

The Influence of Information Technology on the Growth of the Microbusiness

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1.0 Introduction

1.1 Definition

The coining of the term 'microbusiness' has been laid claim to by the Director of the Small Business Association (SBA, USA) who used it in 1994 in his State of Small Business address to the then US President Clinton; he suggested that the term fits the SBA prototype of businesses with sales less than US\$3.5m. In the UK the term microbusiness now generally refers to a business with fewer than 10 employees. It is also called a nuclear business or a microenterprise - the person who runs it is known as a micropreneur.

1.2 Trading Structure

The trading structure most frequently adopted by the microenterprise is a sole proprietorship or a partnership. Till recently, the limited company was not favoured by the microbusiness because low turnovers did not justify the cost of the compulsory external audit. This situation changed when the compulsory external audit requirement was waived for companies with a turnover below £ 300,000. Since April 2000, this threshold has been raised to £ 1 million and more microbusinesses are opting for the lower taxes, easier borrowing, and the safety of limited liability offered by incorporation.

1.3 History

Historically the microenterprise has been a hereditary family business selling special skills passed on from generation to generation eg farmers, apothecaries, guild artisans, farriers, smiths, barbers; in modern times they are represented by low-tech, low-skilled enterprises like carpenters, fitters, mechanics, and corner shopkeepers.

In the last two decades the ranks of microbusiness have swollen as a result of large industrial companies (coal, steel, tin, petrochemicals) downsizing and outsourcing and releasing employees with good redundancy packages into the marketplace. In Swansea and District, British Coal Enterprise, British Steel Industry and British Petroleum Chemicals' Darcy Developments set up managed workshops, training programmes and business support and funding packages to help their redundant employees re-enter the workplace as micro entrepreneurs. This help was not exclusive to their own ex-employees and soon a micropreneur culture developed in what had become an employment blackspot in industrial South Wales.

1.4 Present Status

In recent years the attention of economists and business support services in Wales has been drawn to the microbusiness for several reasons viz

1.4.i Inward Investors Disappoint

The drive for inward investment, regarded as a panacea for all of Wales' problems has been disappointing. Some foreign companies have closed down - most recently the Korean heavy engineering firm Halla; some have used vast sums of grant funds and been non-starters - most recently the electronics giant Lucky Goldstar, also of Korean origin. It has become clear that the tendency is for foreign head offices to peripheralise their Welsh branches: they show no hesitation in closing them down at the first sign of problems. This disillusionment has made it necessary for even the Welsh Development Agency, that champion of foreign investment, to view the nurturing of indigenous companies as a matter of survival although the WDA will still not recognise that the vast majority of indigenous businesses employ less than 10 staff and therefore have to be included in any plans or strategies for the local economy.

1.4.ii SMEs Are A Poor Substitute

The WDA tends to take seriously only that indigenous business that fall into the Small and Medium - sized Enterprise category, ie between 10 and 250 employees. Unfortunately these are mostly links in a supply chain serving dinosaur industries such as coal, steel, petrochemicals etc and are threatened by the steady decline of these industries. Others serve the highly volatile automotive and aeronautical industries and are totally at the mercy of international market variables they have no control over. It ought to be clear to all policy makers and strategy planners that the microbusiness seems very stable in comparison.

2.0 Enter Information Communications Technology

In the last 10 years Information Communications Technology micropreneurs have entered this sector, resulting in an immediate improvement in the image of the microbusiness. The new glamour of a high-tech, high-skilled profile was the metamorphosis that gave the microenterprise a stature of its own in the business community. Most successful dot.com companies have started out as microbusinesses as have software houses and other high tech ICT based companies. Despite subsequent disappointment with the performance of dot com companies on the markets, the movement succeeded in pointing out that very small could be profitable and efficient. These microbusinesses were driving the whole of an entire new industry and drew attention to themselves as a result.

2.1 Difficulties In Data Collection

Nonetheless the current knowledge base about the microbusiness is still at an embryonic state largely because of the difficulties inherent in collecting data about the microbusiness. These difficulties arise from the following factors:

1. Most microbusinesses have turnovers below the VAT threshold and therefore do not register for VAT. Thus the single most efficacious method of collecting numerical data cannot be applied to the microbusiness.

