only two did. One encouraging aspect within that though was, the view espoused by one respondent, that...*you can show entrepreneurs how entrepreneurship works* (9/sen/8) (see for example, the Scottish Business Birth rate Strategy, 1993; A Smart Successful Scotland, 1999). If that is so, then it is to be hoped that the nation and its BSOs rise to that particular challenge. A widespread cultural change is the aim of that particular challenge, as, in the view of respondents, being an entrepreneur was an unfavourable occupation to many and the perception of entrepreneurs is not good. SE is attempting to address this cultural attitude, by trying to teach entrepreneurial skills to schoolchildren for example (A Smart Successful Scotland, 1999), but respondents admit that any significant change could take 10 or 20 years to effect. Although the entrepreneurial climate is considered to be poor by respondents, there was no unanimity of reply from respondents when asked for their views on the probable state of the economy over the next 12 months. The majority of respondents were optimistic, mostly in a guarded sense, about the short-term future although it is unlikely that we will see an economic boom in Scotland if we are to be guided by the BSOs' opinions.

Finally, all respondents were given the opportunity to change any one aspect of their own organisations. The wish-list can be roughly divided into three main categories;

incremental resource, an improved profile and an increased organisational dynamism. The subject of resource highlighted the dearth of resource, both human and financial, which limits the services that can be provided by BSOs (Danson et al. 2000) and pointed to the need to build strong relationships with other BSOs to ensure a consistent and strong level of service (Håkansson and Snehota, 1995). A flexible, dynamic organisational structure would also allow public bodies such as SE to provide services and information to small businesses when they need them, rather than years after the fact. As argued by Ellram and Edis (1996), this solution could lead to the more effective dissemination and sharing of knowledge and to better and quicker solutions to problems throughout the supply chain.

There are a wide variety of services and supports available to small businesses in Scotland, and although individuals are aware of the BSOs, they misperceive what these organisations have to offer (Van Bussel, 1998; Bennett 1996, 1997, 2000, 2002; AISBR, 2002). Better awareness could lead to a more efficient delivery of services to the correct businesses, taking customers away from the short term quick fix that they often looking for; an increase in market share, total sales and/or the number of employees (Havness and Senneseth, 2001).

The final chapter will now draw conclusions and recommendations from the previous three chapters to provide answers to the third research question.

CHAPTER 9

Conclusions and Recommendations

9.1 CONCLUSIONS

This chapter presents the main conclusions of the research as well as key recommendations. The chapter will be structured as follows: first, a more appropriate working definition of 'small business' is formulated from the existing literature and the research findings. In doing so, the quantitative dimensions of existing definitions were deconstructed in order to assess the inherent characteristics of small business. The more enduring qualitative aspects were retained from existing definitions. As a result, a new contextualised definition of small business is a primary outcome of this research. This definition does not transgress the demarcations set by the working definition developed and applied by the researcher during the primary research. Consequently, it is suggested that BSO practitioners will consider the new contextualised definition valid and that it will form a basis for future research.

Second, the diverse profile of business support organisations, as well as that of their membership and clientele, provides the context for drawing conclusions on the business support network service delivery and consumption. From this, the emergent member and client profile raises key questions in conjunction with member density, relating specifically to business support organisations (BSOs) representativeness of small business in Scotland. Given that the perceived member density in BSOs is around 10%, a number of options for increasing membership density are brought into focus. In addition, the hypothetical concept of the business support network (BSN) is supported from the research findings, where the observable network characteristics strongly suggest its existence. However, it does not appear to be recognised by the actors within it, with the resultant under-exploited opportunities for increased utility and service provision. As such, this research has provided strong evidence that BSOs operate within a BSN, rather than functioning as separate and independent bodies. The term BSO can be applied

individually to all of the respondent bodies within the research, and indeed to others not included in this field work. BSN is, however, actually the entire network of support bodies and while none of the respondents would recognise themselves as a unified body, all of them, for at least some of the time, function like a single entity through LEFs and other similar mechanisms, such as through local economic development departments in local councils.

Third, the BSN is discussed in terms of different individual roles, capabilities and access to resources which mould the aggregate BSO service output. Linked to this is a further valuable outcome of this research where the author provides a topographical blueprint for understanding BSO service provision in Scotland, and arguably beyond. The generalisability of the research findings in this particular area is, therefore, clear. In addition, the utility of this map should allow existing and potential members to identify the organisations within the BSN, which correspond to their business and support needs.

Fourth, the research provided an insight into the communication orientations of BSOs, where it was shown that despite embracing a common holistic goal, the different strategies employed to achieve this goal involved the utilisation of different mixes of communication orientations (e.g. lobbying, media). A paradox is apparent in the focus and attention given by BSOs to national legislative bodies, when the findings suggest that it is local government which affects small business on a day-to-day basis. The emerging trend, however, was an increasing value placed upon Local Economic Forums (LEFs). Consequently, a key recommendation of this research is that a continued but ever-increasing emphasis should be placed on the role and value of LEFs for communicating the business voice at a local and national level and for co-ordinating BSO activities.

Fifth, the dominance of Scottish Enterprise (SE) is discussed in terms of service provision and resource capabilities and conclusions are drawn on the central role adopted by SE within the BSN. Finally, the key recommendations emerging from this research are discussed.

9.2 SMALL BUSINESS IN SCOTLAND

Based on the variety and number of available definitions, designing an appropriate definition of small business which was universally acceptable was anticipated as being problematic at the beginning of this dissertation. From the literature review it was possible to synthesise a working definition that the researcher felt provided a reasonable level of 'best fit' for Scottish small businesses. In considering a definition it was necessary to assess turnover, balance sheet strength, number of employees, equity holding, and the independence of the firm and market coverage. It was significant that most definitions considered emanated from academia and officialdom, and that these were untested against the perceptions, views and prejudices of those seeking to represent, or support and advise, small business. To coin a universally acceptable definition meant not only considering the internal workings of small business and their markets, but also the motivation of their owners and the interaction of small business and their business support network.

With relative ease, small firms can now operate globally, over the Internet for example, and emerging companies, mostly in technological industries, can now amass huge turnovers whilst employing relatively few employees. These problems were covered and

discussed in some detail in chapter two, and resulted in the construction of a small business definition, which could be subsequently critiqued and appraised by respondents.

The primary research presented this definition to BSO respondents, who were asked to make comments on its suitability, with regard to what they felt constituted a small business in Scotland. This gave the author a unique insight into how respondent organisations categorise and define small business members or clients. With the analysis of the responses now complete, the respondents' perceptions can be re-integrated back into the small business definition literature. It is important to note, however, that the respondents do not have a universal definition either, and that their perception of small business definition is borne out of experience with the small business sector. This makes the formulation of a small business definition more important with regards to exploring BSOs, their focus and their role in the Scottish small business community.

Small Business Definition

Official definitions, ranging from the 1971 Bolton Committee Report, to the more recent Department of Trade and Industry (DTI, 1995) and Companies Act (1985), are primarily useful for comparison of relevant data from different sources. With this in mind, employee numbers and similar financial or quantitative criteria have been proposed. These, however, were the two criteria which were criticised the most. The qualitative criteria (Bolton Committee Report, 1971; US Ctte. for Economic Development, 1980; Scott and Bruce, 1987, Atkinson and Meager, 1994) namely independence from outside control and capital held by an individual or small group were accepted by those questioned.

The general consensus is that it is difficult to apply quantitative measure to a business, as the modern business world is dynamic and ever changing. For example, a firm with only five employees could be considered to be small, but in today's business environment that firm could be involved in a high-tech industry such as software development and might have a turnover of several million pounds, making it larger than its employee number suggests. As new technologies make global trading more and more easy, firms may fit only a few of the quantitative criteria and yet still be considered small within their industries; a situation which is particularly true in the software industry. The principal quantitative criticism was over the number of employees, forty-nine or less, which is a standard measure, especially with official definitions (Companies Act, 1985; DTI, 1995). Respondents felt that forty-nine employees was tending towards medium or even large business, depending on the respondent organisation. A minority of the respondents believed nine or less employees constituted a small business, which is the generally accepted employee level of a micro-business (EC, 1997). This, however, was felt to be too low by the majority of the BSO respondents. One independent respondent also questioned the notion of re-labelling a firm as medium just because it had employed its fiftieth employee, and therefore does not fit into the definition. For this reason, within the research parameters, firms need only meet three out of the four criteria to be defined as small firms.

