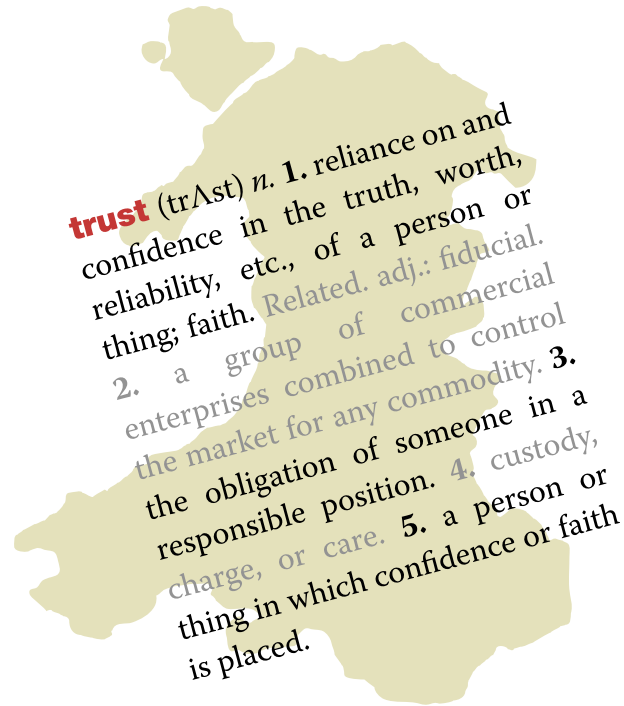


Trusted Advisors in Wales



Purpose

Best practice

New directions



Cyngor Rheolaeth Cymru

Wales Management Council



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The Wales Management Council is an employer-led body, funded by the Welsh Assembly Government to promote the development of managers in the private, public and voluntary sectors in Wales.

The Wales Management Council aims to inspire, motivate and drive change in the perception, delivery, take-up and funding of management and leadership development in Wales.

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Llywodraeth Cymru
Welsh Assembly Government

WALES MANAGEMENT COUNCIL

Leading Wales towards excellence in leadership and management

Trusted Advisors in Wales

Purpose

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Some of the comments made by the delegates who attended our “Trusted Advisor” Workshops:

“It was refreshing to attend an event that focused on the possibilities, solutions, and improvements rather than criticism and complaint.”

“One size doesn’t fit all Need for greater flexibility of provision and transparency.... but concerns about government being risk averse.”

“It was a good opportunity to put my thoughts and concerns as a business owner to people who can do something about them.”

“Good to hear acknowledgement of softer targets from businesses and WAG i.e. that it is recognised that often benefits are achieved after support is delivered and implemented e.g. 18-24 months.”

“WAG does need to understand more clearly SMEs’ needs and how they want this assistance to be delivered. But how can this be achieved within the confines of WAG’s need for accountability?”

“The Workshop under-scored the need to carefully define outcomes when engaging with clients.”

“Anything we do to promote ourselves to SMEs MUST be succinct; avoid boring language used in the past”

“More confidence that the ‘grant culture’ can be broken although there still seems to be evidence of reverting to type by SMEs.”

“Start-ups get support, but my growth business is being held back”

“Identified some key issues regarding what is required of a quality advisor and how to achieve this.”

“I will be more focused in my delivery of services and in meeting the needs of SMEs.”

“I feel more able and open to finding appropriate support.”

“Promote mentoring over an extended period”

“A hope that the gap between WAG and SME needs will close.”

“Are WAG yet ready to engage in discussion with the Welsh business community?”

“An apparent unawareness of the Business Eye service and what it actually delivers; marketing to be more focused.”

“To ensure that future generations have a better opportunity of setting up businesses in the future.”

“‘SME’ is far too broad a term – the needs of a small lifestyle business are radically different from those of a 250 employee organisation”

“Importance of measuring client feedback and customer care issues.”

“Need to find out more detail about what is available for medium-sized growth business in order to provide that information to associates and clients; marketing still seems to be very confused in this area.”

“Interesting and diverse debate ... and a rare opportunity to “challenge” the system.”

“If WAG listens to some of the concerns and issues raised it will be worth the time and effort.”

FOREWORD

Leaders, managers and entrepreneurs with vision, passion, energy, enthusiasm, and a real engagement with people are the key drivers for economic growth in Wales.

The Wales Management Council believes this, and the Welsh Assembly Government believes this, but do businesses in Wales, particularly the micro and small businesses that dominate our economic profile, believe this?

In our experience leadership and management development is not a priority for small businesses in Wales, engagement with SMEs is difficult, and the take-up of leadership and management development opportunities is achieved only when the cost comes from the public rather than the business pocket.

So how do we change this?

Part of Wales Management Council's role in driving change in the take-up of management and leadership development by SMEs in Wales is to explore who has influence on SMEs and how that influence can be utilised to maximum effect.

This influence is largely being exerted through the plethora of advisors, both public and private, professional and independent, who provide an extraordinary range of services across Wales.

Some of these are often referred to as "trusted advisors", but which are they and why?

To answer this question we organised three conferences in the latter part of 2007 and early 2008 to explore this question with advisors and their clients.

We wanted to explore what makes an effective advisor, and how to make advisors more effective.

This report is a summary of the discussions at those three events. Many of the comments we report are radical, critical, and contradictory, but these reflect the complexity of the issues and of the market, and the need for a continuation of dialogues of this kind to find plans of action that best meet the needs of all parties.

We hope that the strong and positive recommendations contained in this report (which we will follow up) will help the Welsh Assembly Government, advisors, those providing advisory services, and professional bodies, take active steps to provide the help and support that businesses and organisations in Wales need to achieve their objectives and create the Wales that we all want.

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Wales Management Council

February 2008

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I. INTRODUCTION

Background

In the last six years the Wales Management Council has facilitated a series of Working Groups to consider, report, and make recommendations on key issues relating to management and leadership development in Wales.

The topics covered so far have been:

- Future good management practice, 2002
- Management implications of e-commerce, 2002
- Management and e-business, 2003
- Management and innovation, 2003
- Marketing management and leadership development, 2004
- Mentoring in Wales, 2004
- Tomorrow's Manager, 2005 *

In 2007 and 2008 we organised three workshops

to explore the relationship between professional advisors and SMEs

The working groups were made up of representatives from a variety of professional advisors – banks, accountants, IFAs, solicitors, government funded support networks such as Knowledge Bank for Business and Enterprise Agencies – and their clients, SME managers themselves.

The Wales Management Council chaired each meeting, minuted the discussions, and undertook to produce and publish this report on the discussions and recommendations.

Overview

Over the past decade various studies of business needs and the support (both public and private) that is available (particularly to SMEs) have been consistent in putting banks, accountants and other professional service providers high up in the list of sources of advice and support. Conversely, publicly funded advisors and advisory bodies appear very low down on the list.

In our working groups we wanted to

- explore the assertion that some professional service providers find themselves in the position of 'trusted advisor' to SMEs. And if this is indeed the case ...
- how can we encourage them to maximise this role, specifically in the area of leadership and management development, to the mutual benefit of all parties?
- gather new insights from the participants' perspective into the development needs of SMEs and, through that knowledge, understand how they can best be met.

* Reports on all of these are available in the Publications section of our website.

- to influence policy, stimulate thinking, and inspire action in the Welsh Assembly Government, key agencies, development practitioners, suppliers to SMEs and practising managers.

Aims and objectives

We wanted to consider the following questions:

- Is it indeed the experience of professional service providers that SME business owners seek their advice and guidance on non-financial aspects of leadership and management?
- If so, what are the most common questions and areas of concern for SMEs?
- What do professional service providers actually say and do when asked for advice outside of their area of core competence?
- To what extent do professional service providers believe that providing general business management advice and guidance (or guiding businesses to other providers) is part of their role?
- What are the expectations from SME clients of the front-line advisor?
- How are front-line advisors prepared for this role (i.e. training curriculum and content)?

in order to

- ensure that SMEs in Wales receive the most professional and relevant advice available,
- make key recommendations to government and other bodies for ways in which they can maximise the contribution professional advisors make to the development of the economy.

This report

This report is a collation of the discussions and recommendations of three workshops held in April and September 2007 and January 2008.

