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ABSTRACT

Government support of microenterprise/entrepreneurship in Ireland was examined through structured interviews with 81 of 120 microentrepreneurs (68% response rate) identified as clients of local enterprise support agencies and/or completers of enterprise training and structured interviews with representatives of 25 local, voluntary, and private sector agencies that assist microentrepreneurs (100% response rate). Most entrepreneurs demonstrated little awareness of the wide range of services available to microenterprise in Ireland, and most were ineligible for public agency assistance simply because of their size. Of the 11 types of assistance requested by entrepreneurs, financial assistance was requested most often (77%) and training was requested least often (2%). Only 7% of the entrepreneurs had undertaken formal training since starting their business. Despite the nearly total lack of formal training among respondents, many were engaging in learning from other sources (local agency assistance, mentors, other entrepreneurs, trade magazines, trade shows/exhibitions, membership in professional bodies, and further education). It was recommended that more efforts be made to meet the special needs of Black entrepreneurs and that coordination among public agencies serving microenterprise be improved. (Contains 24 tables/figures. The interview questions are appended.) (MN)

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Survey of Micro Enterprise

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Located in the Department of Enterprise and Employment, the European Social Fund Programme Evaluation Unit reports jointly to that Department and the European Commission.



Survey of Micro Enterprise

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Chapter 1

Introduction

The ESF Programme Evaluation Unit completed an evaluation report on enterprise measures in June 1993. The report was primarily concerned with the enterprise measures supported by the European Social Fund (ESF) and operated by FÁS. These were the Community Enterprise Programme (CEP), the Enterprise Scheme and Enterprise Training. These measures are designed to assist unemployed persons who wish to create self-employment or small enterprises which would employ a number of persons. Proposals for the 1994 to 1999 period indicate that the three measures will be integrated to form the Local Enterprise measure under the Human Resources Operational Programme. This report is part of the follow up work to the 1993 evaluation report and should be read in conjunction with the earlier report.

The report is concerned with micro enterprise start-ups and the supports available to them and does not focus on the ESF funded supports only. However the conclusions drawn from the survey apply to such supports as well as to general policy intended to support micro enterprise. An appreciation of the nature of micro enterprise, the challenges facing it and its support organisations is also important. Underlying this report is the belief that an understanding of the needs and views of micro entrepreneurs could usefully inform the design of measures intended to support enterprise generally.

The ESF funded measures referred to above extend assistance in the main to micro enterprise. This report also attempts to gain some appreciation of the level of benefit accruing to micro enterprise from general ESF funded training and education. Traditionally, enterprise measures have received support from the ESF; the measures which were the subject of the 1993 report have been in existence since at least the early 1980s and have received ESF support since that time. Only more recently, in the early 1990s, has the European Regional Development Fund (ERDF) intervened in the micro enterprise sector in Ireland. Through the Global Grant for Local Development and now proposals under the Local Development Operational Programme, the ERDF will continue to play an increasingly important role in providing assistance to micro enterprise. This report and the conclusions it draws place human resource development for micro enterprise in the context of

overall support for this sector. The issue of the integration or linkage of supports will be addressed.

The recent report of the Small Business Task Force outlined the extent of the contribution to the Irish economy made by small enterprise. Micro enterprise forms a large part of that contribution and this report reviews the recommendations of the Task Force as they relate to that sector.

The report is not based on a random sample and does not purport to give a representative picture of those persons who establish micro enterprises. At present the sampling frame needed to conduct such a survey does not exist. For various reasons, it is almost impossible to gauge the extent and nature of micro enterprise operations in Ireland. Rather, this report outlines the experiences of a number of entrepreneurs and agencies and outlines the significance of these experiences for the existing system of enterprise support.

Information was gathered through a series of structured interviews. These concerned:

- ◆ Those who have attempted (or are attempting) to establish their own business in the hope of creating self-employment and possibly employment for a small number of persons (less than ten). This included both persons who have not approached an agency for assistance and those who received FÁS enterprise support.
- ◆ The local or community agencies that offer support to persons to establish micro enterprises.

Chapter 2

Methodology

The information requirements of this study dictated that two surveys be carried out. The largest, and of primary importance, was the survey of micro entrepreneurs. The second survey was of the local, voluntary and private sector agencies that assist micro entrepreneurs. Information about these agencies was not readily available and it was also thought useful to talk to them given their first hand knowledge of the needs of micro entrepreneurs.