For the purpose of exploring BSOs further, it is the intention of the author to provide a suitable definition of a small Scottish firm, in relation to the type and nature of support that a company could expect to receive from different elements of the business support environment. Before this definition can be proposed, at the end of this section, there are three areas which need to be discussed.

Employee Number

The principal respondent objection to the small business definition was the number of employees, which respondents felt ranged from small to medium, and even *'bloody huge'* (1/cc/1) according to one chamber respondent. The general consensus was that twenty five employees or less was a more reasonable criterion for the volume small firm sector, and that anything above 25 was moving towards medium sized or into high growth status. This contradicts official business definitions such as the Department of Trade and Industry (DTI, 1995) classification which sees small firms as having 99 or less employees, and the EC (1997) categorisation which states that small firms should have less than 50 employees. The FSB also feel that small businesses are those firms with 49 or less employees, which they say cover 98 percent of all Scottish businesses and 49 percent of the total Scottish workforce.

Atkinson and Meager (1994) contend that when a firm reaches 10 or more employees, then it will be more likely to have a more professional and formal management structure, and is less likely to be managed by the owner. The employee level of 25 is too high in this case, but nevertheless if a company is employing professional managers, and day-to-day control has been removed from the owner, then that company is less likely to be a lifestyle business, and it is probably more suitable for growth services than volume ones.

The problem with having a defined cut off point for different supports is that it is not flexible enough, and could miss certain elements of the small business sector, which happen to fall into both categories. This points to the need for an overarching definition of all small business, and separate sub-definitions for high growth and volume small

firms. These categorisations would perhaps allow BSOs to target their services more appropriately to the correct types of firms, and would conversely allow small firms to choose the most appropriate support organisations within the BSN with which to engage.

Balance Sheet

The balance sheet, as a criterion, was accepted by most respondents. It was, however, pointed out that balance sheet is an ambiguous term for definition purposes as it can be used in many different ways, with different results. Turnover was generally accepted to be a more useful criterion for judging the 'smallness' of a firm. A figure of no more than £1 million was suggested as being appropriate, as the majority of small firms, with which BSOs engage with, are regarded as having, on average, less than £500,000 turnover per annum.

The researcher was also reminded that many high-tech firms have small employee levels, but huge turnovers, and for that reason, neither criterion could be considered to be 100% reliable as indicators of 'smallness' in these cases.

High growth and Volume Small Businesses

BSO respondents, in general, apply relatively few constraints on member/client definition, and for the most part it is, "if you are in business", then you are welcome to join or use the provided services, although the FSB and FPB both exclude certain groups (non-private and non-small). It is clear, however, from the fieldwork that there are two types of 'small' firms; High Growth and Lifestyle (Volume). It is important to note this demarcation, as the service and support packages, delivered and facilitated by BSOs,

range from intense and direct for high growth to more passive and almost laissez faire for lifestyle or volume companies, so that the support options open to a volume firm, are less than those available to a high growth firm. As has been shown in previous chapters, high growth firms in Scotland are typically drawn from the high-tech industries; bio-technology, opto-electronics, semi-conductors and software, but can also be drawn from the tourist, textile and food and drink industries.

The decision to label a firm as high growth, or high growth potential, is taken if it has a product, or access to a market, that will provide significant economic returns or benefits for Scotland, or that it has more than twenty five employees. Some BSOs also look for historic and potential growth patterns, for example, ten percent growth year on year in market share, employee size or turnover, for the first three years, determine high growth status.

It is perhaps easier to determine a lack of high growth potential in small businesses. Firms that make up the majority of companies in the Scottish economy, and are likely to remain, according to Storey (1998, p.112)....*small scale operations,* for the duration of their life. Lifestyle, or volume, firms are most often owner managed, and provide suitable enough returns to the owner(s) that growing the company is not an issue for them. The main issue for these firms is to reach the second phase of SME growth, survival. Upon reaching that level, and so long as a good customer base is built up and cash flow is managed properly, volume owner-managers are content to maintain a lifestyle, and consequently these firms often have little or no ambition to grow the business (Curran, 1986; Stanworth and Curran, 1986). The business support available to these firms is less

intense than that received by high growth, or potential high growth, firms, and revolves around basic business advice, information, networking and representation.

The high growth firm has access to all, or most of the volume supports, but in addition, it can receive more direct, one-on-one advice and support in finding suitable markets and new products, both in Scotland and in other countries. These firms can also receive support in securing funding, from both the BSN and external sources; in areas such as the purchase of new facilities, equipment and research and development, which promote growth.

What is in a name?

One interesting, and important, point which has emerged from this critique of small business definition is that owner/managers of small firms may not actually respond to the label: small business. This presents problems for BSOs if they are trying to deliver their support and service packages to firms who do not feel as if they are entitled, or likely to benefit from, these packages, because they do not consider themselves to fit the definition 'small business'. If firms cannot identify with the label, then there seems little point in having one at all.

Combined with the focus on defining small business, and the demarcation between high growth and volume, there is a case for suggesting that small business is no longer an appropriate term in the context of business support delivery, and that a more useful definition would be to use the high growth/lifestyle delineation. Small firms would therefore not need to identify with a highly ambiguous, and to some mildly insulting,

label such as small business. Using the above category definitions, firms would only have to identify whether they are volume or high growth and BSOs could highlight services as being suitable for either or both groups.

SE is already moving towards such a system with the re-branding of its Small Business Gateway, to Business Gateway in July/August 2003. The change may be, in the literal sense, small, but its desired effect is to make it more open to all businesses, regardless of definition. The problem with the perception of BSO services may continue however, unless potential clients or members are made aware of what services suit them and their needs, rather than the services which these members/clients often ask for.

In the case of SE, research has shown that many customers have the view that their most pressing need is an injection of cash, and there is a clear misperception that SE has a very large pot of money waiting for business people to access. There is also the misperception among many of SE's clients that the main function of SE is to provide grants. It is not the case that the present definitions of small businesses which are in circulation are the sole cause of these misperceptions; but it is certainly the case that inaccurate, inappropriate or downright misleading terminology does create confusion in the business world among providers as well as the provided.

The term small business could still be used as a coverall, by BSOs, for separating support provision between small firms and larger clients, and for designing new programmes aimed at the smaller firms. The distinction referred to between high growth or potential high growth firms and the volume or lifestyle type of business could usefully be

incorporated within any new definition to assist in the channelling of services and support in the most appropriate manner.

A New Definition

As a consequence of the research undertaken and the analysis of the data obtained, particularly in the respondent study, it is clear that the small business definition, constructed in chapter two, does not adequately cover the various elements of the small business sector. The original definition is suitable as an umbrella term for services that are focused on both volume and high growth firms. It is not suitable, however, in guiding small firms in their choice of the appropriate support organisations, within the hypothesised BSN, with which to gain maximum utility, nor in assisting the BSOs in targeting their support and services.

The qualitative criteria were not criticised, and were universally accepted as being appropriate to define the 'smallness' of firms. The qualitative criteria have been used to describe small firms for many years (Bolton, 1971; USCED, 1980) and have not changed in their recommendation that small firms should retain independence and should retain and supply their own capital. Other qualitative criteria which were posited by academics and officials alike, such as locality of operations (Scott and Bruce, 1987, USCED, 1980) are less suitable for defining the modern small firm as companies can trade on the Internet and do not need a specific 'bricks and mortar' location to trade from. Similarly, these qualitative definitions stated that markets need not be local, and this is particularly true of today's small firms, who can easily be based in Scotland and yet trade in the United States or Asia, for example.