The report explores the definition of a “trusted advisor” (Chapter 2) and the key issues relating to that role (Chapter 3), and then looks at the answers from Professional Advisors (Chapter 4), Government Advisors (Chapter 5), Support Agencies (Chapter 6), SME managers (Chapter 7) to the following key questions:

- in the Welsh context, what works and how do you measure results?
- what does not work, and why?
- what changes would you like see?
- how does your role as an advisor improve the performance of SMEs?

The report concludes with an overview and summary (Chapter 8), and 38 key recommendations from all involved (Chapter 9).

There are five appendices:

- a pictorial representation of the advisory networks in Wales
- Wales statistics
- the traits of a trusted advisor
- extracts from research articles
- bibliography.

We hope that this report will stimulate thinking, influence policy and inspire action in the Welsh Assembly Government, key agencies, advisors and their networks, and SME managers themselves.

2. WHAT IS A TRUSTED ADVISOR?

What is a “trusted advisor”

Those attending the first Workshop were entirely from the “professional” advisor community – lawyers, accountants, bankers, and financial advisors. They made the following observations and suggestions:

- Trust builds as the advisor takes time to understand the client’s business and to understand what solutions might be appropriate.
- Highly developed inter-personal skills are required, particularly listening skills, in addition to the advisor’s core competence, to win over the client’s heart.
- Trust is very personal - the person I trust may well be different from the person you trust.
- Trust is often tied up with perceptions of brand – the relationship can go beyond individuals (who may move). Therefore the relationship is both corporate and individual.
- The relationship is based on ‘character’ – integrity, honesty, judgement, independence, (with no conflicts of interest). Even where there is a loss of reliability: “sometimes the relationship ends but still sometimes clients are loyal”.
- Trust in an advisor is often a function of trust in qualifications and in the personal knowledge/ experience of the advisor.
- Often the starting point of the relationship is the client’s acceptance of the advisor’s skills; it starts as a transactional request and the relationship moves to another level over time, sometimes evolving into a kind of partnership.
- Advice must have clearly defined boundaries, but often the advice requested and given is wider than the specialism or core competence of the advisor.
- The trust can extend beyond the transaction into the opinion of the advisor and into the realms of general referral – “I know a man who does”.
- In this context, it is important to speak of *professional* trusted advisors, where the quality and calibre of the ‘professional’ advice is equal to the calibre of the problem.

What does this role entail?

The role entails an “advanced form of relationship management” which requires the following:

- ‘Intimacy’ i.e. clients do not want to share their ‘secrets’ with lots of people
- Early involvement
- Mentor support

- Personal skills to develop trust
- Technical skills are a given
- Reliability to deliver is essential
- Links to other professionals as “all part of the service”
- Ethical practice
- Being a sounding board (but not a shadow director)
- Stretching of advisor’s skill boundaries
- Communication is more normally reactive
- Advice usually asked about money or people, but
- Advice can include recruitment, red-tape issues, health and safety
- Answering questions about the advisor’s own business builds confidence.
- Interactions could be one per year, or one per week, and vary depending on what the client wants.

Accountants help all sizes of SME, particularly with their ‘shortcomings’ e.g business planning. They especially seem to help SMEs with no senior management team who therefore have lower skill levels in terms of activities such as recruitment.

Some legal advisors will relate to the client from the experience of running their own business despite the fact that law firms are not run on typical business lines.

Having said that workshop members observed that

- “advisors could have training to be better businessmen”
- “not all clients want you as their best friend.”

The workshop participants stated that they often found themselves in the role of the ‘trusted advisor’ and that this was a role they wanted to encourage in their individual businesses.

Indeed, at the large companies, training programmes are in place which include a focus on this wider aspect of the professional relationship.

Further key issues and questions identified for consideration at later workshops are set out in the next chapter.



3. THE KEY ISSUES

Key issues that arose from the discussions in the first Workshop are categorised below from the perspective of

- SMEs
- Professional Advisors
- Welsh Assembly Government.

SMEs

- What makes an SME select a particular accountant or other professional advisor?
- Is regulation more important than qualifications in that choice?
- Do SMEs get good advice from government advisors?
- ‘You get what you pay for’ – is this why many SMEs turn to the professionals?
- SMEs usually have one accountant and one lawyer, but a multiplicity of advisors is common in larger businesses. Why is this?
- What will be different when 200 relationship managers planned within WAG are in place? How will this relationship work in relation to the small business community?
- How do we ensure an SME gets the ‘right’ advisor?
- What can we learn from practice in other parts of the UK?
- Do we need to incentivise SMEs to develop further? If so, in what ways?

Professional advisors

- What is the real cost of giving this advice especially considering the first session might be free?
- How can SMEs be better informed about services available?
- Do SMEs know how to hire professional advisors.....compared to England which has registers of professional advisors (e.g. Law Society)?
- Could private sector ‘professional trusted advisors’ collaborate to design an approach to SMEs, e.g. put together a small interested professional group?
- How might the relationship between the professional business advisor and WAG be strengthened?

From the perspective of the Welsh Assembly Government:

- Could banks second staff to be WAG Relationship Managers – this could be seen as on-the-job training for bank staff and more input from the private sector for WAG?
- How do we help WAG account managers to understand SMEs better?
- Will WAG pay ‘proper’ rates for advice and guidance for SMEs? If government funded advisors are badly paid, this will possibly be reflected in the quality of advisors that WAG and support agencies can recruit?
- Should WAG also support advisors and SMEs pan-Wales, and not just in areas of special need.
- Is it the case that private sector advisors are not WAG’s first choice? If so, why is this?
- Could accountants and other professional advisors make a competitive pitch for WAG advice service contracts?
- Could Business Eye include private sector providers when asked to signpost recommendations?
- How does Business Eye identify the appropriate organisation to deliver business needs?
- What is the calibre of government funded advice and support?

Next steps

- What might be important follow-up actions we can all undertake to answer these questions and best meet the development needs in each sector?

4. PROFESSIONAL ADVISORS

What works and how do you measure results?

The professional advisors attending our conferences - lawyers, accountants, bankers, independent financial advisors, insurance brokers and consultants - all agreed that “trust” was fundamental to their relationship with clients.

For them, “trust” was created through a combination of rapport, credibility, formal accreditation, personal qualifications, and confidence built up through a long-standing relationship. This trust was often built on personal referrals and recommendations that were themselves trusted.

In professional firms, clients need to have confidence that such trust can be applied to any member of the team. The client relationship has therefore to be seen both as individual and corporate. The capacity to service the client will depend on a wide range of people, and it only takes one to lose or betray trust for all to suffer.

But the “magic in the mix” came from a powerful linkage between brand awareness and testimonials from the wider market, and the personal relationship with individuals who were up-to-date in their knowledge, were prepared to get things done, knew where to get further help if they could not provide it, and could offer support and advice when and where it was needed most.

The personal skills at the heart of this relationship were the ability to listen, to establish client needs before offering any solutions, to work hard to achieve the results the client wants, to use a wide network of contacts, and always to be aware that you are only as good as your last satisfied client.

Building relationships is the key, and the quality of that relationship is evidenced by repeat business, more business, and the in depth evaluation of client expectations, achievements and the wider impact on their business.

Evaluation of both the relationship and the task was critical to avoid complacency, and to build on strengths. But most important, and often ignored, was the need to evaluate what action was taken on the basis of your advice, and what the results of that action were.

If the client trusts you, values your help, respects what you have to offer, and sees real benefit from the relationship, he or she will come back to you again. And as a professional advisor, that is how your business will grow.

But there are many pitfalls on the path to this ideal world of satisfied customers and mutual business growth.

What doesn't work and why?

All clients are individuals, as is their business. Advisors forget this at their peril, and the first failure is to adopt a standardised, one-size-fits-all approach, or to assume that what was right for a “similar” client (same size, or same sector, or same age, or same problem) will automatically be right for this client.

To handle each client well you need confidence. That does not mean arrogance, which is always fatal, but the confidence that you “know your stuff”. If you don’t, your client will spot it within the first few minutes of your first interview. And after that there is really nowhere to go but out.

Equally fatal is any attitude that you know it all, and the client doesn’t, leading to a haughty disregard of the client’s real needs, and a patronising attitude that will guarantee no repeat business, and some very successful negative marketing by the client on your behalf. And the bad word always travels faster than the good – viral marketing at its best for the worst possible result.