The term micro enterprise refers to enterprises employing less than ten persons. The term micro entrepreneur is taken to mean a person who undertakes such an enterprise, usually at personal risk. However, in this report the term may also include 'freelance operators' who might not normally be termed entrepreneurs.

Survey of Entrepreneurs

Very little definitive information exists about micro start-ups in Ireland. The same is true of micro enterprise support agencies. The recent report of the Small Business Task Force goes some way to filling this information gap. Part of the County Enterprise Boards' role is to carry out an audit of the available supports in each CEB area. This work will constitute a baseline study which will be extremely useful.

With regard to this survey, the information relating to micro entrepreneurs and their enterprises was gathered mainly by means of structured interviews. Face to face structured interviews were carried out with seventy two persons who had established their own businesses. The remaining nine interviews were conducted by telephone.

A number of information deficiencies were highlighted in the 1993 report on enterprise measures. The development of a set of information needs commenced during the process of drawing up that report. As a result, the structured interview approach was devised based on the questionnaire at Appendix 1.

Sample Selection

It is not possible to construct a complete sampling frame from existing sources of information about micro enterprise start-ups. No co-ordinated collection of such information is undertaken. Entrepreneurs may establish ventures without reference to any agency and are therefore not wholly amenable to registration or listing exercises. Caution should therefore be used in generalising the views and experiences of those surveyed to a wider picture of Irish micro entrepreneurs as a whole.

The entrepreneurs interviewed in the course of this survey were located by use of three methods. These were:

1. The clients of local enterprise support agencies.
2. Persons who had completed the Enterprise Scheme or Enterprise Training in the period approximately one year prior to the survey.
3. Referrals to other entrepreneurs from the above mentioned groups.

Entrepreneurs belonging to the first two categories are well represented in the survey sample. It is likely, however, that many micro enterprise start-ups seek assistance from either FÁS or one of the many local enterprise support agencies.

As a result of the methodology adopted, some categories of micro entrepreneurs are underrepresented in the sample. These include:

- ◇ Those operating from commercial premises.
- ◇ Those who have not sought assistance from enterprise support agencies.
- ◇ Those who have failed in business.

The intention was to interview micro entrepreneurs who had recently been through the start-up phase of company development. Although the focus was on new start-ups, the sample includes businesses trading for periods up to two years.

Some entrepreneurs do not seek assistance from either of the two principal sources mentioned above. Some are ineligible for assistance from either source. One possible reason for ineligibility is that the would be entrepreneur is operating in the

black economy and is unwilling or unable to move into the formal economy. Entrepreneurs may also wish to develop their enterprise without assistance or reference to any external means of support - the belief in self-reliance is often a characteristic of entrepreneurs.

A small number of persons who operate in the black economy and entrepreneurs who did not seek assistance were interviewed as part of this survey. They were usually located by means of referrals from the two major sample sources outlined above. Also located by referral were three persons who had established micro enterprises which failed. Two other entrepreneurs interviewed had failed in previous enterprises. In those two cases the entrepreneurs were interviewed in relation to their existing business and also in relation to the business which had failed. Information relating to failed enterprises appears only in the section relating to those enterprises and they are not double counted in the total population of entrepreneurs.

Success Rate

One hundred and twenty enterprises were contacted and asked to participate in the survey. Eighty one persons eventually did participate in interviews, yielding a success rate of 68%. This is quite a high rate of success given the fact that entrepreneurs have great demands on their time. In most cases the interviewee was a one person operation and time given to the survey meant that no business could be conducted. It was noticeable, however, that a much higher success rate was achieved among those whose participation in the survey was initially facilitated by a local enterprise support agency. This was probably because of the initial approach came from a familiar source or because of a sense of obligation on the part of the entrepreneur. In either instance the higher response rate from this type of entrepreneur produced a skewed sample in favour of entrepreneurs that are supported by relevant agencies.

Pilot Survey

A small piloting exercise was carried out in September 1993 and subsequent interviews were carried out intermittently between September 1993 and January 1994. Interviews with enterprise support agencies took place during the same period. This included the Christmas period, a very busy time for some enterprises. Of necessity then, some interviews were conducted by telephone. This proved to be less satisfactory than the face to face method. However, it was thought sufficiently worthwhile to include the information obtained in the survey analysis.

The Interviews

Interviews usually lasted forty five minutes. Appendix 1 contains the list of questions or information requirements from entrepreneurs. Most questions were open in nature. The basic information required in each question was solicited and respondents could, and in most cases did, expand. The direction of subsequent discussions was left to the respondent.