The reaction of owner/managers to the label of "small business" must also be considered when establishing a new definition, since there is evidence that some owner/managers are alienated by current terminology, and thus are being excluded, or are excluding themselves, from the business support services that are available to them. Any new definition of small business must be more appropriate to the types of organisation operating in modern day Scotland, more sensitive to the needs of the support community in targeting their services, and must take into account the views of owner/managers. Consequently, these criteria have been retained in the definition. Given the high growth/volume split, the following definitions are considered to be more useful for BSO service provision.

Table 9.1: Small business support definition.

Small Business
1. The firm is independent in the sense that it does not form part of a larger enterprise and that owner-managers are free from outside control in taking their principal decisions.
2. The capital is supplied and ownership held by an individual or small group.

High growth or high growth potential firm
1. More than 25 and less than fifty employees
2. The firm should have an annual turnover of £1 million or more.
3. More likely to have professional management structures.

Volume Firm
1. The average number of employees is 25 or less.
2. The firm should have an annual turnover of £1 million or less
3. Less Likely to have professional management structures

The qualitative criteria are used to determine if a firm can be described as small, whilst the high growth/volume split allows BSOs to target their services to the correct firms. BSO respondents indicated that most volume firms have less than 25 employees, and that this employee level was used as an unofficial demarcation between volume and high

growth service provision. Additionally the industry and sector of the small firm could be included in this split, as firms with more than 25 employees could be considered to be volume if they are in a sector which is not considered to be particularly beneficial to the economy.

9.3 MEMBER/CLIENT PROFILE

Now that a more appropriate definition has been proposed for BSO client/members, it is prudent to expand on this knowledge to build a BSN member/client profile. The literature review stated that BSOs do not have any particular sectoral bias, and this proved to be the case. Aside from local focus on important industries, such as oil and gas in the North East, BSOs have a wide ranging membership/client base with no particular sectoral concentration with members/clients ranging from local retailers to high-tech opto-electronic firms. The message from respondents was that any and all businesses can obtain support from the business support environment, with only a few exceptions.

The principal exception to the rule is retail firms, which are less likely to gain support from SE due to 'displacement' (taking business from one firm and handing it to another) although SE was adamant that no firm would be turned away. Retail firms are also not as likely to be members of the local Chamber of Commerce, and are more liable to join one of the independent organisations such as the FSB. Firms in the adult entertainment sector, 'shifty' operators and firms engaged in illegal activities are the other exclusions, mainly due to the negative connotations which these sorts of firms bring with them. One chamber respondent was quick to point out that although they were not aiming to be a badge of quality, they were concerned that some firms would only bring negative publicity to the business support environment.

As Bennett (2002) suggests, the majority of firms that use the services of BSOs have less than 100 employees, and this proves to be the case with Scottish BSOs. Those questioned remarked that 75 to 100 percent of their members/clients could be classified as small, particularly in the smaller Chambers of Commerce and the FSB, and that this is because larger firms have less need to use support services due to internal economies of scope and that larger companies have less need to use external influence, especially the multi-national firms which have a great deal of influence with policy makers on account of the numbers of people that they employ.

Although, in the literature review, geography was felt to be an important factor in BSO service provision, the findings suggest otherwise. BSO respondents believe that the only significant geographical variable which affects service provision is the urban/rural split, although this was not felt to be a huge difficulty. Independent respondents, which primarily provide passive and representative support, did not feel that geography in any way hindered their ability to support their members. SE and the chamber respondents did acknowledge the difficulty in providing direct support services to rural areas, questioning the cost of bringing services to remote areas for the benefit of only a small number of businesses. SE and chamber respondents indicated that the strong *actor bonds, activity links and resource ties* (Håkansson and Snehota, 1995) that they have, especially at the local level, allows them to more fully represent more isolated areas. The respondents felt that as the majority of small rural firms are in the volume/lifestyle sector, passive support is more appropriate to their needs, and that any direct services would be shared by SE and local chambers to provide numerous locations in smaller towns in any given region. Provision of high quality, affordable broadband technology was felt by the majority of

respondents, especially the independents, to be of primary importance for rural areas, which would allow much greater access to passive supports on the Web.

The findings from the respondents shows that small businesses which use BSO services do not fit a particular profile, and that the focus of BSOs, in terms of their members/clients, is manifest; any firm which needs or requires support is entitled to it. Firms do not even have to pay to access BSN resources as the vast majority of SE services are free and do not require huge amounts of time and effort to be expended by small firms. The busy owner/manager who cannot make it down to the Small Business Gateway outlet, or the local Chamber of Commerce, needs only open up his computers' web browser and point it to the SE website, reducing the importance of geographical limitations and freeing SE resources to be used on more important activities.

Member density, or the percentage of the small business community that is represented or engages with BSOs, is low, perhaps as low as 10 percent of the 292,000 small businesses in Scotland. Respondents felt that misperceptions had a major contribution to the low density, and it is hard to disagree with this assessment. The AISBR (2002) study indicated and that the majority of small businesses who have accessed purposive support rated it as at least satisfactory, yet the misperceptions surrounding the BSOs continue to undermine the efforts of support organisations. It is apparent from the literature that cost is not often to blame as SE, for instance, offers the majority of its supports, particularly the passive supports, for free. Chamber respondents perceived that free membership did not increase member retention and that discounted subscriptions fared better as more worth was placed in them. The only real cost barrier appears to be for the independent business interest groups who are often remote from the members, geographically

speaking, and may appear too passive. The representative focus of these organisations does little to help dispel the perception that these organisations are perhaps too passive, and members' expectations are viewed as being too short-termist. Influencing policy takes time and patience, qualities which members are not thought to possess in great quantities. These are areas of significance for increasing member density, and require work from both BSOs and their members.

The second element related to member density suggests that maybe BSOs are not representative enough to provide the necessary level of influence and that acknowledging the common goal of economic development may be enhanced if the individual BSOs recognised the BSN structure within which, it is suggested, they operate.

When interviewed, the various respondents were aware of the other bodies seeking to represent the views of small business, aware of the methods used to represent these aims and aware of their successes or otherwise. Some representative bodies shared resources, some espoused similar methodologies, but they seldom competed for membership from the small businesses community.

Figure: 9.1 BSO Respondent Self-Awareness
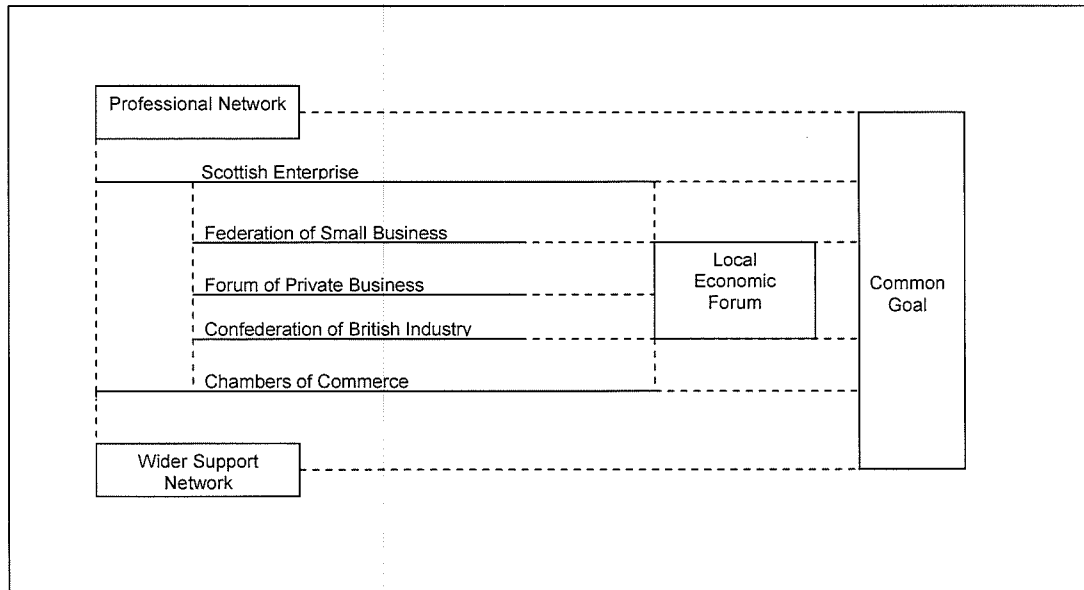
The above figure depicts BSO respondents' perception of the parallel nature of business support in Scotland. Relations are viewed as being single point transactions, which may result in the sharing of resources or co-ordinating of activities. All of the respondents, whilst acknowledging common goals, occasional interaction and often common methodologies, nevertheless continued to perceive their own organisations as discrete from the others in the field and occupying similar but parallel ground. The respondents did not recognise these relations within the holistic context of a network structure but rather as mutually beneficial actions to be undertaken on an "as and when necessary" basis. In the diagram the dashed lines represent implicit relationships within the suggested BSN structure (the professional and wider support network are recognised as subsidiary service providers in this model) and the Local Economic is the only explicit communication or co-ordination mechanism recognised by the BSO respondents. All are linked by the common holistic goal of economic development and a stable business environment, but all achieve it in their own way.