2. Because the borrowing requirement of microbusinesses is very small, and the exposure high because most microbusinesses are not incorporated, banks advise them against expensive business loans and encourage them to trade with personal loans. Thus another source of data collection -- ie bank records -- cannot be used for the microbusiness.

3. The arrival of a new business, particularly if it has no employees, is not detectable by the Inland Revenue till it files a tax return - which it need not do for a while following starting up, further distorting the figures.

4. A large number of microbusinesses operate from a garden shed or from home and therefore do not show up on any records of business premises rentals or purchases.

2.2 My Own Data Collection System

In my experience as a practitioner I have found that I can keep myself informed of new local start-ups by using an intelligence system of my own creation. I keep contact with jobbing printers because the first thing a microbusiness needs is business cards and stationery. Similarly sign writers are a valuable source of information. An efficient network of business contacts across the board also provides news on an ongoing basis.

Business support organisations such as Business Connect or the Training & Enterprise Councils (apart from other official sources in the public domain) only possess exclusive records of start-ups that voluntarily enter their doors: this unfortunately is only a small part of the total micropreneur numbers. A survey of 30 microbusinesses in the Swansea area, which was carried out by Markmaid Ltd in Feb/ Mar 2001, revealed that only 12 respondents had used Business Connect and/or the TECs -less than 50%. Only 2 respondents had used the Enterprise Allowance Scheme and none had used the Enterprise Rehearsal training programme.

2.3 Available Microbusiness Data for Wales (Start 1998)

These figures were kindly provided by the Welsh National Assembly Economic Development Committee

The data shows 153,345 VAT and non VAT registered businesses at the start of 1998, employing 724000 people

95.1% are microbusinesses employing less than 10 employees. (UK =94.8%)

66% of businesses have no employees.

23.5% have 1-4 employees

Micro-sized firms account for 39.9% of all employment in businesses in Wales. (UK=30.5%)

In Wales the smallest firms are a relatively more important source of employment than in the UK as a whole.

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Size Band Analysis of Enterprises Active in Swansea 2003

Enterprises

Micro (0-9 employees) =11,100 microbusinesses

Small (10-49) =555 small businesses

Medium (50-249) =175 medium-sized business

Large (250+) =450 large businesses

Total: = 12,285

Source: SDR 69/2004, Size Analysis of Welsh Businesses 2003, Welsh Assembly Government

Note: This is a count of enterprises that are active in Swansea, including multi-region enterprises registered outside Swansea. The data also includes estimates for the very small businesses that operate below the VAT threshold (unregistered enterprises). }

2.4 Sloppy Terminology

It must be pointed out at this juncture that the National Statistics Labour Market Trends report of Oct 2000 (Vol 108/No 10) includes a Research Brief entitled 'Lifetime experiences of self-employment', much of which could pertain to the microbusiness. The problem is of course that 'self-employed' is not a synonym for microbusiness and has absolutely no limitation with regard to size. Thus the director of a limited company, who like me is the only employee, cannot be classified as self-employed - I am legally and fiscally employed by my company. Additionally most legal and accountancy practices consist of a group of self-employed partners employing thousands of staff with multimillion turnovers. This slipshod terminology makes it difficult to accept the findings as gospel, a situation exacerbated by the evidence that the naivety of civil servants when dealing with business issues can distort research findings drastically.

2.5 Civil Servant Naivety

An example of this can be found in the report 'Job characteristics of the self-employed.' I quote, 'As many as 29 per cent of the self-employed earned below £ 3,600 per year (£69 per week) compared with 22 per cent of employees.' This is a natural enough mistake for a non-business researcher to make - but anybody in business will tell you that £3600 (now £4500) is always the salary declared by any business person wherever possible, because it is the maximum tax free allowance. A good accountant will attempt to show the rest of the income as costs. For these reasons I am loath to accept these findings without reservation and quite reluctant to use them as valid data about the microbusiness.