Basic information about themselves and their business was sought from respondents. They were also asked about their approach to business including their views on training and marketing. Respondents' experience of and views on enterprise support agencies were also solicited. For reasons that will be outlined in the main body of the report it was necessary to contact respondents subsequent to the first round of interview visits. Aside from the specifically required basic information and views, respondents were also encouraged to expand upon issues that were raised during the course of interviews. This informal approach proved successful in that most respondents had a number of concerns that they wished to raise and many seemed genuinely pleased that an effort was being made to investigate these concerns.

Survey of Local Enterprise Support Agencies

The survey of local enterprise support agencies was conducted with the objective of gaining an appreciation of the extent and nature of the service provision of local agencies. Nearly all of these agencies were established as a result of private sector or voluntary effort although a small number of Partnership Companies set up under the Programme for Economic and Social Progress (PESP) were also included. Every effort was made to gain a good geographical spread of organisations and to include as wide a range as possible of the different type of support agencies.

Information was sought about the service provided by these agencies and the client base they seek to serve. Views were sought in relation to the local enterprise provision generally and ways of improving it. Agencies were also asked about the difficulties faced by a micro entrepreneur as they perceived them.

While the term local enterprise support agency is used here, a small number of the agencies covered in the survey are non-Governmental organisations with a national or regional focus. However these organisations tend to operate through local agencies and are viewed mainly in that context. "Local agency" should be read as local and/or community agency.

Twenty five agencies were contacted as part of the survey. Information was received from all agencies contacted. In order to deepen the understanding of the role of local enterprise support agencies a structured interview was conducted with fifteen of these agencies. The main information requirements from agencies were as follows:

- ☆ Origins
- ☆ Characteristics
- ☆ Objectives
- ☆ Services offered
- ☆ Client eligibility criteria (if any)
- ☆ Information dissemination
- ☆ Links with similar organisations
- ☆ Contact with State agencies
- ☆ Sources of funding
- ☆ Agency resources
- ☆ Levels of activity
- ☆ Suggestions for improved service provision

Confidentiality

All entrepreneurial respondents were assured of anonymity. This proved to be a concern among many respondent entrepreneurs. A number of referring agencies requested that information gathered would only be used within the agreed boundaries of confidentiality and in the interests of informing this research process. Those respondents operating in the black economy required definite

assurance in this regard and a number only agreed to participate on the basis that they remain anonymous. All persons were assured that no personal details would be held.

The local and community organisations surveyed were not assured of confidentiality and they did not request it. It was decided in most cases not to identify agencies. This decision was taken with a view to lessening the potential for confusion that twenty five agency titles could create.

Chapter 3

Profile of Respondent Entrepreneurs

In total eighty one companies were interviewed and in all cases the entrepreneurs themselves were interviewed. Information about one hundred and one entrepreneurs was captured as some companies involved partnerships of two or more persons.

<i>Gender</i>	<i>Numbers</i>
Males	89
Females	12
Total	101

<i>Age</i>	<i>Under 25</i>	<i>25-34</i>	<i>35-44</i>	<i>45-54</i>	<i>55 & over</i>	<i>Total</i>
Number	8	33	37	19	4	101

It is apparent from Table 1 that males predominate in the survey sample. This tendency is confirmed by previous research in the area. All the local agencies spoken to during the course of this survey confirmed that their experience suggests that males are much more likely than females to become entrepreneurs. The age structure of the sample is concentrated in the early 30s to early 40s range. The lack of under 25s is not surprising as the experience and skills necessary to successfully establish a business are less likely to be found among that age group.

Table 3 Status Prior to Start-Up	
<i>Status</i>	<i>Numbers</i>
Employed	52
Unemployed/Redundant	29
Training/Scheme	13
Home Duties	2
Retired	3
School Leaver	2
Total	101

The majority of entrepreneurs were in employment immediately prior to establishing their own business. Some of these respondents moved directly from a redundancy situation into self employment and do not regard themselves as having been unemployed. The unemployed are well represented in the sample because of the use of lists of FÁS clients as a means of locating a portion of the sample. However, the number may be overstated due to some individuals becoming officially unemployed in order to avail of subsidy schemes such as the FÁS Enterprise Scheme.