The respondents had a strong sense of the discreteness and distinctness of their role and the roles of the other representative bodies operating in Scotland. Within the LEF, the respondents can operate in unison, developing common aims, integrating activities and sharing and conserving resources. This coming together of BSO members on the LEF appears not to have resulted in any awareness of contradictions in the intra-action and inter-action of actors with each other and their member/client base. This holistic reality is at odds with the individual representative bodies' self perceived discreteness and isolation of intra-BSO relationships. It does not appear that the holistic LEF is seen as a model for the future development of the wider role of business representative bodies, rather it is seen as a way of soliciting local views, reducing duplication, imposing a sense of discipline and as being additional to existing relationships. In reality all of these bodies form a single entity and while trying to service particular sectors of the small business population, often function not in parallel but in concert, as a BSN.

Building on the conceptualisation of a local/regional BSN, as presented in chapter four, a revised diagrammatic form of this type of BSN is presented in figure 9.2:

Figure: 9.2: Regional/Local BSN Structure

BC – Business Community
CC – Chambers of Commerce
LEC – Local Enterprise Company
SBG – Small Business Gateway
IND – Independent Organisations
LA – Local Authority
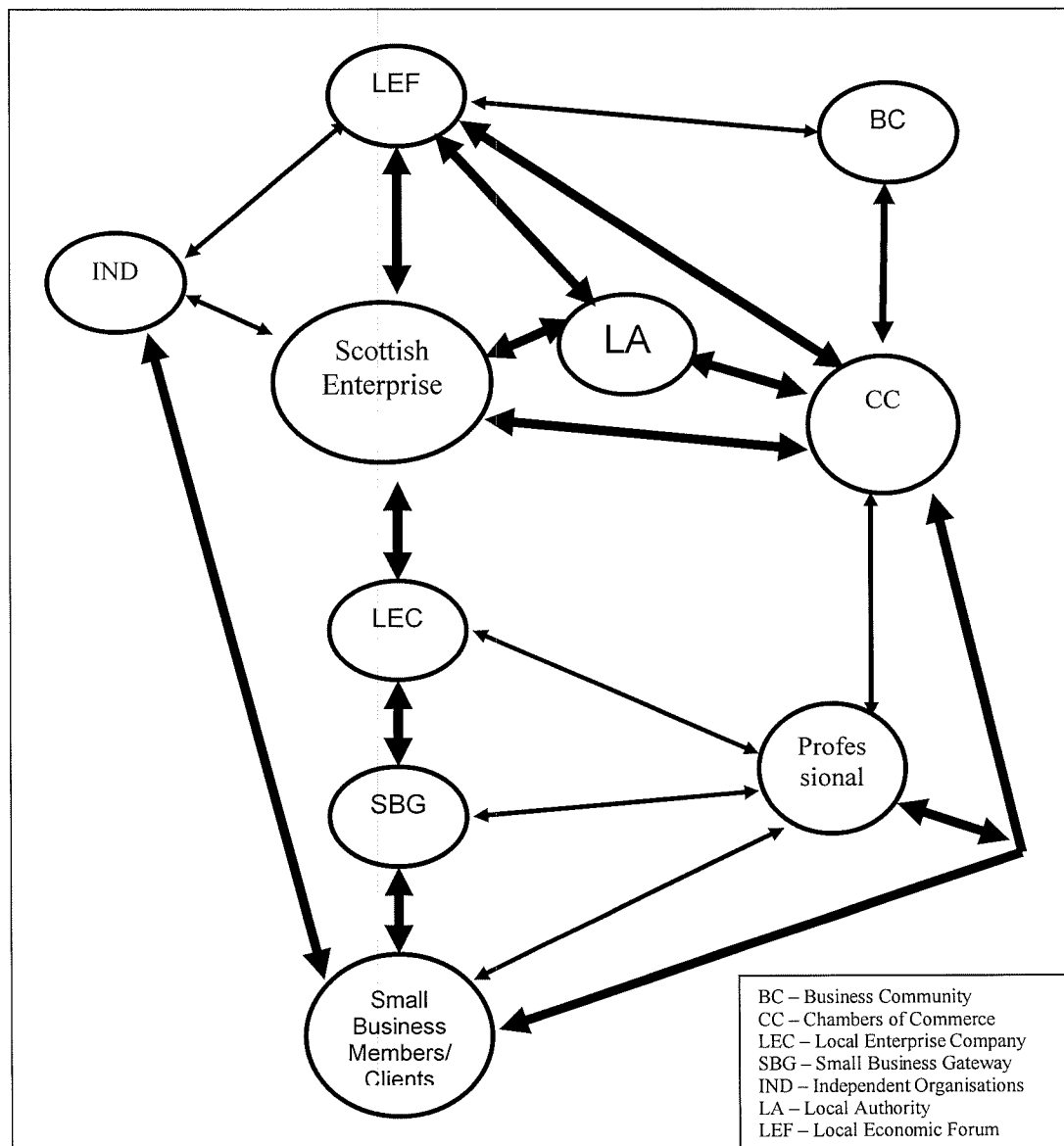LEF – Local Economic Forum

Figure 9.2 illustrates the observed relationships, from the research, within the example of the local/regional BSN, with the thick lines representing strong relations and the thinner lines, weak ties. The research findings suggest that a BSN is a fully functioning network form, displaying characteristics commonly used to describe network activity, such as *actor bonds, resource ties and activity links* (Håkansson and Snehota, 1992), *embeddedness* (Uzzi, 1996) and *centrality* (Uzzi, 1996). Given that respondents appeared

to be unaware of the holistic nature of the BSN, it is likely that they may not place appropriate importance on developing active, endogenous network relationships for the general benefit of the business community, with the exception of recognising the support available from SE. The respondents recognised single point relationships between BSN members but did not treat the wider relationship in a holistic context.

Far from being a set of discrete, business support and representative organisations, the various bodies are in fact co-operating, sharing and bonding with each other in pursuit of a common macro-goal; to pursue economic development and changes to legislation for the greater, common business good. The findings show that the pre-eminent business support and representative organisations naturally co-operate to "iron out" inequalities in resources and achieve some economies of scale and scope. By assuming particular roles within the network structure, the BSN has the potential to enable a more efficient support delivery and a stronger representative influence for both the BSO and for small business. The BSN allows the business community to access every level within the Scottish Legislature, increasing the information flow and increasing the BSN resource utility (sharing staff and funding).

The principal contention is that if the support and representative organisations were to actively encourage the existence of the BSN structure, placing an increased emphasis on co-operation and sharing, then Scottish small businesses would benefit from more focused lobbying energies, and a greater, better managed resource pool.