2.6 Taking the Microbusiness Seriously

The microbusiness forms the wide solid base of the pyramid on which the more affluent part of the economy rests, and cannot be ignored. It is a sector that would offer more reward from nurturing than the inward investor, the dinosaur industries or the SMEs that form part of a supply chain serving dinosaur industries.

There is a tendency among business support agencies to treat the microbusiness with contempt because it does not appear to create wealth and does not visibly provide employment. The fact is that each microbusiness provides an income for the proprietor taking him/her off the dole, creates a vacancy in the job market and supports other local businesses by using their services. Additionally they will often provide at least one part-time job. According to Brian Jackson, Welsh Assembly Member for Islwyn, if each microbusiness in Wales employed just one person, there would be full employment.

3.0 The Problems of Running a Microbusiness

The survey of 30 microbusinesses in the Swansea area that was carried out by Markmaid in Feb /Mar 01 was primarily designed to update data held from a previous survey with the objective of forming a profile of the microenterprise and to ascertain the reaction of the micropreneurs to the services already being provided for them by business support organisations. Though the sample was relatively small, all the interviews were on a one to one basis; the findings were very useful. Most interesting were the factors perceived by the microbusiness to be their biggest problems:

3.1 The biggest problem

The biggest problem was that they were not being taken seriously because of their size. "Whether it is a business support agency or a potential customer or a bank - as soon as they hear I am a one-man band they lose interest," was the complaint. This was considered to be even more galling because many of the respondents had gained their experience /expertise in large companies and were perfectly capable of tackling complex jobs. It was pure prejudice to regard them as incapable or inferior simply because they were now small independents.

Interestingly pure ICT companies did not suffer because of their size - it was accepted that IT was a one-genius matter and did not need more than one expert to be taken seriously. Besides, ICT is not very well understood generally and most people were willing to accept an ICT expert at his/her own valuation

3.2 The second biggest problem

The second biggest problem was cash flow. This is the result of slow paying customers. This problem is endemic in the UK economy and there are no easy answers to it. SMEs manage with the help of bank overdrafts, which are rarely available to the microbusiness. All too frequently credit cards with their extortionate interest rates are the only financial recourse for the microbusiness.

It would be a mistake however to take this complaint at face value. I have been called in to help find funding for a microenterprise with a cash flow problem and discovered that the problem was in fact slow invoicing and insufficient sales compounded by aggressive suppliers. Putting a sales strategy in place, and introducing a motivational sales training programme to help implement the sales strategy soon rectified things. Systems for prompt invoicing with credit terms spelt out to the customer were put into place. New suppliers were recruited to weaken the position of the incumbents and better credit terms became available as a result. The `cash' problems were solved without any need to find new capital, but with the worrying conclusion that the micropreneur was too inexperienced to analyse his/her own problem accurately.

3.3 Lack of time

Lack of time for strategic planning, for sales and marketing and for keeping up with the latest industry trends was the next biggest problem. Many microbusinesses, though they have worked in large companies, have not been aware of the function of departments other than their own and are alarmed to discover how much more than their own particular skill goes into the running of a successful business - no matter how big or small. They did not realise how many hats they would be required to wear and are in a constant state of uncertainty. Training courses in old fashioned classroom formats are too generalised and wasteful e.g. a young client of mine with a bookstore wasted one day of a business course on VAT - because the trainer did not know that books are VAT -exempt. The young entrepreneur was more confused after than before the training.

3.4 Some advantages of being a microbusiness

Since the UK signed the Social Chapter of the Maastricht Treaty, the advantages of employing less than five staff have increased significantly, since most of the European and UK Employment laws do not apply to organisations of this size. The advantages are enormous (e.g. exemption from providing paternity/maternity leave) in addition to the traditional advantages of having faster response and turnaround times and of being more flexible than bigger competitors.

4 CASE STUDY ONE: USING ICT TO PRESERVE MICROSIZE

4.1 Details

Name of company: High Torque Fastener Systems Ltd

Number of employees: Four

Premises: 1000 sq ft offices in the prestigious Technium office complex

Nature of business: Inventors of a revolutionary sheetmetal fastening system, operating with a manufacturing partner, and sold worldwide through a network of international licensees.