The whole advisory process can both exacerbate a bad personal relationship and negate an excellent personal relationship. This happens when the rules and regulations imposed by the organisation to which the advisor belongs, or the funder of the advice being provided, works against the fluidity and natural rhythms of the relationship.

Obligatory form-filling, assessments and analyses that appear to fulfil no real purpose, time-counting rather than results-counting, and outcomes required by the service provider or funder, not the client, are all guaranteed to dampen enthusiasm, destroy the relationship and lead to mutual dissatisfaction.

Equally dispiriting is an advisory relationship which is based on instruction rather than advice. “Do this, and it will all be fine” is advice that can equally come from the page of a book, or a website. Human intervention is not required, but human intervention is the “added value” in any advisory relationship.

Other approaches that reduce trust and lead to failed relationships and no repeat business are

- putting off what needs to be done
- failing to challenge the client, and seeking soft or obvious options
- quick fixes that are inappropriate in relation to longer term needs and objectives
- not managing client expectations of what can be achieved, by whom and by when
- misquoting the price, or mis-scoping the work
- promoting paid services on the back of subsidised services
- non-personalised direct mail or blanket advertising
- offering free or loss-leader services.

The faults do not always lie on the side of the advisor. This is a two-way relationship, and even the very best advisors will be driven to distraction by clients with closed minds and attitudes, and a lack of belief that anything can change or can be changed; and those who do not have the intellectual capacity or the ability to articulate their problem and understand how the advisor can help them or the nature of the advice that they have been given. These high-maintenance clients are their own worst enemies.

But the more ubiquitous problem with some small businesses is that they have little idea of what they want or need to start with, so the advisor has to nurture the relationship, and establish a level of trust, before even starting on the real work of helping the business to grow.

How does your role improve the performance of SMEs?

The success of any professional advisor will be measured by the success he or she achieves for his client. A pre-requisite is therefore to establish clear objectives at the start of the relationship, and help the SME client to achieve them. This will frequently be achieved by working as a coach

or mentor to help clients realise for themselves their potential or opportunities of which they had hitherto been unaware. The benefit is then deep and long lasting.

Consultants and advisors are all to a greater or lesser extent in the business of changing and training attitudes, and improving skills, even if this is not the ostensible reason for the support they are providing. At some level the advice is all about what to do and how to do it, the execution is of course in the hands of the client, but this is in itself a “learning experience”.

Much advice is based on giving the client a new focus, or a new perspective, and setting them off down a path, with the advisor as companion for part of the way now or later on the journey.

Small business managers are faced with a plethora of apparently conflicting demands. The day-to-day management issues are all-consuming, and there always seems to be a fire to put out somewhere. This would seem to be burden enough without issues of legislation, HR, cost reduction, health and safety, growth, competition.... The list seems endless, but the advisor can help to provide a wider perspective, demystify the unknown, put all this in context, and establish clear priorities.

This process both relieves pressure, and challenges assumptions about what needs to be done when and by whom, and in the end increases the commercial potential of the business.

By asking key questions, the advisor can help the business to focus on key issues of return on investment, to ensure that money expended on advertising, marketing and sales promotion achieves the best possible results.

Lawyers and accountants can also relieve the pressure by handling negotiations, may be for a business acquisition or merger, on the client’s behalf, and helping them to find a way through what would otherwise be a minefield.

However, lawyers and accountants can also be dispiriting advisors of what cannot or should not be done. Such advice is always based on sound principles and in the best interests of the client, but can lead to a negative, guarded and over-cautious approach in their SME client.

All advisors are in the business of helping their clients to make their own decisions, weigh the evidence, and move forward to growth and success. Though the client frequently wants a clear-cut yes or no answer to a particular problem, the answer is far more likely to lie in a balancing of probabilities, risks, and options. This is where the external advisor is invaluable, no matter how difficult, or painful the eventual decision.

What truly works is the client’s recognition that the advice has helped them to move to somewhere new.

So what needs to change to make this happen more often or more effectively?

What changes would you like to see and why?

All small businesses need accountants and lawyers, but many are reluctant to engage them for more than the very basic services because of cost. If higher level services could be an integral part of their business growth, why is it so difficult to obtain public support and subsidy for the provision of those services to the SME community?

But, there is also a strong argument, hinted at above, that subsidy in the end distorts the market, and creates an unhealthy dependency culture which actively discourages SMEs from using their own resources to achieve their business objectives.

There needs to be a wider debate about the nature of public subsidy in relation to advisory services of all kinds, to ensure that public money is used in the way that is most likely to help businesses grow. Such an approach might support export advice, legal advice, financial advice, or general business advice. All dictated by the client, not by the provider of the service or the subsidy.

But money is just one part of the problem.

SMEs need to have a much greater awareness of the range of services that professional and business advisors can offer. The stereotypes of high cost charlatans fleecing the innocent, or retired bank managers giving out of date advice to businesses in which they have no experience, are all too prevalent. Against such stereotypes the notion of “trust” is completely alien.

One possibility is to research and disseminate a picture of how professional advisers are helping small businesses now, region by region, across Wales. This would be based on the clients’ evidence, not the advisors’ publicity handouts. “Real life” evidence would do much to change the stereotypes and would encourage small businesses to have a more informed view of the services they might use, based on the experience of their peers.

This research should be coupled with vastly improved information about the advisory services that are available, both public and private, so that small businesses can make an informed choice. At present we are in a chicken and egg world in which you need an advisor to help you find the advice that you need.

The banks have a critically important – and largely unrealised – role to play in this scenario. Their power lies not just in the money they have to lend, but in their judgement of who to lend it to. Banks will lend to those businesses that demonstrate a level of business acumen that reduces the risk to the bank. It is therefore in their best interest to offer more active support in business planning and the development of more general leadership and management skills.

All businesses need a bank. If the banks described what good management and business planning looks like to them, this could be advice and guidance that no business could afford to ignore. And what about an added incentive of lower interest rates if you meet the “good management criteria” the banks are looking for?

Taking a broader view, in the SME market there is a strong argument for a multi-disciplinary practice of professional advisors, not dependent on government funding or linked to a government agency, that provides the range of services that businesses need. Something like a large doctor’s practice. Always there, always ready to help, with the right advice by the right professional for your current or your future problem. What would Wales be like if there was one of those in every town?

5. GOVERNMENT ADVISORS

What works and how do you measure results?

Government funded advisors are well-placed to advise businesses with total impartiality as they have no further services to sell, and are facilitators rather than deliverers.

These advisors are a single point of contact who use diagnostic tools to assess the real needs of their business clients, agree action plans, make recommendations for the most appropriate support schemes and programmes that would be of benefit to them, and agree the qualitative and quantitative outcomes that will be measured, which must be directly related to the profitability of the business.

The financial risk in relation to such proposals is minimal, because the government is funding or subsidising many of the services provided to support business development, and the clients can therefore freely identify the support that will really benefit their business.

What doesn't work and why?

The main problems relate to core objectives, bureaucracy and measurement.

There is a conflict between what the government wants to measure and what SMEs want to measure. Definitions of success are different in each case, and there is an over-fixation on the government side on hard output measures, particularly job creation, which do not always sit happily with the sustainability and profitability of small businesses who may need to cut jobs to survive and prosper, which runs counter to the growth messages that politicians like.

There is no single point of contact that will allow SMEs to engage with all the services, across all departments, that government can offer. And this is exacerbated by the fact that Government departments do not communicate with each other about the support they can offer, or their economic objectives.

Clients lack experience of how to use consultants and are put off by the levels of form filling that are required, by themselves, or their advisors on their behalf.

Advisors do not have a list of preferred suppliers to whom they can signpost their SME clients for further help and support.

Performance indicators are unclear for many advisors, who lack the information to measure success over time, particularly as interventions are measured over twelve months, whereas the real impact may take much longer. When you measure is just as important as what you measure.

Advisors agreed that we need to get much better at what we measure and why.

What changes would you like to see?

Entrepreneurial attitudes and flexibility are required by both government and clients.

Advisors agreed that a single point of contact for all government services was essential.

Once contact has been made, there needs to be a fast track approach to identify the type and level of the client's need, building on their strengths as a prime aim.