The introduction and increasing importance of LEFs, only serves to promote the view that support and representative bodies operate within an explicit network structure. LEFs

exist as network hubs, tasked with enabling a higher and more formal level of co-operation; reducing duplication of services and ensuring the opinions of local small businesses are heard and considered in local economic development. The most important resource available to BSOs is information and knowledge, this is the most commonly shared aspect of small business support, and while information and knowledge flows on an intra-BSN basis it is as yet unacknowledged as forming a shared resource, much less a shared network relationship.

Small business client/members do not have any particular sectoral focus and can be roughly divided into two categories, high growth and volume and this split allows firms to access the appropriate services. The provision of support, to both high growth and volume client/members is the focus of the next section.

9.4 THE ROLE OF THE BSN

The principle role of the BSN is to provide support services, both tangible and representative, to the business community, which, as detailed above, is concentrated on the small business sector. The BSN structure incorporates different elements of the noted network types, identified in chapter four; Industrial Marketing (Håkansson, 1982, 1987, 1989; Axelsson and Easton, 1992; Håkansson and Snehota, 1995; Moller and Wilson, 1995), Transaction Cost (Shaw, 2002; Ciborra, 1990; Zanfei, 1990) and Entrepreneurial (Burt, 1983, 1992; Aldrich and Zimmer, 1986; Aldrich, et al., 1991). The BSN also incorporates elements of Supply Chain Management as well as the three identified network categories *exchange, human* and *organisational*. The entrepreneurial and industrial marketing networks dominate the intra-BSN structure and the principal actors in the BSN are the respondent organisations; The SE network, the Chambers of

Commerce, CBI, FSB and the FPB, and in working towards a common goal, they share a series of *actor bonds, resource ties* and *activity links* (Håkansson and Snehota, 1995). These actors use different methods of acquiring and utilising networks of contacts, for example Chambers of Commerce cast the net widely in the local arena, building relationships with as many actors as possible (see for example, Phase two, Hansen, 1995). In contrast, the independent BSOs tend to concentrate their efforts on select individuals who can provide the maximum return for BSO efforts (see for example, Phase three, Hansen, 1995).

The various elements of the BSN have different roles to play within the network, and each of the organisations has different capabilities and different access to the network's resources, which are limited. The network's resources are not confined to traditional resources such as Staff or Funding; Information, Knowledge, Social and Human Capital, are all exchanged within the BSN (Knoke and Kuklinski, 1982; Håkansson and Johanson, 1992). The differences in roles played, capabilities and access to resources, defines the levels of inequality between the constituent elements of the BSN. It is this inequality which forces each of the constituent organisations to adopt specialisations, which can then be synchronised to provide a more complete service and support package for members, and to provide the most reliable and up to date information to government, as argued by Cooper and Ellram (1993) and Ellram and Edis (1996). There is a finite pool of tangible resources; staff and funding, and a pool of intangible resources; information and knowledge. Thus BSOs must be careful in maximising the return on their investment, so as to reduce costs. This resource sharing function is an example of an exchange and co-operation network (Thomson, Frances, Mitchell and Levavcic, 1991) and can be analysed

using the work of Håkansson and Snehota (1995), revealing the substance behind these relationships inn terms of actor bonds, resource ties and activity links.

As has already been discussed, supports are delivered along the lines of high growth and volume categorisations, at least in SE, but in terms of actual support provision there are two main categorisations employed by BSO respondents; tangible; direct, passive and subsidiary and intangible; representative support. The nature of these supports have already been discussed in some detail in chapter six, and findings show that all four types of support are to be found within the BSN structure, although the constituent organisations offer different packages of support, due to the observed inequality. The independent respondents offer a more passive approach in combination with their primary role of lobbying and representation, whilst chambers offer a more direct service package to members. SE delineates its services into high growth, which is more often than not direct, and volume, which tends to be more of a passive web and telephone based approach.

The organisational network literature (Drucker, 1988; Kanter, 1983; Scott-Morton, 1991; Sproull and Kesiler, 1991; Charan, 1991) assumes that networks explain the complex relations among people who work together in the same activities and towards the same ends. The BSN does just that, the similar end being the development of a stable and competitive small business environment. The literature focuses on how people get together in pursuit of a given task, whether that means sharing staff or other resources, in order to achieve a common goal, which in this case is a competitive and entrepreneurial environment to promote the survival of existing small businesses and encourage more new-starts.

The provision of supports to members/clients is delivered using *actor bonds, resource ties and activity links* (Håkansson and Snehota, 1995) within the BSN and with agencies external to the BSN. *Embeddedness* (Uzzi, 1997) can be defined by the presence of recurring ties with other organisations which share three principal characterisations; trust, open communication and joint problem solving, and is in direct contrast to arms length relationships (Gulati and Gargiulo, 1999; Mohr and Spekman, 1994; Naude and Buttle, 2000; Powell, 1990, Uzzi, 1996). The level of *embeddedness* of an organisation can be considered to be high or low Uzzi (1996) depending on the existence of the three *embeddedness* characteristics. SE and the chamber network are strongly *embedded* (Uzzi, 1996), providing economies of scope for both organisations, especially at a local level, and allowing small firms to access government resourced supports from non-governmental organisations. The BSN structure can be considered to incorporate high levels of embeddedness, as well as arms length relationships. The relationship between SE and chambers shows high levels of embeddedness, characterised by the previously highlighted example of some chambers running the small business gateway on behalf of SE, joint problem solving, especially at local level, and a willingness to share resources, particularly information exchange. The cross board membership is also a feature of the relations between SE and chambers; all of these features require a high degree of trust between the parties and thus it can be said that, on the face of it, SE and the chambers enjoy a relatively high degree of embeddedness in their relationships.

Independent organisations, in contrast, are less interested in committing time and resources to developing social relations with actors who will not further the organisations' aims and objectives. In the context of the independents being primarily

focussed on lobbying, as their principal mechanism for delivering the organisations aims and objectives, it can be seen that neither SE or chambers has any contributory role in assisting the independents. It can, therefore, be seen that the independents have no need for close association with these other elements of the BSN, at least in pursuit of their own internal aims. Consequently the Independents' *resource ties* with the rest of the BSN appear to be infrequent and seldom strong, and *activity links* are few and far between (Håkansson and Snehota, 1995). And thus, on the basis of combining all three of the embedded characteristics to the ongoing need for interaction between the independents and the other elements of the BSN and on the grounds of resource sharing, the level of embeddedness can be seen to be much lower between the independent organisations and the other elements of the BSN.

These *actor bonds* allow the BSN to exploit economies of scope so that SE can concentrate on providing intensive, direct supports to the economically beneficial high growth businesses and low intensity, passive web and telephone supports to its volume customers, whilst chambers can provide a whole host of direct supports to its members, regardless of the high growth/volume delineation. Direct services are the mainstay of the chamber network; business breakfasts/lunches/dinners, seminars, training events and the like, services which SE respondents regarded as the principal domain of the chambers.

Subsidiary supports, facilitated by one organisation but delivered by another, are also popular with chambers and SE, and the findings show that chambers often act as a subsidiary provider for SE in its SBG outlets. Subsidiary support is also facilitated by chambers and provided by the membership for the benefit of other members; training and professional services are the most notable example. The subsidiary element of chamber

service provision allows the chamber to increase on its economies of scope and scale, and also reduces the instance of conflict with its membership by lessening the intra-chamber duplication.

The independent respondents are not keen to label themselves as service providers, in the tangible sense, although examples of benefits of membership include free legal advice and representation, telephone helplines and sources of information on current and future legislation. Representation is seen to be the primary role of the independent BSOs, through use of lobbying and the media. Protest was dismissed by all but one chamber respondent, as being a fruitless and unhelpful communication orientation.

The human and entrepreneurial network literature (Berkowitz, 1982; Burt, 1983, 1992; Aldrich and Zimmer, 1986; Aldrich, et al., 1991; Knoke and Kuklinski, 1991) allows the various social and personal relationships within the BSN to be discussed and explored. Although *actor bonds* could be expected to be primarily organisational within the BSN, the findings show that personal friendships and relations are extremely important in furthering the aims and objectives of BSOs, especially within the context of communication orientations (see for example, multiplex relations, Scott, 1991). Independent respondents indicated that these personal *actor bonds* are built and maintained over the years despite individuals moving jobs or departments, and that individual relationships are carefully targeted to maximise the mutual benefit, indicating a high level of embeddedness (Uzzi, 1996, 1997) to respondents.