Table 4 Level of Educational Attainment	
	<i>Numbers</i>
No Qualifications	21
Group/Intermediate Certificate	39
Leaving Certificate	23
Other	10
Degree or Higher	8
Total	101

The levels of educational attainment are largely in line with those reported for FÁS enterprise clients in the 1993 report on enterprise measures. Indeed, while the possession of vocational or technical skills may be a factor in the success of businesses, a definitive correlation between the possession of educational

qualifications and the achievement of entrepreneurial success has not been demonstrated. Nineteen of the total entrepreneurs (mostly in the Group/Intermediate Certificate category) are qualified tradespersons. The "other" category largely consisted of Post Leaving Certificate level courses, usually of a technical or business nature. It is evident, therefore, that there is quite a large proportion of persons with Intermediate and Group Certificates only. This may be partly because these are sufficient qualifications to gain a craft apprenticeship. However, it may be again because there is no premium for entrepreneurs on the possession of educational qualifications. Some of the entrepreneurs surveyed offer professional services and these are among the 8% of entrepreneurs who are graduates or post-graduates.

Experience and Skills

The prior possession of skills or experience relevant to the enterprise was, in most cases, a prerequisite to establishing business. The vast majority (73) of entrepreneurs in the survey sample had previous experience in the work area of their enterprise. In many cases the one person operation involves tradespersons practising their skills as a means of self employment. These entrepreneurs were merely "going out on their own" - they set up in self-employment doing the same job they had previously done as an employee. In some cases this involved entering into competition with their former employer. This competition could take the form of taking business or poaching from former employers.

Start-Up Motivation

There are a number of different start-up motivations evident among respondents. As will be seen below (Table 5), the motivating factor can be expressed in terms of a limited objective which can have fundamental implications for the development of particular enterprises.

<p style="text-align: center;">Table 5 Most Critical Factor in Decision to Proceed</p>		
<i>Factor</i>	<i>Numbers</i>	<i>Percentage</i>
Profit	25	34
Creation of Self Employment	10	14
Business Opportunity/Idea	9	12
Challenge	6	8
Independence/Own Boss	12	16
No Other Option	9	12
Don't Know	3	4
Total	74	100

The information above relates only to legitimately trading respondents who participated in the survey. The categories of response are those volunteered as the survey design incorporated open ended questions. Respondents were encouraged to discuss their motivation for entering business but were also asked to state the single most important factor in their decision to proceed. The manner in which this question was put to respondents forced them to concentrate on the most critical factor.

The profit motive was the overriding factor in a lot of cases. Other respondents stated that they rated independence or the challenge of making an enterprise work as their prime motivation. The creation of self employment was the objective of others. In some cases, mainly those who were unemployed or in training prior to start-up, the creation of self employment was itself a critical factor. In these cases the ability to take a wage from the business rather than to maximise profit was sufficient. Among those who rated the business opportunity itself as the most important factor were three entrepreneurs who had spotted gaps in their local markets in which they could operate without facing competition.

Overall the survey sample profile suggests that it is employed males in their 30s with Intermediate level education and who have previous experience of the type of work their business will engage in who are most likely to establish micro enterprises.