Government needs to be more entrepreneurial in the way in which it encourages the market to use the services that are available, and advertises more clearly and widely the grant support that is available.

Greater alignment between departments is required, and a clear linkage of objectives. A drive for more or higher skills does not in itself guarantee an increase in economic activity.

Funding mechanisms and amounts need to be reviewed in depth. With less public money available, serious re-prioritisation will be required, which requires collective agreement.

More free services are not the answer. We must move away from a grant culture. Research has shown that 70% of government clients would be willing to pay for services offered, if they were confident of quality and relevance.

Greater investment is required by SMEs themselves, who need to be prepared to be more flexible to take advantage of what is on offer, which needs to be charged as close to the market rate as possible. Clients themselves need to be more entrepreneurial by being prepared to make a greater financial outlay now to achieve a greater financial return in future.

At the same time, the government itself must be prepared to be more flexible to ensure that its offerings and services meet client needs, and ask serious questions about the real role of account managers and the extent to which they add real value to their client businesses.

Advisors' reputation and skills would be enhanced if they had an externally verified qualification to confirm their ability to give appropriate and quality advice. In their initial client meeting they need to have the skills to assess in two hours what the key issues are which need to be addressed and then recommend a mentor or pinpoint specialist inputs that the business needs.

Some serious questions need to be asked about the "skills agenda". Is the "skills agenda" the answer, and to what? Do we know whether a larger proportion of the population have acquired greater skills? Have more quality jobs been created? Which is the chicken and which is the egg? The Government's agenda is to attract more businesses to Wales, but to what extent is this directly related to skills?

6. BUSINESS SUPPORT AGENCIES

What works and how do you measure results?

Relationships are key. The relationships with clients need to be long term, empathetic, built on trust, with a chemistry that really works. All this will grow out of using advisors and mentors who have been where the client is, and know the issues.

Advisors have one chance to make a good impression. The first meeting is critical, and will make or break the relationship.

Flexibility and credibility are essential, and the ability to show clients, or help them to understand, what they are going to get out of the relationship.

We need to be very realistic about the client's wants and needs. In most cases they want money first, and a skilled workforce second.

The greatest measure of success for the agencies is clients coming back for more help.

For the clients success relates to a wide range of quantitative measures including increases in turnover, profitability, and market penetration.

Accountants and lawyers come high in FSB surveys because SMEs *have* to use them. Whereas other advisors and consultants have to win the trust of the client, and then the business.

What doesn't work and why?

One of the greatest problems on both sides is lack of flexibility, on the agency's side to meet the needs of the client, and on the client's side to take advantage of what the agency is offering. Without flexibility the relationship dies.

But often at the heart of it is the issue that businesses don't know what they need, and have to be helped to identify this.

Government money, and publicly funded programmes are not the only answer, and there is a strong feeling that government should by now have recognised what works, what doesn't work and why. But the continual policy and delivery changes does not give confidence that this is so, and suggests that government is in fact too disconnected from the real needs of SMEs.

Micro firms may not seek external advice because they don't want external agencies, particularly those funded by government, interfering in their business.

Is the core role of government to be a deliverer of services, or a facilitator of support programmes delivered by others?

The "one size ..." or "one process fits all" does not suit micro business, for whom form-filling is alien and off-putting, whereas for larger businesses it is the norm.

Advisory services also fail through

- the imposition of solutions and ideas
- the dumbing down of the importance of key advice and information
- discord between process and content.

Advisory services succeed when there is early recognition of what does and doesn't work, in the clients terms, and making the changes necessary.

How does your role improve the performance of SMEs?

Business support agencies build SME confidence, help them to compete more effectively, increase sales, reduce overheads, educate them about legislation both here and overseas, identify and meet their wants and needs, and give them access to a wider business support network.

What changes would you like to see?

Agencies have to survive by making money by selling products and services as they can no longer rely on government subsidies.

At the same time SMEs will have to be prepared to start paying for services as the Government does not have the cash to provide subsidies for ever.

Government should pay more attention to real "market failures" and take a more realistic view of "market needs", particularly in relation to SMEs, avoiding short term changes in policy and direction, via a coherent policy for engagement with the SME market.

We need less bureaucracy, fewer rules, less rigidity, minimal standardisation and more flexibility. Productive client relationships cannot be created by form-filling. Process and content must both be right.

Greater discussion between business support agencies and the government is needed, and communication between other stakeholders, to achieve a greater collaboration between and co-ordination of services.

There are important questions to be addressed about different types of support for different clientele. It is vitally important to be able to have the flexibility to target advice to meet the client's needs.

7. SMEs

What works?

Established, micro and start-up SMEs made the following comments in response to the question “what works” for them, which provide an important benchmark against which to test the comments and observations of the professional advisors, government advisors, and business support agencies in the previous chapters.

The comments below are presented in semi-verbatim form for authenticity, freshness and immediacy.

Established businesses

- Business advice
- Mentor Wales – advisors seem to have real lifetime experience in business
- WDA, as was, was very useful but more as facilitators than advisors
- Advisors’ contacts are more useful than the advice
- Valued advice received from Venture Wales
- If I need specific advice, I will go to, for example, a solicitor
- Sign-posting, facilitating, introducing are good
- Had a grant for employing people
- Advisors with business experience
- Good answers to questions
- Measure – how well cash flow improves following advice

Micro and start-up SMEs

- Personal recommendation; would not pick up the yellow pages to find someone
- Business Eye – a good directory, but only a good directory
- Agreed to do NVQ to be eligible for funding
- Dependant on the quality of the advisor
- 7 year relationship with Venture Wales – able to ring advisors at any time. Advisor was lost due to funding changes but relationship with VW was good and continued
- Use specific suppliers now business is established – no need to ask for advice now
- Initial start-up advice was good
- Finding the right agency is the key
- Task specificity is important
- Referrals are a measure of success
- If the company is still going = measure of success
- Entrepreneur Action explained the ‘bank of hours’ could be used at the client’s discretion – valuable although it was free
- Free advice is good
- Free job for a contact led to other paid work
- Timing is everything
- Advice from contacts the best advice when choosing an agency
- The internet is a valuable resource.

What doesn't work?

Established SMEs

- Business in Focus
- Advisors are good in the short term but do not stay in the long term
- I want 100% from the advisor from beginning to end, so I use paid, commercial advisors, rather than government ones
- Advisors 'come and go' rather than having a constant presence
- I am given advice I already know about but which I do not have the financial resources to act on
- Can't build rapport if the advisor keeps changing
- Advice is often generic rather than specific; I get a lot of what I already know
- So many obstacles put in the way of the new business
- Getting a bill for advice whether it works or not
- Free advice is not valued
- Short term advisors for long term issues.

Micro and start-up SMEs

- Received brochures from Venture Wales, Entrepreneur Action, Business In Focus etc – was expected to choose between them
- Tried many agencies – very poor, advisors constantly changing
- Agencies racing to sign you up – all say they can offer the areas of advice you need
- A bank of advice is available; this was not made obvious early on – had I known, would have been able to use it more efficiently and effectively
- Confused
- Development (as opposed to start-up) advice more difficult to obtain as needs to be more specific
- Commercial advice is hard to come by – there is a lack of expertise
- Inconsistent advice given by some agencies and Business Eye, so therefore learning by trial and error
- Wasn't quick enough to use the bank of hours offered by Entrepreneur Action
- Need to look at the whole cycle – the investment is valuable in growing the SMEs – the GDP of Wales will be affected by the success of these SMEs
- Sell2Wales is difficult
- Change from WDA to WAG – very unhelpful. Lots of time wasted. It's a postcode lottery.

What changes would you like to see, money no object?

Established SMEs

- Risk capital – have more money to be able to manage better and with fewer constraints
- Easier access to finance and cheaper finance.
- Support for the more established SMEs – there is a lot of start-up support
- Government to pay for successful business people to advise the smaller business
- Government to give more support for small business e.g. reduction on business rates, pay some of the salaries, get help to employ graduates
- More assistance/facilitation in getting easier finance so that SME managers can concentrate on the business

- Good facilitation service, one-stop shop, not a great number of different bodies
- Put money into training.
- Should grant money be used to get an advisor or should it be used for experienced private sector advisors to give relevant advice to your business

Micro and start-up SMEs

- Receive continuing support, year on year, reviewing the advice given
- Money is needed in the Valleys; money seems to be going to larger organisations
- Transparency and credibility of qualifications
- Free advice is essential for start-ups and objective | funding areas
- Give loans
- Small companies need to be treated on a par with large companies
- Advice re public sector tendering would be good.