Chronology: 1993 Started in director's back bedroom as Design Agree, a partnership between mechanical engineer John Emmett and mechanical engineering designer Phil

Davies. Met the author at New Business Club meeting. Appointed Markmaid Ltd as marketing consultant

1993 Successfully applied for TEC funding for marketing consultancy

1994 incorporated as High Torque Fastener Systems Ltd. Successful application made through Neath Development Partnership for Welsh Office Innovation Grant of £50,000. NDP provides premises in BP Llandarcy Business Park - rent-free for 3 months - plus soft loans.

2001 Moved to Technium office complex in Swansea. Intellectual property licenses now in USA, Europe, Australia, Japan, South America etc. Sales exceed £18m. Employees remain at original 4 fulltimers John, Phil and their wives Debbie and Yvonne. The product is rapidly replacing traditional nuts and bolts worldwide

4.2 The Micropreneur Speaks

In the words of John Emmett: ` Phil and I had the idea for this revolutionary fastening system while we were working for a large multinational engineering firm. They were a bit of a dinosaur company and our idea never went further than our line manager. They failed to see the meteorite coming and could not recognise the approach of their own downfall. Today they would have to close down if we had not granted them a licence to manufacture our system in their factories worldwide.

Our fundamental difficulty in getting started was that we did not want to get bogged down in manufacturing; we were therefore penalised by lenders because we refused to conform by opening a factory - and grant funding is geared mainly for manufacturing.

With hindsight we have been praised by the DTI's Innovation Advisor for Wales Mr Jim Cameron, who congratulated us on our foresight in relinquishing partial control of our innovation and not making the common error of trying to undertake manufacturing which we knew very little about and which would have stifled the creativity we needed to develop our product further. But this was a major hurdle in raising capital initially.

Our problem was that we had the funding requirement of an SME but the staffing requirement of a microenterprise. Once again, while there was plenty of traditional funding for job creation, funders could not grasp that we could be serious wealth creators without employing hundreds of people.

Because none of us had ever been in business before, we did not conform to what was expected of us. This created difficulties because the business support people could not pigeonhole us and therefore couldn't find the solutions we needed. Right from the start we used radical methods For example in 1993 we were using Information Communication Technology for all our control functions - management, finance, trade, personnel, marketing, sales -at a time when the technology was not widespread and was still confined to boffinland.

We suffered the type of credit squeeze from lending institutions, which is the killer of innovation and innovators. We were crushed between the rigidity of old-fashioned banking (no lending is the rule) and the enormous minimum sums (£1m) that would

Interest venture capitalists like 3is. Quite a few new initiatives like Business Angels have been entering the market but there is still no provision for microcredit. If the failure rate of the microenterprise is high, the blame must be laid at the lack of an official microcredit policy. Innovators and innovations are being driven abroad - and I don't speak of the fly-by-night dotcoms but of high tech innovation like my own, invented by senior blue collar workers - the people who make widgets work.

As design engineers, neither Phil nor I were ever taught any management skills; but what we did know was how to use the software that has replaced the human skills once held so important. In the early days the banks used to send start-ups to accountants, lawyers and other professionals for specialist advice - we not only replaced these people with software but we were also able to learn from the software which always contains a teaching process. You certainly would not be taught anything by a banker or a lawyer or an accountant.

Again, facing the VAT man or the taxman can be terrifying. Having to answer questions face to face leaves the way open for you to make a million mistakes and say all the wrong things. Now that VAT and tax returns can be filed on-line I am really pleased - it takes the terror and the error out of filing returns. Going online not only dispenses with the middleman -the accountant- it is also interactive and not unresponsive like an impersonal paper form.

`Besides when you operate from your back bedroom or garden shed your motives are immediately suspected because the perception is that it is easier to fiddle VAT and tax from a home base. Working from a home office is also perceived very poorly by customers - we once borrowed a friend's office to tender for a big contract.

As a result of extensive use of the Internet, we trade internationally on a daily basis without needing a `export' department. The designs and drawings produced by our sophisticated CAD systems go around the world electronically, adjusting and correcting online till the product is custom perfected for the shop floor.