9.5 COMMUNICATION ORIENTATION

The communication orientations open to a BSO are; lobbying, media and protest. Protest has already been discarded as being an inappropriate communication orientation, which leaves lobbying and media as the principal mechanisms for communicating the aims and objectives of BSOs to individuals, departments and committees. The *human* network literature is particularly useful when analysing the communication orientation of a BSO, as much of the strategy can be reduced to personal and social *actor bonds*, between key individuals within government and key staff within the BSO. According to those questioned, the politics of influence dictate that slow is good and realistic is better. There is no point charging around demanding change if those you are demanding it from cannot effect change, and demanding instant change is guaranteed only to upset those who are being communicated with. Thus the importance of building and maintaining personal relationships is paramount if BSOs are to communicate their aims and objectives to policy-makers.

There is one area of mutual co-operation and interaction where all Intra BSN elements, come together on a regular and frequent basis for the benefit of the entire business community, and that is within the Local Economic Forum (LEF). The LEF transcends the intra and inter BSN delineation; in the case of the intra BSN network, it is used to co-ordinate the services of the BSN whilst ensuring that the common goal, in terms of economic development, remains on track. A subsidiary benefit arising from the LEF is that this united front reduces the duplication of effort, the duplication of services,

improves the dissemination of the central message and keeps the business community focussed on a set of common goals through the creation of a common agenda.

The LEF concept has been developed by the Scottish Executive at national level, and passed to local authorities for facilitation by the local authorities, in each LEF region. To help implement regional economic development at a local level this incorporates the main actors in the local business community. The LEF is also used to facilitate inter-BSN relations, but in terms of the intra-BSN structure, it can be seen to be a prime motivator of high levels of embeddedness. These relations are often only exercised within the confines of the LEF, especially between independents and the other constituent elements. The LEF possesses the defining characteristics of *trust*, *problem solving* and *information exchange*, and is the sole existing mechanism for binding the BSN together at a local level, ensuring focus on achieving the common goal. Within the LEF, it can be seen that there needs to be a relatively high level of *embeddedness* for the forum to function.

9.6 CENTRALITY OF SCOTTISH ENTERPRISE TO THE BSN

Uzzi (1996) considers a second characteristic element of embeddedness; centrality of network actors. This author suggests that in any given network structure, at least one actor will assume a dominant central position, and will play a significant role in maintaining the integrity of the network structure. The central actor will also work to ensure a smooth flow of resources between actors. The BSN structure is no different in this respect, and the dominant actor is Scottish Enterprise, which as a government funded public development agency, has a vested interest in guaranteeing the existence of support networks. This is especially true if the notion of inequality within networks is taken into account, and that the subsequent specialisation that occurs from such inequalities allows

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SE to concentrate on its core services rather than providing a wider, more diverse and ultimately less effective packages of services (Håkansson and Johanson, 1992).

SE is able to provide the bulk of passive services to the volume small business sector and direct services to the high growth sector. This leaves the Chambers to pick up the remaining direct services to the volume sector, such as networking events; leaving the independents to provide the passive support to the volume sector. The third tangible service, subsidiary support, is provided by external support networks, such as the professional networks, which may or may not be strongly embedded with the BSN, most commonly through the local chamber, which facilitates the contact between professionals and members. In some cases, the professional network is embedded in the chamber membership, using the chamber to refer contact between members and providers, thus increasing the notions of trust between customers and providers.

As the government agency, SE is a strong brand and has high brand awareness[23], making it suitable as the principle point of contact to the BSN. The existence of misperceptions perhaps preclude SE from being as efficient a provider of services as it otherwise might be. The research findings indicate that the non governmental respondents freely acknowledged the central nature of the role of Government through SE, in the provision of services for the small business community.

The independent elements of the local/regional BSN saw their main roles as lobbying the political and civil establishment for change, relying on SE to provide services and business support together with the professional service providers. Among the

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[23] One SE respondent claimed that: "*out of 22 economic development agencies in Europe, we won the award for business start-ups, the best practice*" (SE/7/13).

independents Deloitte and Touche proved to be the exception, having a clear focus on its own business agenda, in the provision of its own brand of invaluable service and support to small business.

Chambers do provide services in the form of low level of training and business advice but defer to SE on major packages, seeing themselves as a conduit for their membership, and dealing with issues on a local basis. SE's role in the provision of services within the Scottish Small Business Community is strategic in the sense of providing the overall direction, structuring the framework and the delivery channels, co-ordinating third party involvement, and providing the dynamism for the tactical implementation of the strategic direction.

9.7 RECOMMENDATIONS

The most important of the recommendations is that BSOs should accept the implicit, naturally occurring network in which they operate, and recognise and make the relationships explicit in order to achieve a more efficient flow of resources throughout the BSO supply chain (Ellram and Edis, 1996). Vital resources such as information should be easily transferable to allow as much contribution to the common BSN goal, economic development; consequently the BSN could be used as a more efficient conduit for informing the various levels of government with which it interacts (Ellram and Edis, 1996; Morash and Clinton, 1997; Cooper and Ellram, 1993; Macbeth and Ferguson, 1994). As mentioned, BSOs already operate within a describable network, rather than as a series of independent, discrete entities. Not only do these organisations share a common goal, they operate synergistically, exchanging resources and forming activity links, which fits with the industrial marketing

approach (Håkansson, 1982, 1987, 1989; Axelsson and Easton, 1992; Håkansson and Snehota, 1995; Moller and Wilson, 1995). BSOs already have the LEF in place as a forum for discussion and reduction in duplication of services and information and by making these relations and mechanisms explicit elements of BSN strategy, they would increase the efficiency of BSN service provision in Scotland.

The second recommendation from this research is that BSO practitioners should consider the new contextualised definition and that it will form a basis for future research. There is a need for a small business definition, which for support purposes, could be used to ensure that all members of the BSN classify small businesses the same way and this would reduce small business owners' misperceptions surrounding BSN service provision. The findings indicate that use of labels such as 'small' or 'large' are too ambiguous to accurately define businesses for the purpose of business support, and that perhaps these labels should only be used as a rough categorisations rather than as definitions, allowing for more 'accurate' definitions within those categories. More exact definitions could provide for more precise targeting of services, reducing wastage of resources and making it easier for business to identify which services are right for them.

Additional research on this topic might include a study into what labels small businesses would prefer and which they would identify with. Volume or lifestyle may appear demeaning and 'small' is a contentious and ambiguous term, so further research could be carried out into the suitability of labels, which would allow the most effective delivery of services to the right types of businesses. Such an improvement would also make it clearer to potential clients or members as to which BSO within the BSN they should engage

with. Additional research should be carried out to determine business support for larger firms in Scotland.

A third key recommendation of this research is that a continued but ever-increasing emphasis should be placed on the role and value of LEFs for communicating the business voice at a local and national level and for co-ordinating local/regional BSN activities (Håkansson, 1982, 1987, 1989; Axelsson and Easton, 1992; Håkansson and Snehota, 1995; Moller and Wilson, 1995). The LEF format is proving to have more advocates than detractors, and provides an explicit mechanism for co-ordinating activities and exchanging resources. The LEF format should form the basis of future research, a case study analysis for example, which would identify the specific strengths and weaknesses of the LEF in order to make it a more efficient network hub. Any research could consider the implications of the introduction of a National Economic Forum structure, which would operate along the lines of the current LEF structure, allowing a forum which can work towards a more uniform, integrated business support environment.