What should the government do to help you, assuming money is limited?

Established SMEs

- Facilitation, sign-posting, contacts
- Give us an advisor who stays the course, gets to know the business and has the know-how of having run her/his own business successfully
- Support on product development so that there's less pressure on time/finances for the SMEs
- More help for the bigger (10+), more established businesses; there's a lot of help for the very small/very new business
- Experienced advisors who stay the course
- One-stop shop
- More targeted from the delivery end
- Advice is very personal; need to build rapport. Advisors often better as facilitators than as advisors. Is the role facilitation rather than delivery?
- Need higher-level advisors for more established SMEs
- Is money going into manufacturing? Job creation is the focus with manufacturing companies receiving funding.

Micro and start-up SMEs

- Focus on the quality of the advice not the number of people signed up – it's a numbers game at present
- Where do you begin to find someone?
- Leadership and direction in and from WAG are needed
- Long term signposting, consistency and development – lots of agencies have been lost.

Other comments

- What is the qualification for the money the advisors are paid?
- “My advisor was a failed business owner”. Are they the right people to give advice?
- What is their experience – how can they recommend people?
- Free advice – is it valued?
- Quality of advisors need clarification

8. OVERVIEW AND SUMMARY

The preceding chapters are a summary of the discussions at three events organised by the Wales Management Council in the latter part of 2007 and early 2008 to explore the role, functions, purpose, success and future direction of “trusted advisors” in Wales.

This final summary is taken from the plenary session at the end of those events, which brought together the key points that participants had explored in their separate working groups.

Under each heading we show the responses first from the advisors of all kinds (professional, government, support agencies), and then their SME clients.

What works and how do you measure results?

- *Advisors*

Advisors felt that impartiality was their great strength, but they needed to establish empathy and understanding with their client if the relationship was to prosper, and give the client confidence that they have the right experience.

The relationship must be holistic, fun, flexible, have a true sense of partnership, and be realistic in what can be achieved, helped by clear diagnosis and action planning.

Their advice must be in line with clients’ needs, but it is often a case of initially helping the client to see the wood for the trees, and then guiding them to have a more realistic attitude to the sustainability of the business.

Job creation makes political headlines, but this is not always the most helpful measurement for the business itself. Improvement in the bottom line must be the core objective, resulting from improved competence in managing all the elements of the business. There are key questions about what the government is measuring and why.

A key measure of success is not to outstay your welcome, but then to be invited back to give further support and advice.

The core objective must be bottom line improvement.

- *SME clients*

Advice is good if you know what you are looking for, and your advisor shares the fun and passion you have in your business.

Start-ups get government funded advice, but as SMEs progress advice becomes more specialist, and harder to acquire.

Advice on cash-flow and production output is always helpful, but how comfortable are SME managers to implement the advice that is given, which should not include hand-holding.

What doesn't work and why?

- *Advisors*

The government is poor at promoting the results of its own endeavours, but do we really know the impact on SMEs of the government's investment in advice and support services?

There is often a conflict between the government's aims and objectives and the client's, and a clash of public and private sector cultures.

Business advice tends to be "dumbed down" and prevented from offering flexible support by rigid regulations and bureaucracy.

There is not enough long term planning about the whole business support agenda, leading to changes of policy, targets and rules.

Advisors and clients often have different expectations of what the relationship will produce.

The grant culture gets in the way of a proper "market driven" relationship, and creates false price expectations where the price is too low for the service provided or expected.

Measurement of results must be over a long period. We tend to measure the wrong things, at the wrong time, and therefore get the wrong results in terms of long-term economic impact.

- *SME clients*

Government advisors tend to tell you what you already know.

Free advice is not valuable or well-regarded.

Finding the best advisor is a real problem, and you can sign up with one agency, only to end up with another.

Paying for services without a real attention to outcome is always unsatisfactory.

What changes would you like to see?

- *Advisors*

All advisors wanted to see a more entrepreneurial approach both on the part of government and business clients themselves, with more cross-department collaboration in government, and joined-up thinking about all forms of business support and advice.

Greater flexibility is required to enable clients to use government funds to buy what they want from whom they choose, but clients must be less grant dependent and more prepared to invest their own money to get what they need.

However, there is a concern that the desire to move away from a grant culture, may have to be tempered by that fact that SMEs cannot afford, or are unwilling to pay, full market rates for services and support.

Should funding be provided for SMEs to buy the services of accountants and lawyers who are as important for their survival and growth as other forms of business advice?

Or does the fact that SMEs buy these service anyway, because they have to, raise more challenging questions about how other forms of business support are promoted and sold?

We need more research into market failure in the whole business support arena, and greater segmentation of the market to establish the appropriacy and relevance of content and delivery.

There needs to be more communication with and between stakeholders, and a coherent policy for SME engagement and the delivery of support and advice.

A single point of contact for all forms of government advice, guidance, support and funding is required, with less bureaucracy and fewer rules and regulations that are often at odds with their overall purpose.

- *SME clients*

SME clients at heart wanted anything that makes their lives easier, including

- clear signposting, via one number, to all forms of business advice and support
- the opportunity to build long-term relationships with the advisor
- joined up strategy that linked the advice to funding
- faster processing of grant applications, with equality and ease of access for businesses of all sizes.

SME clients were also concerned about the targeting of government support, and the need for more research into which companies have “growth potential” and why, so that support can be better prioritised.

Many felt that government marketing was at odds with its capacity to deliver, which led to frustration and false expectations.

All felt that the quality of advice was more important than quantity, and that long-term consistency of support was a key element of this.

And finally, all agreed that greater transparency in the competence of the advisor was urgently needed.

9. RECOMMENDATIONS

At the third, and final, workshop in January 2008, we asked delegates to consider the following points, which had come out of earlier discussions, and make recommendations for action in relation to each.

- Advice that is flexible, tailored, easy to use, access and implement
- Quality-assured advisors and continuity of advice
- An ‘improved information resource’ and a ‘single point of contact’
- Where should funding be directed?
- How can we bridge the cultural and communication gap between WAG and SMEs, and within WAG itself?

The discussions were in groups with representatives from all sectors, and then in plenary session, to ensure an appropriate mix and balance of opinion.

The recommendations under each of the above headings were as follows:

I. Advice that is flexible, tailored, easy to use, access and implement

<i>Points made in previous workshops</i>	<i>For consideration</i>
“One size doesn’t fit all.”	How do we ensure an SME gets the right advisor?
“We need greater flexibility of provision & transparency.”	How do we deal with the fact that some small businesses have little idea of what they need or want to start with?
“The first failure is to adopt a one-size-fits-all approach....”	What do we mean by flexible, tailored advice?
“Equally dispiriting is the relationship based on instruction rather than advice.”	How DO we ensure advice is ‘easy to use, access and implement’?
“Quick fixesare inappropriate in relation to longer term needs and objectives.”	

Observations

- Much of what the market requires is already available, but there is still scope to improve, particularly to increase flexibility and longer-term relationships.
- Grant dependency has weakened the capacity of businesses to be pro-active about their needs.
- Government programmes are generalist, but business needs are specialist.

Recommendations

- I. Demand must dictate supply, but as many SMEs don’t know what they don’t know, advisors should be available to help them clarify their needs. **Action: WAG; Business Support Agencies.**

2. Both the government and the support agencies must have their own continuous improvement programmes. **Action: WAG; Business Support Agencies.**
3. Identify the key people in business, and target them directly with offers of support. **Action: WAG; Business Support Agencies.**
4. Explore what is good business practice, and what SMEs believe is good business practice. **Action: WAG; Wales Management Council.**
5. Support programmes need to be more subtle and sophisticated. **Action: WAG**
6. Businesses must take greater responsibility to research the market to find advisors and support programmes to meet their needs. **Action: SMEs.**
7. Educate businesses to be better customers of the support that is available. **Action: WAG; Wales Management Council.**

2. Quality-assured advisors and continuity of advice

<i>Points made in previous workshops</i>	<i>For consideration</i>
“Advisors could have training to be better businessmen.”	What are the expectations of each party of the role of the advisor?
“...importance of measuring feedback and customer care issues.”	How should advisors be trained and evaluated? Qualifications?
“Performance indicators are unclear for many advisors.....when you measure is just as important as what you measure!”	What is a ‘quality’ advisor? What calibre of person is needed? Is there a difference between a WAG sourced or funded advisor and one paid for privately? If so, what is it?
“You get what you pay for.”	What is a ‘quality-assured advisor’? How do we ensure we attract and retain them?
“A patronising attitude will not guarantee repeat business...”	How DO we ensure continuity of advice?