We have no hesitation in declaring that High Torque Fasteners exists today only because of a chance encounter with Sarla (Sarla Langdon of Markmaid Ltd). I put our future in her hands and she led us through the maze of public sector funding, made us embark on an ongoing marketing programme, introduced us to everybody worth knowing, pulled strings, taught us management techniques and set us on the road to the success we are now.

Today, because of the Internet, we would not be so dependent on the consultant. The Internet provides a great deal of what the consultant provided. Web sites are analytical and critical giving the garden shed a validity it never had before.

The New Business Club as conducted by Sarla was a Mecca for microenterprises

And microbusiness- type companies. It was unsustainable because it is one person's vision. Sarla is Mrs Small Business Club just as I am Mr Innovation. Her skill is that she is able to identify the individual needs of microbusinesses early on in their development.

The Training and Enterprise Council and Business Connect are trying to help start-ups whether they have validity or not, but they do not have the skills to deal with the microbusiness. It is people who make a service effective and at the moment, the right people are not being employed by the business support services. It was not Business Connect that helped create High Torque - it was Greg Kaminaris, head of Neath & Pt Talbot Business Connect. It is only the seniormost officers who do any valuable work. Business Connect (locally) has a problem with accessibility: A dragon at the end of the phone keeps micropreneurs at bay and telephonists try to be consultants refusing access to key personnel.

I feel that the criteria for defining an SME need to be re-evaluated. The taxation and lending regime should reflect the huge difference in turnover between microbusiness and an SME. Lenders should perhaps look at a sort of 'executive mortgage ' model, which builds in the micropreneur's potential for growth into the repayment schedule - with of course some checks and balances.

The Welsh Office invested £ 25,000 in High Torque: this amount has sustained four full-time jobs for five years. If this achievement could have been replicated by every inward investor, millions of jobs should have been created.

We are a sheet-metal business located within a stone's throw of the sheetmetal Research and Development Department of Corus (British Steel). The sad fact is that an innovation that breathes life into the sheet metal industry did not emanate from one of the world's largest strategic manufacturers but from a tiny microenterprise. I have to conclude that microbusiness can flourish in a hostile environment whereas a huge corporation cannot. I am often asked why I prefer to stay as small as possible. The reason is that I don't wish to join the dinosaurs - I can read the writing on the wall. Small is no longer just beautiful - small is survival. '

5. CASE STUDY TWO: USING ICT TO TRANSFORM AN SME INTO A MICROBUSINESS

The most dramatic changes made by the advent of ICT have certainly been in the design/print/media industry. ICT has improved productivity and response times to unprecedented levels; has drastically reduced the need for manual skilled labour; has wiped out many ancillary sectors (blockmaking, typesetting,) that were once integral to the supply chain; has reduced the number of processes in almost every aspect of studio work (e.g. process cameras and therefore darkrooms have almost disappeared completely); has completely changed the face of the newspaper industry making a huge number of job sectors (e.g. compositors) redundant , cutting costs savagely and giving the industry a new lease of life and a return to profitability

SDC Design Consultancy is an excellent example of how ICT has reduced staffing levels in a major industry sector and has made a microbusiness out of an SME.

5.1 Details

Name of Company: SDC Design Consultancy

Number of Employees: Nine

Premises: 1000sq ft in Technium office complex housing the graphic design division.

Nature of Business: SDC is primarily a graphic design and new media studio.

Chronology: 1983 Geoff Clement left a job as creative director at EMAP Publishing to set up his own studio in Swansea. He is a qualified graphic designer who graduated from Swansea College of Art specialising in typography. In college Geoff learnt manual systems only - the day of desktop publishing was yet to dawn.

SDC has grown steadily over the years in terms of turnover and prestige - the only thing that has not grown is the number of employees.

5.2 The Design Studio in the Mid 1970s

I am able to enlarge on this subject with considerable confidence because I have personal experience as Creative Director in a middle-sized advertising agency during this crucial period of rapid change.

