

## Guest editorial

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### **Small business policy**

The selection of papers for this Small Business Policy theme was drawn from over 180 papers presented at the 28th Institute for Small Business and Entrepreneurship (ISBE) conference held in Blackpool during November 2005. The conference, hosted jointly by the University of Central Lancashire and Lancaster University attracted some 600 delegates with diverse interests and experiences relating to the SME (small and medium-sized enterprise) sector and the formulation, implementation, and evaluation of policy initiatives both within the UK and internationally. As Chair of the Conference I am very pleased to undertake the editorial role in relation to the Small Business Policy theme for this edition of the journal. The selected papers reflect the diversity and importance of the policy initiatives targeting the SME sector in most economies. One theme that emerges from all six papers reflects the inherent heterogeneity of the SME sector. Strategies and policy developments targeted at the small-business sector may often appear logical, rational, and practical, yet elicit behaviour and responses from the businesses themselves during policy implementation which often appear idiosyncratic. All authors, whilst not using the term 'contingency approach' itself, argue for much greater awareness and understanding of the contextual variables involved and the need for sensitivity and to tailor policy implementation to address these.

The initial paper by Kitching (2006a) reports the findings from a wide-ranging review of studies linking regulation to the performance of the smaller enterprise. Accepting that evidence exists to support the contention that regulation presents barriers and obstacles to small-business development and performance, the author raises concerns about the quality of such evidence relating to the research instruments employed, the sampling frames, and the lack of consistency in definitions. Simply aggregating such evidence as a means of reinforcing the general proposition that regulation impacts adversely on performance may be inappropriate. The author suggests that the more important question that remains largely unanswered is why business owners perceive regulation as a barrier in the first instance and how their responses impact on performance. Studies linking regulation to business performance are reviewed under three categories: 'business burden' studies dealing with owner–manager perception; 'compliance cost' studies seeking to measure the direct, indirect, and opportunity costs; and 'business decision-making and competitiveness' studies seeking to explain how regulation influences the behaviour and practices of the owners. The author argues for greater recognition of the contextual variables including the attributes of the principal decisionmakers as these are most likely to influence perceptions. This contingency perspective should be based on more qualitative methodologies and also be cognisant that the dynamics of such an approach are likely to change perceptions over time and according to the nature or type of regulation involved.

Policies designed to encourage entrepreneurship and enhance business birth rates as a means of promoting economic growth both regionally and nationally have generally produced inconclusive results (Acs and Storey, 2004). Anyadike-Danes and Hart (2006) seek to address the underlying issues associated with encouraging small-business birth rates as a means of closing the gap in enterprise activity between and within regions. They examine the potential success of geographically area-based interventions,

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emphasising the contributions of sector, specialisation, and space to the size and growth of business birth rates within identifiable geographic areas. They illustrate the existing differential patterns of net enterprise generation between the regions and within more closely defined geographic areas. Population density is identified as an important determinant of success in generating new businesses: high population density equates with high birth rates of businesses. The authors conclude that more recognition needs to be given to contextual factors in setting birth-rate targets including the predominance of particular sectors, the degree of specialisation, and population densities. Growth in business services is often determined by the nature of specialisation which in turn may relate to population density.

Baldock et al (2006) address the theme of compliance behaviour of the small firm to health and safety (H&S) regulations. The generally accepted premise that the smaller the organisation, the greater the propensity for workers to experience work-related injury (Eurostat, 2002) provides the platform for the study. This paper is particularly opportune and has a wider currency, given the contemporary policy debate in the UK about how to improve regulation effectiveness whilst reducing the burden on the enterprise. The current H&S policy initiatives are generally seeking to reduce the frequency of the regulatory inspections whilst directing more emphasis towards raising awareness and improving education and training. The paper addresses such issues through an empirical study of compliance behaviour of the small business to H&S regulations. Five groups of independent variables (for example, characteristics of the owner-manager and exposure to regulatory enforcement activity) are constructed to assess their impact on the compliance activity of the enterprise. The telephone survey provided the basic quantitative data for the multivariate analysis with more limited follow-up interviews providing more depth of explanation for particular compliance-related improvements. The respondents, all with fewer than fifty employees, were grouped into five broad sectors and into eight ethnic groupings, to establish if differences in compliance behaviour exist between sectors or ethnic groups. The findings support the importance of the inspection regime as the determinant of ensuring compliance behaviour and the authors develop the implications of this finding for policy development and implementation. The involvement of external assistance and the owner-manager's membership of a trade association were other influential factors. Variations between the compliance behaviour of different ethnic groups are articulated within the paper.