Observations

- Advisors need consistency, cultural fit, care and passion.
- Advisors must always start where the client is.
- More assessment and feedback on the quality and competence of advisors is needed.
- The government plays a “gatekeeper” role, but this does not facilitate the most productive relationships.

Recommendations

8. Improve the government’s advisor-client matching process, by appointing “gatekeepers” to identify more closely the needs of individuals and their business, and match advisor and client. **Action: WAG.**
9. Advisors must have the ability to develop action-oriented development plans with their clients, including buying in additional advice and support. **Action: WAG; all Advisors.**

<p>10. Establish core competencies for all advisors (e.g. DCELLS uses the IIP and SFEDI quality assurance standards) via recruitment, supervision, and measurement of outputs and impact. Action:WAG; Wales Management Council.</p> <p>11. Ensure all advisors hold a relevant qualification or are certified by an appropriate body (e.g. Institute of Business Consulting, part of the Chartered Management Institute). Action:WAG; all Advisors.</p> <p>12. Provide programmes for development of advisor skills and competencies. Action: WAG; Business Support Agencies;Wales Management Council.</p> <p>13. Provide increased levels of long-term support to clients, with a continuity of information passed from advisor to advisor when changes are required. Action: WAG; Business Support Agencies.</p> <p>14. Advisors must be available when the business is developing, not just at the start. Action:WAG; Business Support Agencies.</p> <p>15. Provide advisory support that helps people develop their ideas. Action: WAG; Business Support Agencies;Wales Management Council.</p> <p>16. Ensure that advice is available for businesses that do not “tick the box” of size, age, geography, sector, and growth potential. Action:WAG.</p> <p>17. Ensure that there is a balance between advice to support “hard skills” and advice to support “soft skills”. Action: WAG;Wales Management Council.</p>
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3. An ‘improved information resource’ and a ‘single point of contact’

Points made in previous workshops	For consideration
“There is a strong argument for a multi-disciplinary practice of advisors.....something like a large doctor’s practice...”	What information? Through what medium? For whom?
“We need greater flexibility of provision & transparency”	How do we know it’s the right information hitting the right spot?
“Need to find out more what is available marketing still seems to be very confused in this area.”	Do SMEs know how to hire professional advisors – do registers exist? Are private sector providers ‘signposted to’ as well as support agencies?
“The stereotypes of high cost charlatans fleecing the innocent or retired bank managers giving out of date advice.....are all too prevalent.”	Where do we find out everything the government has to offer and for whom? How should the signposting work? What are the skills required to do the signposting? How are these skills attracted and retained?
“At present we are in a chicken and egg world in which you need an advisor to help you find the advice you need.”	What is a ‘single point of contact’ – a website, a call centre, a person, other? Who gets the person and who gets the call centre?

Observations

- We should avoid re-inventing the wheel, but concentrate on developing the resources that we already have, e.g. Business Eye.
- Business Eye is a “first stop shop”, not a “one stop shop”, but is not well known.

- Business Eye is perceived as concentrating on start-up support, though its information goes wider than this.
- Business Eye provides information, but does not recommend suppliers or providers, but this is what businesses really want.
- SMEs should not expect to find all the information they need “on a plate” provided by government
- Would a private sector provider give an enhanced service, e.g. a Go Compare approach to sources of business advice?

Recommendations

18. Revamp the Business Eye directory of providers to make it more useful to a wider audience. **Action: Business Eye.**
19. The Business Eye directory to provide more information about the quality, track record, and client base of advisors. **Action: Business Eye.**
20. Business Eye needs to spend more time and resources on evaluating the value and impact of the information they provide, using key feedback from customers, e.g. based on the eBay model. **Action: Business Eye.**
21. Business Eye should initiate a multi-level marketing campaign to promote its services, moving away from generic statements to a new focus on problem-solving for individuals and specific businesses, supported by case studies. **Action: Business Eye.**
22. Business Eye needs an increase in resources to undertake these new information, marketing and evaluation initiatives. **Action: WAG; Business Eye.**
23. SMEs must take greater responsibility (encouraged by government) to do their own research and obtain information from the internet. **Action: WAG; SMEs.**

4. Where should funding be directed?

Points made in previous workshops	For consideration
“More confidence that the ‘grant’ culture can be broken although there still seems to be evidence of reverting to type by SMEs.”	Funding in what form – only £? Other forms of support? Completely free of accountability or a loan type arrangement?
“Startups get support but my growth business is being held back.”	Pan-Wales or just in areas needing special support?
“Research has shown that 70% of government clients would be willing to pay for services offered, if they were confident of quality and relevance.”	What services should be subsidised? Why training but not accountancy for e.g.? Who decides – government or client?
“Greater investment is required by SMEs themselves ...”	Where and what are the priorities?

Observations

- Current funding is targeted on large, high growth companies, but is this the area of greatest need?

- There is little support for the “middle rank” of companies who want to grow.
- Business needs are dictated by where they are on the development scale.
- How does businesses find qualified, quality advice outside professional networks? Recommendations are by word of mouth, not through public sector gateways.
- The market must be encouraged to choose who is best, and not rely on what is on offer through the public sector.
- How do you define “market failure” which is put forward as the reason for government support and funding?
- The government has the prime responsibility for the development of economic strategy, but needs strong input from the market.
- The government communicates “process”, not strategy.

Recommendations	
24.	We need a balanced approach to support across pre-start-up, start-up, early stage, middle stage, and later stage. Action:WAG
25.	The government should not get involved in delivery where there is already private sector expertise and services available from business to business. Action:WAG; private sector advisors.
26.	The government’s involvement should focus only on basic infrastructure, including information, and play a role in co-ordinating a wide range of services from others. Action:WAG.
27.	Public funding should be linked to outcomes. Action:WAG.
28.	Funding should be based on business need, not region, or size. Action:WAG.
29.	We need to develop more sophisticated methods to evaluate the outcomes of business support. Action:WAG; Business Support Agencies;Wales Management Council.
30.	The government should find a better way of communicating its strategy and politico-economic agenda. Action:WAG

5. How can we bridge the cultural and communication gap between WAG and SMEs, and within WAG itself?

Points made in previous workshops	For consideration
“Anything we do to promote ourselves to SMEs MUST be succinct;avoid boring language used in the past.”	What can be done to ensure WAG account managers understand SMES better?
“We need greater flexibility of provision and transparency.”	Do WAG use professional advisors from the private sector for their contracts?
“There is a conflict between what the government wants to measure and what SMEs want to measure.”	How DO SMEs want to be communicated with by the government? And what about?
“I hope that the gap between WAG and SME needs will close.”	What are the characteristics of the ‘cultural gap’ – how DO we go about bridging it and for what purpose?

<p>“Obligatory form-filling, assessments and analyses that appear to fulfil no real purpose, time-counting rather than results-counting, and outcomes required by the service provider or funder, not the client, are all guaranteed to dampen enthusiasm, destroy the relationship and lead to mutual dissatisfaction.”</p>	<p>What process changes would help?</p>
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Observations

- Many SMEs say that while start-up support is excellent, finding help when the business has been running for two or three years is very difficult.
- There is a perception that the larger the business and the larger the support required, the quicker the decision making. Decisions relating to small grants, for small businesses, take a long time.
- Slow decision-making and/or payment has a wider impact because they affect the income of the client-company’s suppliers.
- If the government plans to increase its engagement with and support for smaller businesses, it will need to adapt its procedures and processes to suit their needs.
- Businesses must get out of the habit of thinking that it is the government that owes them a living, and that they have a right to publicly-funded support.
- There is a risk that the planned “Three tier” support will mean that businesses who need and deserve help will “fall through the gaps”.
- Businesses should prove their worth – in turnover, profitability, creativity, efficiency – before their receive government support.
- There is an inherent contradiction in the government’s risk-averse policies to back and support winners.
- Wales’ low economic ranking, in the UK and the world, suggests that economic development policies to date have failed.