We had at least 30 permanent employees in the studio many of whom were specialists whom we could not do without namely:

- * Calligraphists who designed complete sets of typefaces for major clients.
- * Airbrush specialists who worked little compressors to airbrush defect out of artworks, colour and mono.
- * Retouchers who tidied mono product-tabletops and other photographs by hand, using brush and paint.
- * Illustrators
- * Layout artists who put copy and graphics together as outlined by the art director/visualiser
- * Finished artists who did all the detailed work of cutting and pasting copy and making up the final camera ready artwork
- * Art director and team of visualisers who agreed creative platforms with the copywriter, created design concepts, briefed layout artist, ordered appropriate visuals, did the type mark-up for typesetters/blockmakers and supervised the job till completion.
- * Studio manager who dealt with all administration, purchasing/procurement, job costings and traffic control (between other departments and studio)

All studio staff were strictly union controlled and no artwork of ours would be published without the appropriate union stamp on the back.

Today the same billing can be handled by two qualified and experienced fulltime designers with occasional part time help (from qualified and experienced designers) as per deadline demand. All the jobs described above have now been taken over by DTP programmes

Despite the high investment cost of constantly purchasing the latest desktop hardware and software and the cost of the continuous training required because of the high obsolescence factor in ICT, the savings to the entire design/print/media industry are enormous and have actually made it possible for a strengthening and revival of these industries after the recession of the 1980s tolled the death knell for the 'dinosaurs'. Many first rate design house were now able to run lean and mean operations, maximising their productivity, responding to client demand at lightning speed and being more efficient, customer friendly and yet more profitable than they had ever been.

5.3 Geoff Clement comments:

'We have been steadily increasing studio turnover year on year for the past 10 years without increasing staff - in fact we have fewer staff than we had a decade ago. Our entire industry has shrunk. The latest casualty are the repro houses because many modern digital presses bypass the film process altogether. The quality of reproduction from digital presses is improving rapidly, and their great advantage is that they can do short print runs very economically. Newer still is the direct plate litho press, which also spells the end of the repro house.

The way we have responded to these unprecedented changes in our working environment is to invest in the latest software and hardware, continuously reviewing our requirements as frequently as every six months, and investing in ongoing product training so that our designers are familiar with new hard- and software as soon as it hits the marketplace. In this new ICT dominated working environment, training has become of paramount importance - those that train stay ahead.'

6. CASE STUDY THREE: ICT CREATES A MICROBUSINESS

TM Electronics is an excellent example of microbusiness created because the micropreneur was a child of his times who wanted to work in electronics, which had been his hobbyist field through his early teen years. Tony Morris, a true product of the electronic age, saw electronic products - whether they were VCRs, PCs or TVs - as an integral part of everyday life, quite unaware that they were radical new innovations even in his parents' living memory.

6.1 Details

Company: TM electronics was set up in 1988 by Tony Morris as a sole proprietorship and was incorporated in 2000.

Number of employees: Tony took on a Youth Training Scheme employee in 1990 who has subsequently become a full time employee.

Premises: TM Electronics was fortunate to be eligible for 600 sq ft office space in the managed workshop complex of the Swansea Information Technology Centre. They have since moved to slightly bigger office space. Given the nature of Tony's business the Swansea ITEC building was the perfect location, a focal point for all ICT practitioners, trainers, students and traders.

Nature of Business: Tony Morris repairs and services PCs for a wide range of customers both businesses and private individuals in Swansea and District.

Chronology: After taking HNCs in Electronics from Swansea College, Tony worked for Kodak for 4 years before he was made redundant. He set up TM Electronics with his redundancy money under the Enterprise Allowance Scheme and has seen steady growth year on year since.

6.2 The voice of the IT professional- Tony speaks out

'No I can't see my company growing much bigger,' explains Tony. 'Right now this turnover supports me, my wife and two children and provides my assistant Carl with a secure full-time job. Growing in size means a quantum leap of more staff, bigger premises, more investment. I am in a comfort zone where everything is just right. I realise that I should not get too comfortable but my present size suits my lifestyle. Five years ago, I did start a new partnership called CCM Wales dealing with computer cabling and maintenance, which is growing steadily. But the idea of growth has no glamour for me - but it does imply a lot of problems, hassle and headaches!