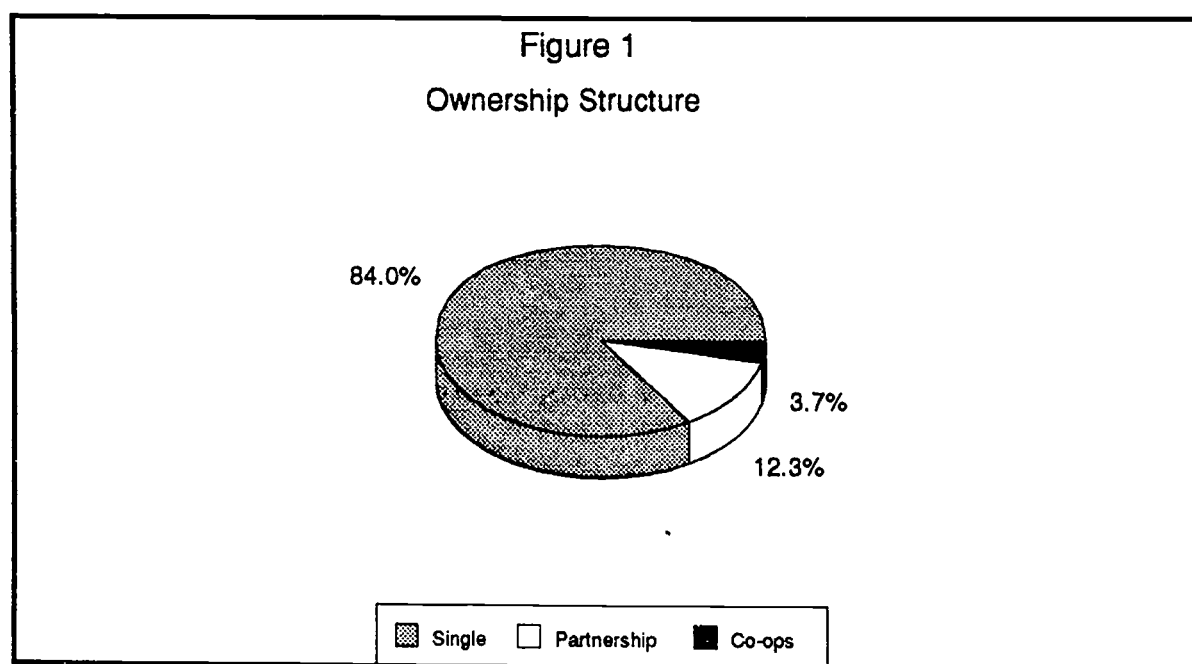
Chapter 4

Profile of Micro Enterprises

This chapter outlines the types of enterprises captured by the survey. The size of businesses, the ownership structures, length of time in business, type of premises used, sector of business and the viability of the enterprises are described.

Enterprise Size and Structure

The enterprises in the sample were predominantly in single person ownership, as illustrated by Figure 1 below. Of these 81 enterprises, seven individuals were operating in the black economy.



There is an obvious relationship between enterprise size and structure. Most start-ups began as a one-person operation. The initial goal of start-ups is usually the creation of self-employment. The promoter usually has a skill which he/she wishes to market or has perceived an opportunity to supply a product or service. If more than one person is required the business can be established as a partnership; however, the original goal will remain the creation of self-employment.

Partnerships tend to be the form of ownership adopted where more than one individual is involved. The co-operative structure is the one most often used by Dublin based community groups. Community groups outside Dublin do not use the co-operative structure to the same extent. This may be due to the stronger co-operative tradition in Dublin and the location in Dublin of most of the support agencies which cater specifically for co-operatives. Community groups also use the limited company structure and in some cases they form a company limited by guarantee.

Table 6
Time in Operation

Time	< 6 mths	< 1 yr	< 2 yrs	N/A	Total
Number	19	32	20	10	81
Percentage	23	40	25	12	100

All enterprises captured by the survey were trading for periods of less than two years. This was a deliberate policy as it was felt that entrepreneurs who were in start-up phase or just beyond it would be ideal respondents. Those involved in running older establishments may well have a different set of experiences and concerns. Over 60% of survey respondents were trading for less than one year. Only a quarter of enterprises were trading for more than one year. The not applicable figure is composed of the seven persons who operate in the black economy, and the three persons who trade intermittently. These respondents were less than precise about their length of time in operation.

Table 7
Employment in Micro Enterprises

Number of Employees	1	2	3	4	5	>5	Total
Number of Enterprises	49	18	6	4	2	2	81
% of Enterprises	61	22	7	5	2.5	2.5	100
Total Employees	49	36	18	16	10	14	143

Total employment in the micro-enterprises was 143 persons or an average of 1.77 persons per enterprise. That average figure needs to be qualified. No information was collected about the duration of employment among the employees of surveyed firms.

The majority of enterprises covered by the survey were one person operations. These included all the persons referred to as "not applicable" in Table 6. Ten of the eighty one enterprises were partnerships and in eight cases involved two persons with no other employees. Excluding co-operatives there were ninety one entrepreneurs with a proprietorial interest in the surveyed firms. The members of a co-operative can be regarded as both having a proprietorial interest in their enterprise as well as being employees. Excluding the self employment created by the firms, forty two other jobs existed at the time of the survey. Of these employees, eleven (not including the three entrepreneurs who trade intermittently) are employed part-time. This information is summarised in Table 8 below.

Total Employment	143
Entrepreneurs	101
Employees	42
Also includes	
Part-Time Employees	11
Black Economy	7
Intermittent Traders	3

Turnover

It was initially envisaged that an attempt would be made to quantify the amount of business conducted by surveyed enterprises. However, entrepreneurs were reluctant to discuss turnover and this question was abandoned at the pilot phase of the survey. This proved to be a sensitive area and as such little confidence could have been placed in the responses received. Questions about the financial details of enterprises would have proved an obstacle to the effective gathering of other information. This impediment was even more evident in relation to those working in the black economy.