Evidence suggests that the ethnic minority business (EMB) is less likely to utilise information and communication technologies (ICT) than other small businesses. Although progress has been made in closing this adoption gap (SBS, 2004) there still remains a substantial differential in both the nature and the level of ICT adoption. Policymakers have focused attention on this evident lack of adoption and Beckinsale and Ram (2006) examine the underlying issues, seeking to provide guidance for policy implementation. The research sought to assess the pilot initiative sponsored by the Department for Trade and Industry (DTI) aimed at stimulating ICT adoption amongst EMBs in the North West region of the United Kingdom. The initial evaluation of the fifty-six EMBs involved in the study supported the view that there was only a minimal level of adoption: for example, limited to the acquisition of a PC, e-mail usage, and some website development. There was less evidence of the more value-added ICT applications involving on-line ordering, payments, and e-business developments. The existing ICT adoption frameworks (eg DTI ICT Adoption Ladder) were seen as useful for benchmarking the stages of development but less helpful in determining the contextual, business, and behavioural factors that influence the preparedness to adopt ICTs and the processes of progression up the ladder. The authors conclude that the

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underlying issues are less about policy itself and much more about the process of implementation. In addition to the more usually cited barriers of cost, time, and knowledge applicable to all small businesses and the language issue for the EMBs, the authors identified the importance of a 'contextually appropriate engagement strategy' plus sensitivity to cultural and business factors in the target business. The credibility of support agencies and other ICT providers were also important contributors to building trust, confidence, and supportive relationships.

The predominant theme in small-business policy development and research is one that focuses on how best to promote and encourage the small business sector to achieve macroeconomic goals. Kitching (2006b) however, addresses a less usual perspective, the contribution that SMEs may make to the achievement of the UK government's social exclusion policy objectives. SMEs effectively employ around 59% of the UK business sector workforce (SBS, 2006) and hence provide an appropriate vehicle for employing members of disadvantaged groups (for example, older workers, ethnic minorities, lone parents, and disabled people). The study explores the recruitment practices of SMEs and considers if they provide an appropriate route for the employment of disadvantaged groups. Four dimensions of recruitment and employment were investigated with the sample of forty-seven private sector employers within different sectors. These dimensions include work attitudes, workforce relations, customer relations, and workforce mobility. Implications for policy suggest the need for distinct policies for each group to increase employment rates, recognising also the potential danger of reinforcing the stereotypical perspectives of employers. Policies targeted primarily at the microlevel are unlikely to prove sufficient, requiring macrolevel policies which must address the cultural and institutional barriers.

In the final paper Mole and Bramley (2006) direct attention to the constituent elements of the nonfinancial support policies targeted at the smaller enterprise. The evidence cited suggests that, whilst different nations may be facing similar issues and pursuing similar objectives in providing support to the smaller enterprise, they nevertheless make different choices in policy design and implementation. The authors develop a taxonomy grounded in the empirical evidence drawn from their extensive review of the literature and research in the field. The structure of the taxonomy comprises four broad groupings: policy rationale; 'type' of policy; responsibility for delivery; and mechanisms designed to ration the support. Twenty-six policy choices are identified and considered within these four groups, though recognising that overlaps exist between many of these. A preliminary scale is developed to demonstrate the degree of consensus or difference between the policy elements in different countries or contexts. Although a fairly rudimentary device at this stage the scale does achieve its primary purpose. The operation and validity of the taxonomy are demonstrated initially by comparing the ALMI policy in Sweden with the now defunct Enterprise Initiative and the more recent Business Link policy initiatives in the UK. The authors then provide a more extensive comparative analysis utilising their taxonomy and the evidence relating to eleven policies across ten OECD nations, indicating the relative consensus and differences between each. The authors conclude that, whilst the reasons for intervention and the national policy objectives may have similarities, the policies and respective "institutions need to adapt themselves to their environments and to be outward looking" (page 888). Hence, policy choices and design are very much contingent on the national context with a consequence that sharing 'good practice' may be more appropriate than sharing 'best practice'.

This final paper again reinforces the importance of recognising and responding to the heterogeneity of the small-business sector not only within countries but also between countries and equally importantly at the level of small groups or clusters of businesses.

Policy choices and their development, implementation, and evaluation must reflect the contextual and organisational characteristics of the small businesses if they are to prove influential in changing behaviour and generating positive responses from those owning and managing the smaller enterprise.

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