'Right now I feel in control of my situation. As part of the Enterprise Allowance Scheme, I had to attend a number of business training sessions at Swansea Trade and Industry Centre. I would say about 70% of these training sessions were c**p. The lectures were too general and the trainers knew nothing beyond the business they had been in. It's a shame to criticize these people - they just had no idea and were not proper experts, mostly part-time advisors and trainers. Much of what they said was interesting but a lot of it was a waste of time.

'But we did have to put up with a lot of other silly, bureaucratic, craziness like the requirement that you were unemployed and drawing the dole before you could be accepted for Enterprise Allowance.

'The most useful thing the business support people did for me was to introduce me to the Swansea ITEC. This organisation suited my needs perfectly and was even able to help me set up by selling me some equipment I needed at cost. These workshops have been and still are a good environment for business growth.

'My business has been completely self financed. At the beginning I sold my BMW and put that money in with my redundancy package so that I've never had to look

for a bank loan or any other funding.

'What I found most helpful was advice from friends who were accountants and other professionals with business experience and the experiences of fellow tenants in the ITEC workshops.'

7.0 CONCLUDING REMARKS AND RECOMMENDATIONS

This study shows that the advent of ICT has not only increased the potential for growth in the number of microbusinesses but has also increased the potential for their commercial viability. To ensure their success and survival it can be concluded that a radical change in economic strategy is called for.

7.1. Separate entity

So far the microbusiness has been clubbed together with the SME, with the same business support, funding and fiscal help being offered. This study shows that the microbusiness is a separate entity with needs of its own. It is a wealth creator in its own right and shows growth in all aspects of business except employment; yet it is the only business sector that has the potential for creating full employment. Initiatives that work for SMEs do not work for the microbusiness.

It is recommended that there is a complete rethink on the needs of the microbusiness particularly in the case of single intellectual property (SIP) - i.e. one idea one business - type of micropreneur. So far it has been assumed that the saviour of the UK economy - innovation and research and development - is the prerogative of big industry. We have seen that the SIP has far greater chances of success and survival.

7.2. Borrowing

Though there has been much done to improve borrowing facilities for SMEs with a raft of new public and private sector lending packages, the needs of the microbusiness continue to be ignored. There are still no microcredit facilities available. Grants continue to be tied to job creation

It is recommended that an action panel with representatives from public and private sector lenders and a cross section of microbusinesses gets to work on finding solutions to this very real problem that would be profitable to all concerned. Any sensible scheme will need to be sold to banks that are accountable to shareholders and need to solve the microcredit problems with reduced exposure combined with an acceptable level of profit.

7.3. Business Advice and Specialist Consultancy

The business advice being offered at the moment is possibly adequate for SMEs who can call upon in-house expertise to augment and ameliorate where necessary - it simply does not work for the micropreneur. Contrary to expectations micropreneurs need a higher quality of advisor with a higher level of expertise, experience and qualifications than SMEs because they do not have the manpower or the time to sift through the dross. A quick glance at the CVs of employed advisors and freelance approved consultants will show a frightening lack of qualifications, experience,

expertise and general business knowledge. The same is true of approved business trainers. The required level of ability is only found among the seniormost officers and a handful of consultants.

It is recommended that serious steps be taken to ensure that

- * Stringent vetting procedures are introduced for trainers, advisors and consultants. If required salaries should be suitably upgraded.

- * Training is offered on a one to one basis following an analysis of the precise training needs of each microbusiness.

- * Grant assistance needs to be revised. At the moment the grant requires 50% match funding and by the time the micropreneur has paid his/her share, he/she has no funds left to implement the strategy or business plan or feasibility study that has been produced. It is a common complaint from microbusinesses that their consultancy documents lie gathering dust on a shelf. This terrible waste of public resources can be avoided if the consultancy grant is awarded at 100% with proof of implementation as the match-funding element. This plan has already been put forward on my behalf for a LEADER project application by Business in Focus, Cardiff.

8. ACKNOWLEDGEMENTS

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