A NEF would provide the BSOs with more ready and regular access to the key government officials and departments, reducing the importance of building and maintaining key relationships with only a few *actors*, thereby reducing the transaction costs of building and maintaining relationships (Shaw, 2000) and enabling BSOs to maintain large networks of contacts (Hansen, 1995). It follows that if BSN officials had a conduit to such a forum, then business interest would be better heard and could be more fully integrated with social and educational aims and objectives, to provide the best possible business environment. The finite resource pool available to BSOs could be conserved allowing support agencies to concentrate on more tangible service provisions,

whilst the more representative agencies could present a more publicly observable platform for changing member expectations. An important consideration with both the LEF and the NEF is transparency. This researcher considers it to be vital that business people can see who is doing what and for whom. It would enable business people to identify which organisations are involved in providing seminars, presentations, representation, remote and direct supports and this increase the level of awareness and decrease confusion. If members are able to follow what their representatives are doing on a regular basis, then they may alter their expectations to include a more long-term approach.

This dissertation has highlighted the importance of small business to the Scottish economy, and that the dramatic failure-rate which this sector experiences must be addressed as a matter of priority. However, as the majority of small business failure can be linked to management inefficiencies, which can be addressed or even cured with the correct support, all is not lost. Scotland has a body of business support organisations which should be able to effectively deal with the bulk of the immediate problems faced by Scottish small businesses. By drawing on, admittedly, fairly low levels of resource through a series of co-ordinated, organisational and social relationships, to provide a complex and full range of business support services, they should be able to do this. The structures are in place but not enough is being done to utilise their potential or to reduce the confusion relating to business support provision. However, the findings from this dissertation aim to address these shortcomings through a strengthening of the business support environment and through providing a clearer typology of business support for small businesses to follow.

Implementation of Recommendations and Conclusions

It is clear that whilst the evidence presented in this research strongly suggests that BSOs operate within a network construct, actually getting BSOs to see this and implement the recommendations presents a problem. This researcher believes that the increased level of cooperation and the resulting reduction in resource wastage and service duplication would improve the business support environment for small business users in Scotland (Cooper and Ellram, 1993; Ellram and Edis, 1996). It is suggested that the findings of this research could be implemented in two ways: through the use of National and Local Economic Forums and through a co-ordinated education and promotion programme to small businesses.

The LEF concept has already been operating in the 12 SE regions for over two years, with varying degrees of success. By gathering the relevant BSOs within a region or a given locality, with cooperation the principle aim, BSOs ought to be able to further the business and economic development agenda. Local issues can often be divisive, with local authorities and government development agencies pitted against Chambers of Commerce and interest groups, not to mention powerful local business people. Such divisiveness is not going to produce co-operative results, in fact quite the opposite. As SE is the most powerful BSO, and as it occupies a central role within the BSN, it is argued that SE should aim to work closely with local and regional BSOs to achieve closer working and higher levels of co-operation. More importantly, the LEF should be used to determine the core competencies of its members and to encourage each BSO to focus on those core skills.

We have already demonstrated that BSOs each have different resources and support services (Uzzi, 1996; inequality), and it is important that each organisation is not wasting time by replicating services that other agencies offer, and perhaps deliver, more efficiently (Ellram and Edis, 1996). Thus LEFs should be able to map out, for its members and its customers, just what it can collectively bring to the business support table, and more importantly, what it can't bring. By recognising that BSOs work in a network fashion, the flow of resources, information and other services should be maintained and improved, with the LEF acting as the coordinating hub of the network (see for example, Cooper and Ellram, 1993 and Ellram and Edis, 1996). This approach would lead to a local database of services being constructed, allowing BSOs and customers/members the opportunity to see what is and is not available locally (Macbeth and Ferguson, 1994).

Further to this, if all LEFs were able to determine their stock of resources and key skills and services, then a NEF would be able to provide a national stock of these supports. Thus, small businesses could access a wider level of support from agencies all over the country, especially remote or subsidiary supports. The NEF concept could, in theory, allow the BSN to operate as formally implemented structure, providing both independent and government agencies a platform to properly debate the needs of the small business community. A NEF would also be the ideal vehicle for exploring the utility and usefulness of the small business definition (support) proposed at the beginning of the chapter. By increasing the level of equivalence throughout the business support environment, BSOs would enhance the level of understanding on behalf of customers and members.

A continuing theme throughout this research has been that small businesses are often aware of which BSOs exist, but are unsure or confused about what they offer (AISBR, 2000). This results in poor utilisation of available supports or worse, ignoring the support agencies all together. Clearly this is helpful to neither customers/members nor providers, and results in wasted time and resource and means that valuable information is unused or disregarded. Joined up promotional efforts, both at local/regional and national levels, through LEFs and NEFs could provide customers/members with a far greater understanding about what is on offer and which BSO is most suitable for their needs. This could be achieved through the implementation of a supply chain (Cooper and Ellram, 1993) or by focusing on the substance of relationships (activity links, resource ties and actor bonds, see Håkansson and Snehota, 1995) The education of customers/members would use the small business definition and the support typology to increase the understanding of what support suits which type of business at what point in its life. This promotional effort would require not only co-operation between BSOs, but also a willingness to promote each other through identifying which BSOs do what best and then telling their customers/members.

The key to implementing the recommendations is educating small business owners as to what they actually need and where to get it, to adjust their expectations to be more realistic and to encourage them to feel that seeking help is not a weakness but rather a strength (Birley, 1985; Van Bussel, 1998; Bennett, 2000). By presenting the business support environment as a network, promoting itself to potential and existing customers/members as being a true one-stop shop for all their business need, BSOs would perhaps be able to tackle some of the key problems highlighted throughout this dissertation. A sustained promotional campaign using the full range of media

communication orientations, would enable small business owners to access any element of the BSN and be confident that they will receive the advice, information or support that they need or that they will be pointed in the right direction by organisations who view business support from a more holistic and more mutually beneficial angle.

Limitations

The methodology that was chosen for this research employed qualitative methods, exploring the role, focus, and nature of Business Support Organisations (BSOs) in Scotland, and the relationships which underpin their operation. The details of this methodology are included in chapter five, but it is necessary to highlight the inherent weaknesses in this approach and to identify ways in which this approach could have been strengthened. The most obvious weakness is that there was only a small sample, laying the research open to claims that it is less valid than it could be. This is true as far as a quantitative study goes, where a much larger sample population would be preferable; however as the principle focus of this research was to explore the context of BSOs in Scotland. In the circumstances the small sample does not invalidate the findings but in fact the results augur well for employing a more quantitative study in the future, if appropriate.

The second weakness that can be highlighted is that the author was not experienced in using in-depth interview techniques. Again, it could be argued that this makes the findings less valid, however as the PhD is ostensibly a learning process, the author would dispute this as much was learnt from this process; which was iterative and allowed the writer to adapt and enhance his style during the course of fieldwork.

The third weakness is to be found in the BSN construct. Given that this is a network structure which the author has observed in the business support environment in Scotland, there are difficulties in actually using the term, as the majority of respondents do not see themselves as operating within a network. However, it is the authors' contention that if BSOs are furnished with more information, for example, the findings from this study, then they will come to recognise the existence of the BSN.