Recommendations

31. The government should improve its internal processes to end practices that inhibit their ability to provide support to those businesses who need it most. **Action:WAG.**
32. The speed of government decision-making processes in relation to support for small businesses needs to be improved. The government should invite external scrutiny of its systems as way of pushing internal improvements. **Action:WAG.**
33. The government needs to strike a balance, across businesses of all sizes, in relation to the support it provides. **Action:WAG.**
34. Businesses should take greater responsibility for establishing a viable level of trading before they are eligible for government support. **Action: SMEs.**
35. The government should devote more resources to explaining the wider impact of their support for larger businesses on jobs and the economy, both regional and national. **Action:WAG.**

36. Greater emphasis should be placed on providing support for those whom the market has failed, rather than for those whose success suggests the opposite. **Action: WAG.**
37. We need a much wider debate on where government money could and should be spent most effectively. **Action: WAG; Business Support Agencies; SMEs; private sector advisors; Wales Management Council.**
38. We need more stories of success, with or without government support, to inspire the market. **Action: WAG; Business Support Agencies; SMEs; private sector advisors; Wales Management Council.**

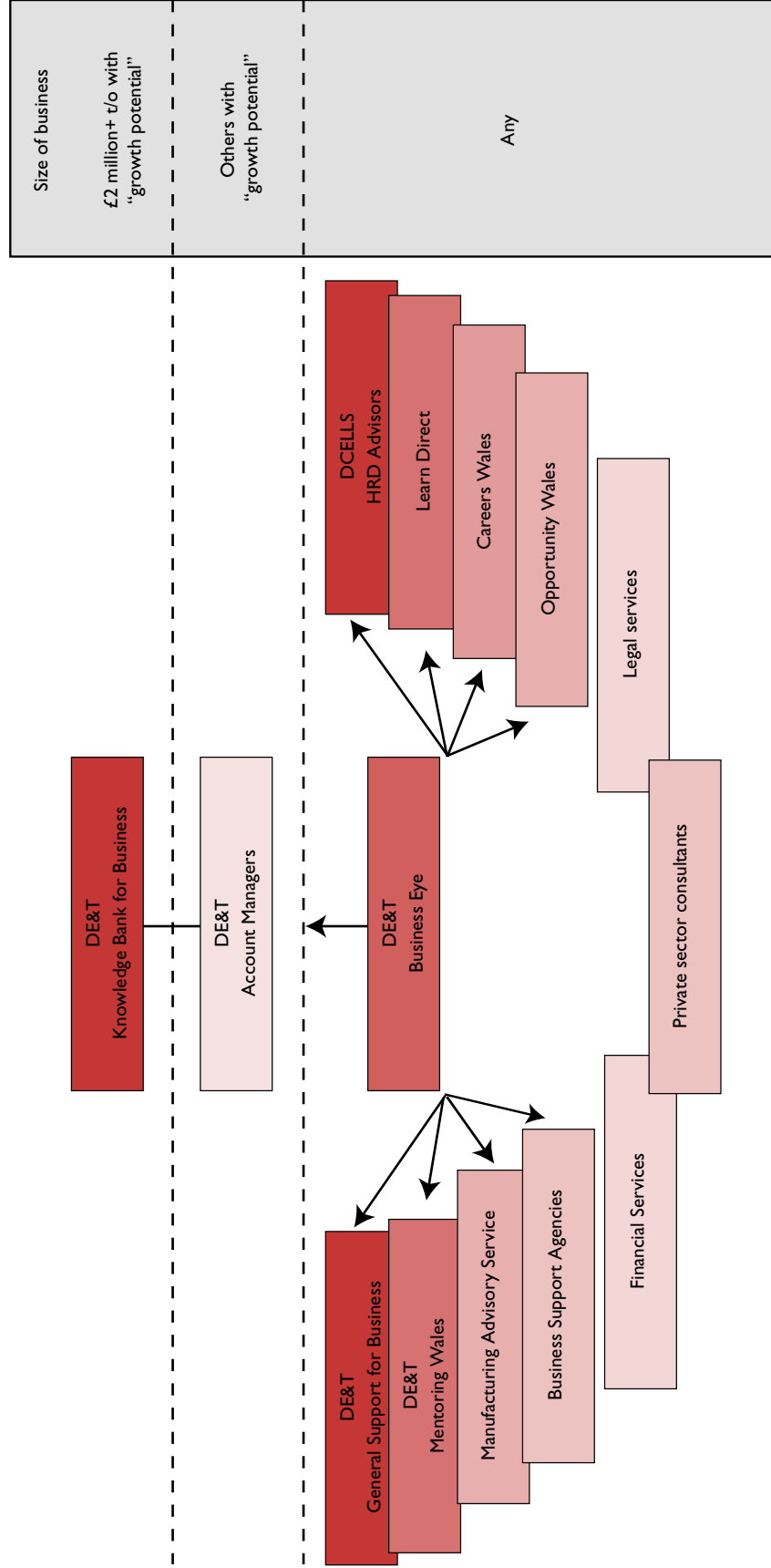
6. Summary

Recommendation	Action by					
	Welsh Assembly Government	Business Support Agencies	Private sector advisors	Business Eye	SMEs	Wales Management Council
1	•	•				
2	•	•				
3	•	•				
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Appendices

APPENDIX I

ADVISORY NETWORK IN WALES



APPENDIX 2

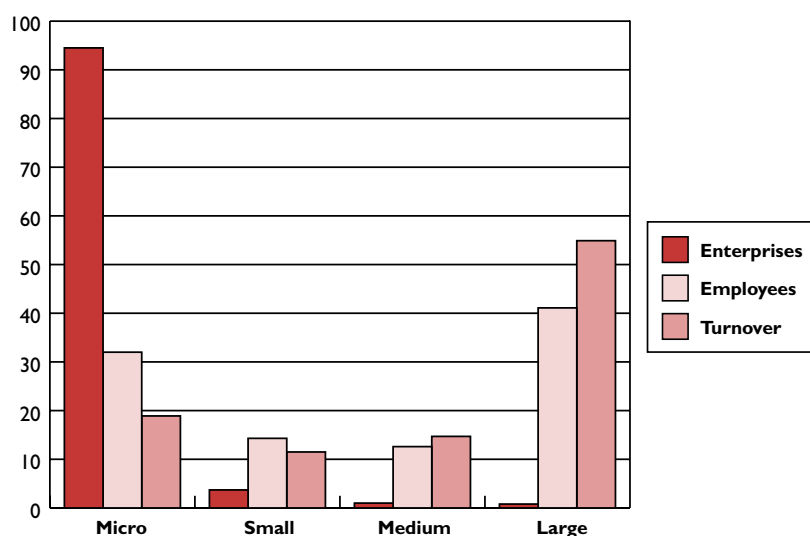
WALES STATISTICS

a. Enterprises

The latest National Statistics for the number of enterprises in Wales are for 2006. These statistics are for enterprises with some activity in Wales, regardless of the region of registration. Enterprises are all private sector enterprises, plus public corporations and nationalised bodies. Local and central government organisations are excluded.

An enterprise is taken to be an entire organisation, including its head office and all the individual UK sites, where they may be located. The figures given for employment and turnover for Wales in this analysis relate only to the sites located in Wales.

Employees	Enterprises		Employment		Turnover	
	'000	%	'000s	%	£billion	%
None	138.7	72.9	159.6	16.2	5.2	6.6
1-4	32.1	16.9	92.9	9.4	5.8	7.3
5-9	9.0	4.7	63.4	6.4	4.0	5.1
10-19	4.2	2.2	58.6	5.9	3.5	4.4
20-49	2.9	1.5	82.4	8.4	5.6	7.1
50-99	1.1	0.6	56.5	5.7	4.3	5.5
100-199	0.7	0.3	51.9	5.3	5.8	7.3
200-249	0.2	0.1	15.9	1.6	1.5	1.9
250-499	0.5	0.2	54.6	5.5	6.0	7.6
500-999	0.4	0.2	56.9	5.8	5.8	7.3
1000+	0.8	0.4	293.6	29.8	31.8	40.1
TOTAL	190.6	100.0	986.3	100.0	79.3	100.0



Micro = less than 10; Small = 10 – 50; Medium = 50 – 250; Large = more than 250 employees
Left axis and all columns are percentages of total of all businesses in Wales.