Premises

Nearly half the entrepreneurs interviewed are operating from non-commercial premises or in commercial premises that are in some way subsidised. This is a high proportion and probably reflects the methods used to source the sample of enterprises. Non-commercial or subsidised premises are provided by local enterprise centres or rent subsidies given by local support agencies. The work of local agencies in this context will be described later.

<i>Table 9 Type of Premises</i>				
<i>Location</i>	<i>Home</i>	<i>Commercial</i>	<i>Non Commercial (Subsidised)</i>	<i>Total</i>
Number	20	23	38	81
Percentage	25	28	47	100

Twenty enterprises or 25% of the sample operate from home. These tend to be one person operations. Some of those operating from home had no need of premises. As might be expected the micro enterprises located in commercial premises tend to be located in the low rent end of the market. These entrepreneurs often complained of the cost of premises and the terms of leasing. This was particularly the case with regard to those occupying or considering occupation of retail units in Dublin. Seven respondents, including two in the black economy, operate from premises owned by themselves which are not part of or attached to their homes and are included in the commercial category. These enterprises were located in rural areas.

Sector of Business

The following table demonstrates the NACE breakdown of respondent enterprises.

<i>Sector</i>	<i>Number</i>	<i>Percentage</i>
Metal Manufacturing & Engineering	5	6
Other Manufacturing	10	13
Distribution Retail & Catering	12	15
Other Services	48	59
Civil Engineering & Building	3	4
Finance & Renting	1	1
Transport & Communications	1	1
Agriculture, Fishing & Forestry	1	1
Energy & Water	0	0
Non Fuel Mineral Extraction	0	0
Chemical Industry	0	0
Total	81	100

The vast majority of enterprises were engaged in the provision of services with less than 20% of enterprises involved in manufacturing. It is clear, therefore, that among micro enterprises it is the service sector where growth and expansion are to be found. This has implications for the traditional view of State support for industry. Generally, the view is that financial support for non internationally traded services is futile as it involves displacement and deadweight. Given that most new start-ups are in the services sector this view would automatically exclude them. Perhaps it is time to reconsider the blunt nature of the displacement argument as applied at present. This issue will be discussed in greater detail below.

Exporting and Import Substitution

As seen above, the majority of respondents operate in the service sector and are to a large extent focused on a very local market. Many of the services provided are not exportable. One engineering enterprise is exporting a small portion of its production. This business was secured through the entrepreneur's own efforts. Little awareness of export markets and import substitution possibilities was found among respondent enterprises in general, but a good degree of awareness existed among those in the engineering sector.

Enterprise Viability

Respondents, excluding black market operators and intermittent traders, were asked to estimate their current financial situation and to give their views as to future viability. This question was difficult to approach as the notion of viability varies between respondents. The fact that an enterprise yields a wage may mean that it is viable for one entrepreneur and not viable for another who is seeking a certain level of return on investment.

	<i>Number</i>	<i>Percentage</i>
In Profit	33	47
Taking Wage	20	28
Making a Loss	10	14
Don't Know (Refused)	8	11
Total	71	100

Respondents were offered a choice of four options, including Don't Know. "In profit" was defined as yielding a wage for the entrepreneur and making a surplus besides. The "Taking a Wage" option means that the entrepreneur was taking a wage but not yielding any other surplus. Making a loss was defined as not yielding any surplus and not yielding what the entrepreneur regarded as a minimum wage.

Seventy five per cent of respondents are in a position to take at least a wage from their business. It should be noted, however, that a number of these interviews were undertaken in October and November and some businesses may have been experiencing a pre Christmas lull. Taking account of seasonal variations all these respondents expected to at least maintain their current financial situation. Fourteen per cent of respondents were making a loss at the time of interview. Most regarded this as a temporary situation which they hoped to ride out. However, a number of these entrepreneurs admitted that their situation was such that any sizeable reverses, a sudden increase in outgoings or a dramatic decrease in revenue, could be detrimental. The eight "Don't Knows" either found it difficult to estimate their current situation or declined to do so.

To summarise, in general the typical enterprise captured by the survey was a one person operation, in the services sector, trading for less than one year, operating from one of a variety of different types of premises and from which the entrepreneur could at least take a wage.

Chapter 5

Enterprise Support Provision: The Experience and Views of Entrepreneurs

Respondent entrepreneurs were asked about the enterprise support they had received. Their views on the availability and accessibility of information about support provision were also sought. Successful micro enterprise formation usually requires a viable idea, capital, possibly premises and a determined entrepreneur with a plan of action. This chapter outlines the experience of respondents with regard to these aspects.