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GLOSSARY OF ABBREVIATIONS

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AISBR	Austrian Institute for Small Business Research
BSN	Business Support Network
BSO	Business Support Organisation
CBI	Confederation of British Industry
FPB	Forum of Private Business
FSB	Federation of Small Business
FPTP	First Past The Post
LEC	Local Enterprise Company
LEF	Local Economic Forum
MP	Member of Parliament
MSP	Member of the Scottish Parliament
NEF	National Economic Forum
NGO	Non-Governmental Organisation
NIMBY	Not In My Back Yard group
SBG	Small Business Gateway
SE	Scottish Enterprise
SME	Small to Medium Enterprise
USCED	United States Committee for Economic Development

APPENDICES

Table 5.3: *The four Interview Techniques*

Type of Interview	Characteristics	Relative Strengths	Relative Weaknesses
Informal conversational interview	Questions emerge from the immediate context and are asked in the natural order of things; there is no predetermination of question topics or wording.	Increases salience and relevance of questions; interviews are built on and emerge from observations; the interview can be matched to individuals and circumstances.	Different information collected from different subjects with different questions. Less systematic and comprehensive if certain questions do not arise "naturally." Data organization and analysis can be quite difficult.
Interview guide approach	Topics and issues to be covered are specified in advance, in outline form; interviewer decides sequence and wording of questions in the course of the interview.	Outline increases comprehensiveness of data and makes data collection somewhat systematic for each respondent. Logical gaps in data can be anticipated and closed. Interviews remain fairly conversational and situational.	Important and salient topics may still be inadvertently omitted by the interviewer. Interviewer's flexibility in sequencing and wording questions can result in substantially different responses, thus reducing the comparability of those responses across different subjects.
Standardised open-ended interview	The exact wording and sequence of questions are determined in advance. All interviewees are asked the same questions in the same order.	Respondents answer the same questions thus increasing comparability of responses; data are complete for each person on the topics ad-dressed in the interview. Reduces interviewer effects and bias in the case of multiple interviewers. Permits decision makers to see and review the "instrumentation" (i.e., the set of common questions) in advance of the	Little flexibility in adjusting the interview to individuals and unique circumstances; standardized wording of questions may inhibit, constrain and limit the "naturalness" of interview questions and answers (i.e., interaction between interviewer and subject).

		interviews. Standard format also facilitates subsequent organization and analysis of the interview data.	
Closed quantitative interview	Questions and response categories are determined in advance. Responses are fixed; they are 'slotted' into these predetermined fixed categories for compilation and analysis.	Data compilation and analysis is relatively straight forward; responses can be readily aggregated and also easily compared across individuals and sub- groups; many questions can be asked in a relatively shorter time with the fixed format.	Respondents' verbalized perceptions, actual experiences, feelings, etc. must be made to 'fit' into those predetermined categories; may be perceived as impersonal, irrelevant, and somewhat mechanistic. Can distort what respondents "really mean" or have actually experienced by having the limited, fixed response choices.

Source (Adapted from Quinn-Patton, 1987, p. 34)

Letter to respondents

Re: Exploring Network Relationships Affecting Small Businesses in Scotland

The future of Scottish business is too important to leave to chance, which is why I am conducting research into business associations in Scotland. As part of a doctoral research programme, this project will explore the relationships between small Scottish businesses, Scottish Business Support Networks (BSNs), such as the Scottish Local Enterprise Companies, and Scottish policymakers. One of the planned outcomes is to develop a series of recommendations that will strengthen and enhance the working relationships between these parties so that a more entrepreneurial and competitive agenda may be pursued in Scotland.

This research is apolitical in structure, objectives and sponsorship and is wholly dependent on the co-operation of the relevant organisations. Your participation would be highly valued and appreciated. I will telephone you in the next few days to arrange a meeting for a mutually agreeable date and time. In order to cover all the relevant issues, the interview will last around one hour. All participants will receive a final report detailing the main findings and recommendations.

I look forward to meeting with you in the near future.

Yours Faithfully,

Nicholas Quinn
Doctoral Researcher

Interview Schedule

Questions for Research

Members

1. Do you agree with this definition of a small business? (Show Card 1)
2. What proportion of your membership are small businesses? Can you provide me with exact figures now or at a later date?
3. What proportion of the small business community do you represent? Why do the other small businesses not join?
4. What can your organisation do for small businesses that they can't do for themselves?
5. In your opinion, what are the most crucial factors for small business growth and survival?
   - Which issues concern your members most?
     - Note their awareness of these concerns.
     - Refer back to this later when asking about how members' views are solicited.
6. Do you think that the small business community is aware of the range of supports available to them?
7. How important, in your opinion, is the personal and business network of small business owner/managers?
8. Do you encourage your small business members to participate in networks? Why (why not)?

8. **Can you talk a bit about the profile of your membership?**
   - Has he/she mentioned number of member organisations?
   - Size of member organisations
   - Industry type. Any concentrations of particular industries?
   - Foreign?
   - Age of business
   - Open or closed membership
   - Location
     - What is the geographical radius of your membership?
       - Local
       - Regional
       - National

       I would like to touch on gathering your members views at a later point, but in terms of meetings, postal and telephone surveys;
     - How does the geographical spread of your membership effect your organisation's capability to represent their interests?
       - Members administration
       - Solicitation of members interests
       - Resources
       - Communication Orientation

9. **I'd like to find out more about the nature of the relationship your organisation has with its members, particularly small business members.**

- The first thing I'd like to know more about how your organisation derives its aims and objectives. (N.B. look for any differences between their agenda and that of the member organisations)
  - Do you seek to lead or to represent for example?
  - How do you seek approval from your members when setting your aims and objective?
    - How do your members get involved in framing your aims and objectives?
    - How often, if at all, does this happen?
  - How do you solicit members' views? E.g. surveys, direct involvement.
    - Are there any formal mechanisms for members' involvement? Get details of these mechanisms.
  - Can members obtain individualised representation?
    - If yes: How and Why?
  - Do some members use up more of your resources than others? If yes, why? Examples? (i.e. group of small businesses on a road/ parking restrictions)
  - How do you reconcile conflicts originating from membership?
    - What form do these conflicts take?
    - Do these conflicts align with member organisation's size?

Communication Orientation

1. **How do you communicate the aims and objectives to different groups?**
   - Political parties
   - Local MSPs
     - First Past The Post (FPTP)
     - List MSP's
   - Different levels of government e.g. cabinet ministers
     - Target departments or individuals
     - Civil service
     - Ministerial
     - Shadow ministerial
     - Cabinet
   - Shadow cabinet
   - Individual Group Members' Influence
   - Formal or informal processes (e.g. social engagements)

2. **Is your approach multifaceted? For example, would you combine a media campaign with lobbying?**
   - **Discuss favoured approach**
   - **Media: individual journalists/newspapers/business publications** (e.g. in-house publications)
     - Can you talk a bit about how the media helps your organisation?
     - How do members feel about use of the media?
3. **Another communication approach is protest. Are you able to mobilise your members in to action, e.g. protest or strike?**

4. **How do you evaluate the strengths and weaknesses of any particular approach over another?**

- Measures
- Indicators
- If No; Would you or could you? How?

5. **Have you ever been pursuing a particular objective which has had to be abandoned? I.e. minimum wage etc.**
   - Who would make this decision?
   - How would this decision be made? (Board or individual)

6. **Do you benchmark your approach against that of other business interest groups?   I.e. do you look outside the chambers?**
   - Are you influenced by the approaches adopted by other business interest groups? Any examples of this?

Government

1. In your opinion, what level of priority does the Scottish Executive give to small business in Scotland?
2. How well do you think the Scottish Executive really understands what small businesses want?
3. The UK government has recently introduced the Small Business Service (SBS) to England and Wales. How would such a service be a useful addition to the Scottish small business community?
4. Would a Scottish SBS be more effective as an independent body with government support, or should it be under the control of a minister?
5. If they(SBS) had the opportunity, how able would they be, in your opinion, to devise legislation?
6. In your opinion, how do civil servants aid or obstruct your efforts?
7. How does this affect how you represent?

Social and Political Economy

1. How optimistic are you about the Scottish economy over the next 12 months?
2. In terms of the Scottish economy over the next 12 months, which issues will be the most crucial for your small business members?
3. How widely recognised, in your opinion, are the contributions small business makes to the Scottish economy?
4. Why do you think an organisation such as yours can be justified in an economically advanced economy?

Resources

Financial
1. How are you funded?
   a) Membership fees
   b) Donations
   c) Grants
   d) Other…
      -
      -
      -

Staff
1. How many staff do you employ?
2. Are your staff

a) Full time
b) Part time
c) Both
d) What proportion of each?

3. In your opinion, is a full time staff member more effective than a part-time staff member?
4. Does your organisation use volunteer members?
5. If so, are their tasks different to those of paid staff?
6. Are there any perceived differences between part time, full time and voluntary staff? What are they?

- If you could change ONE thing about your organisation, what would it be and why?