The key facts to break out of this table are that:

- There are 52,000 enterprises in Wales with more than one employee
- 98% of all enterprises in Wales have less than 50 employees, and represent 46% of employment, and 31% of turnover.
- 97% of all enterprises in Wales have less than 20 employees, and represent 38% of employment, and 23% of turnover.
- 2% of enterprises in Wales have more than 50 employees, and represent 54% of employment, and 69% of turnover.
- There are only 1700 enterprises with more than 250 employees, representing 41% of employment, and 55% of turnover.

The comparison with the rest of the UK is as follows:

Employees	Enterprises		Employment		Turnover	
	Wales	UK	Wales	UK	Wales	UK
	%	%	%	%	%	%
Micro (0 – 9)	94.5	95.2	32.0	29.5	18.9	19.0
Small (10 – 49)	3.7	3.9	14.3	14.4	11.5	14.0
Medium (50 - 249)	1.0	0.7	12.6	12.9	14.7	15.0
Large (250+)	0.8	0.2	41.1	43.2	54.9	52.0

Enterprises and employment in Wales by industry:

Industry	Enterprises		Employment	
	'000	%	'000	%
Agriculture	15.8	8.3	31.2	3.2
Production	13.4	7.0	193.8	19.6
Construction	39.3	20.6	80.7	8.2
Distribution, hotels, restaurants, transport	44.6	23.4	327.6	33.2
Financial and business services	37.8	19.8	169.1	17.1
Private sector health and education	16.8	8.8	126.5	12.8
Other services	22.8	12.0	57.5	5.8
TOTAL	190.5	100.0	986.4	100.0

b. Managers

Approximate figures for managers based on the above statistics are:

Employees	Employment '000s	Ratio	Managers '000s
None	160	1:1	160
1-4	93	1:4	23
5-19	122	1:5	24
20-50	82	1:6	14
50-500	179	1:8	22
500+	351	1:13	27
TOTAL	987		270

APPENDIX 3

TRAITS OF THE TRUSTED ADVISOR

The following lists are taken from *The Trusted Advisor* by David Maister, Charles Green, and Robert Galford, published by Simon and Shuster in 2002, pages 203 – 204.

Traits of the Trusted Advisor

1. Seem to understand us, effortlessly, and like us
2. Are consistent (we can depend on them)
3. Always help us to see things from fresh perspectives
4. Don't try to force things on us
5. Help us think things through (it's our decision)
6. Don't substitute their judgement for ours
7. Don't panic or get over-emotional (they stay calm)
8. Help us *think* and separate our logic from our emotion
9. Criticise and correct us gently, lovingly
10. Don't pull their punches (we can rely on them to tell us the truth)
11. Are in it for the long haul (the relationship is more important than the current issue)
12. Give us reasoning (to help us think), not just their conclusions
13. Give us options, increase our understanding of those options, give us their recommendation and let us choose
14. Challenge our assumptions (help us uncover the false assumptions we've been working)
15. Make us feel comfortable and casual personally (but they take the issues seriously)
16. Act like a real person not someone in a role
17. Are reliably on our side and always seem to have our interests at heart
18. Remember everything we ever said (without notes)
19. Are always honourable (they don't gossip about others, and we trust their values)
20. Help us put our issues in context, often through the use of metaphors, stories, and anecdotes (few problems are completely unique)
21. Have a sense of humour to diffuse (our) tension in tough situations
22. Are smart (sometimes in ways we're not)

The more clients trust you the more they will

1. Reach for your advice
2. Be inclined to accept and act on your recommendations
3. Bring you in on more advanced, complex, strategic issues
4. Treat you as you wish to be treated
5. Respect you
6. Share more information that helps you to help them, and improves the quality of the service you provide
7. Pay your bills without question!
8. Refer you to their friends and business acquaintances
9. Lower the level of stress in your interactions
10. Give you the benefit of the doubt
11. Forgive you when you make a mistake
12. Protect you when you need it (even from their own organisation)
13. Warn you of dangers you might avoid
14. Be comfortable and allow you to be comfortable
15. Involve you early on when their issues begin to form, rather than later in the process (or maybe even call you first!)
16. Trust your instincts and judgements (including those about other people such as your colleagues and theirs)

APPENDIX 4

EXTRACTS FROM RESEARCH ARTICLES

The Effect of Business Advisors on the performance of SMEs

Business School, Manchester Metropolitan University, 2003

- Sources of advice are: professional specialists, professional generalists, market contacts, social contacts, business associates, government agencies
- External network contacts and external accountants were the most common sources of business support, with academic institutions trailing in bottom place
- It could not be claimed that the external advisors were a cause of the higher rates of growth nor could it be claimed that the higher rates of growth created the problems that needed to be addressed...

Do we listen to advice just because we paid for it? The impact of cost of advice on its use

Harvard Business School, 2006

The results show that...

- participants used costly advice significantly more than they used free advice
- people tend to weight the advice they receive significantly more when advice is costly than when advice is free.

What works, and why, in business services provision for SMEs

Caniels, Romijn, 2005

- Business Advisors overwhelmingly see their job as requiring face to face contact, and acknowledge that every sector, locality and individual learner is different.
- Only the SME and the business advisor themselves “can generate the expert knowledge of their local context and idiosyncratic needs that are the key to successful service provision”.
- Differences in client satisfaction ...arise from variations in the quality of the advisers delivering the service.

Government and Small Business

Robert J Bennett

- Extensive surveys of the small firm take-up of external advice, consultancy, training and other services suggests that they are usually just as likely to use these supports as any other firm, with the possible exception of the start-up and very early stages of growth.
- 2004 – SMEs account for nearly 60% of GNP and over 60% of employees. SMEs are, therefore, a successful sector of the economy. It is not obvious that they need government help. Of course, it is possible that they could be even more successful.
- ...government action needs to be focused primarily not on provision of specific supports or contacts to individual firms but instead on:
 - o Regulatory frameworks
 - o The quality of public services that influence e.g. education, skills, transport
-sector associations are important interfaces and suppliers of services to SMEs and have been sought by government as partners in policy initiatives.
- ...the practical demand from small firms is for investments and actions that are specific to its market niches and opportunities. These aspects of the market for products and services... aimed at SMEs ... are highly segmented Even when looking at a single field of activity such as training , advice, exporting, or better regulation, it is difficult for government to design programmes that are likely to fit a firm's specific needs.
- % SMEs seeking external advice:
 - o 1991 86%
 - o 1997 93%
 - o 2002 94%
- Why do we subsidise some types of business activity e.g training, marketing, web design but not others e.g. filing tax returns, preparation of accounts, legal advice, etc?
- The owners and managers of SMEs do not just receive advice, but they also play a crucial role as seachers for and assimilators of advice. They can also resist its provisions or implementation.
-the main motives for a SME to use advisors are to gain specialist knowledge, fill gaps, or obtain intensive temporary help to overcome specific problems.
- The perception of service quality is likely to be particularly significant for services with a high technical content, where clients may not have the skills or expertise adequately to evaluate the outputs of their advisors.
- Key mechanisms for quality control in the private sector are reputation and the role of 'branding'.

Assuring consultant quality for SMEs, the role of Business Links

Tann, Laforet, 1997

- While most Business Links have role and job descriptions for PBAs (Personal Business Advisors), this is rarely the case for consultants.
- It has been noted that the performance indicator for PBAs is the number of business reviews undertaken and attention has been drawn to the fact that less than 50% of SMEs accept the recommendations given.
- Concern has been voiced about the quality and experience of PBAs.....one BL branch suggested that people likely to be recruited were “low-level consultants (and) ex-managers who would be out of dateor failed civil servants”.

Miscellaneous Comments

- Small firms should develop a process of organisational learning to enable them to more effectively use advice. (Chaston, 1999)
- The single most powerful determinant of success in an SME is having a non-executive director on the board. (Warwick University Business School, 1999)

APPENDIX 5

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Wales Management Team Challenge 2003

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