Awareness of Provision

All entrepreneurs were asked about their awareness of support agencies and their services. Specifically they were asked about the assistance that is available to them as a person establishing a business. This was an open ended question and respondents were assisted with a list of services and providers if they were unable to demonstrate an awareness. The follow up questions further exposed any lack of awareness. Not surprisingly, persons were very aware of the services they had used which were usually received from the agency through which they were tracked for the purposes of the survey. However, most demonstrated little awareness of the wider range of services available to micro enterprise. The interviewer was often asked about sources of assistance, particularly in relation to sources of funding. Some individuals were aware of the range of agencies but demonstrated confusion about the services they provided and the eligibility criteria operated by the various agencies. This may reflect a lack of co-ordination between support agencies themselves. The lack of awareness among respondents is reflected in their views about the availability of information.

Availability of Start-Up Information

Respondent entrepreneurs were asked if they considered the information available to be adequate. They were also asked about the agencies from which support was received.

Table 12
Availability of Adequate Start-Up Information

	<i>Number</i>	<i>Percentage</i>
Yes	29	36
No	48	59
Don't Know	4	5
Total	81	100

The four "Don't Knows" were entrepreneurs who did not seek assistance from any agency. The majority, nearly 60% of respondents, found that there was an insufficiency of information available for those at start-up. These findings are somewhat similar to the Combat Poverty Agency's findings referred to below in relation to awareness of information among the long-term unemployed.

Information Awareness among the Long-Term Unemployed

The Combat Poverty Agency has completed its Final Report of the Evaluation of the PESP Pilot Initiative on Long-Term Unemployment. The report, compiled by Sarah Craig and Kieran McKeown, includes the results of a survey of long-term unemployed persons on programmes operating within the PESP areas. The survey results are based on interviews with 137 programme participants and include 37 Area Allowance (Enterprise) Scheme participants. The Area Allowance (Enterprise) Scheme is available to unemployed residents of Partnership areas who can receive a twelve month allowance equivalent to their social welfare entitlement while they establish a business. Persons may retain their secondary benefits during this period. Respondents were asked if they considered that there was sufficient availability of information on starting a business. Only 31% of all respondents, and 31% of Area Allowance (Enterprise) Scheme Respondents, stated that they considered the available information to be sufficient.

Accessible Information

To return to this survey of micro enterprises, respondents were asked if, in general, they found start-up information easily accessible or user friendly. Most indicated that they did not and found the multiplicity of sources off putting.

Table 13
Initial Sources of Information About Enterprise Support

Source	Number	Percentage
FÁS	9	11
PESP Company	5	6
Other Agency	14	17
Commercial Agency, Banks etc.	5	6
Word Of Mouth, including other entrepreneurs	16	20
None	15	19
IDA/SFADCO	15	19
Don't Know	2	2
Total	81	100

In general respondents used a wide range of sources of initial information among which no information source is dominant. The term "other agency" is used to capture all local enterprise support agencies other than PESP partnership companies. PESP partnership companies are also local agencies and when included the total proportion which used local agencies is 23%. The "word of mouth" category refers to individuals known to respondents who were not necessarily connected to agencies delivering advice. In many of these cases a business person was approached. Those approached included entrepreneurs who, at the time, were in or just past the start-up phase.

The industrial development agencies, IDA and SFADCo, are the source from which the single largest proportion of respondents received initial information. With two exceptions, all fifteen approaches to IDA/SFADCO resulted in referrals elsewhere. Considerably more than fifteen respondents approached the IDA but some felt that they could not list it as an initial source of information. Some of the commercial banks operate specialist units to cater for start-ups but surprisingly few respondents approached the banks or commercial institutions.

One might have expected, that those not seeking advice would be composed largely of those in the black economy, but this did not turn out to be the case. The majority of such persons seek advice on a regular basis and review their decision to remain in the black economy. The basis for fifteen respondents stating that they had no initial source of enterprise information seems to be that they made no

active attempt to acquire such information. Many of these respondents took the view that they had no need of advice from agencies.

Agencies' Assistance

Respondents were asked to state the agencies from which they had received assistance. Assistance was taken to include advice and referral services as well as more direct forms of aid.

<i>Agency</i>	<i>Number</i>	<i>Percentage</i>
FÁS/CDU	33	41
PESP Company	9	11
IDA/SFADCO	21	26
An Bord Trachtala	2	2
Voluntary & Private Sector	64	79
None	15	19

Of those respondents who received assistance from agencies, the vast majority received assistance from more than one source. The proportion of respondents receiving assistance from FÁS seems high but it should be remembered that a portion of the sample is composed of FÁS clients that were deliberately selected. The Craig and Mc Keown report, referred to earlier, found that less than 20% of Area Allowance (Enterprise) Scheme participants surveyed had contact with FÁS. The same proportion of Scheme participants had contact with community based organisations. While a significant number of respondents reported IDA/SFADCO as assisting them this was mainly in terms of advice and consisted mainly of referrals elsewhere. An Bord Trachtala (ABT), the Irish Trade Board, has responsibility for promoting Irish trade and for promoting awareness of export and import substitution among Irish firms; two respondents were assisted by this agency.

The greatest suppliers of assistance to the sample population are the voluntary and private sector agencies. However, it should be borne in mind that a large portion of the sample was also located by reference to these agencies.

Table 15
Types of Assistance Received

<i>Agency</i>	<i>Assistance</i>	<i>Number</i>
FÁS/CDU	Advice & Referral	21
	Enterprise Scheme/Area Allowance	16
	Enterprise Training	9
	CDU Grants	2
PESP Company	Advice & Referral	9
	Area Allowance (Enterprise)	3
IDA/SFADCO	Advice & Referral	21
	Feasibility Funds	2
Voluntary & Private (including Irish Trade Union Trust)	Advice & Referral	64
	Loans	13
	Premises	32
	Rent Subsidy	6
	Other	31
ABT	Advice & Referral	2
Total	Advice & Referral	117
	Enterprise Scheme/AEA	19
	Feasibility Funds	2
	Grants	2
	Loans	13
	Premises	32
	Rent Subsidy	6
	Enterprise Training	9
Other	31	

Most respondent enterprises were not eligible for IDA assistance because of size alone. As such the vast majority of those who mentioned IDA were referred elsewhere. The "other" categories is used to capture a host of miscellaneous services rendered to start-ups by voluntary organisations. Legal, engineering, architectural and other professional services are often provided on a voluntary basis. Various means of sourcing these services are used. Lions clubs and University Alumni associations provide access to their members who provide these services in a number of cases. Some entrepreneurs are assisted by mentors or advisors attached to agencies. These are usually experienced business persons. Some local enterprise support agencies are able to assist clients with the sourcing of business. This is achieved either through the mentor system or agencies' private

sector links. Two engineering enterprises received specification lists from ABT of turned parts that would be suitable for import substitution.

Respondents' use of the Industrial Development Agencies

The majority view of respondents is that the State provides very little funding, including grant aid, for micro enterprises. The respondents complained that their business was too small or in the wrong sector. There was an impression among respondents that the focus of grant aid for industrial development was on large or foreign manufacturing companies and that they, the small indigenous companies, were actively discriminated against.

Over 25% (21) of enterprises approached the IDA/SFADCO for assistance. In most cases individuals went to the IDA/SFADCO to enquire as to what aid was available and generally they discovered that their proposed enterprise was ineligible. The IDA/SFADCO were unable to refer most respondents to another State agency that did deal with their type of enterprise. Respondents saw the IDA/SFADCO as responsible for industrial development in general but they found themselves ineligible for assistance. In the absence of a comprehensive business information system respondents resentment is focused on these agencies.

This survey was carried out mainly in late 1993 and early 1994 which was before the establishment of Forbairt and, to an extent, before awareness of County Enterprise Boards became widespread. A further reason for the ineligibility of micro enterprise for grant aid purposes is that, as seen above, most respondent enterprises are in the service sector. As such, they have until quite recently been ineligible for most forms of grant aid.

The Impact of Assistance Received

Respondents who received assistance were asked if that assistance or an element of it was essential to the extent that they would not have proceeded without it. Respondents were requested to carefully consider their response and the responses of those who were unsure are excluded. The format of the question was influenced by the pilot phase, when respondents were asked how critical assistance received had been and were offered a list of possible improvements resulting from that assistance. At that stage most respondents opted for a partially critical category and seemed daunted by the request to relate assistance received to possible improvements in their operations.

<i>Agency</i>	<i>Number</i>
CDU/ITUT	1
FÁS	5
PESP Company	1
Local Enterprise Agency	19

Twenty two entrepreneurs or 27% of the sample said that the support they received from one of the agencies was a deciding factor. Four entrepreneurs identified two types of assistance that they considered critical.

A relatively high proportion of local enterprise support agency clients indicated that they considered the assistance received from those agencies to be critical. To an extent this is a skewed result as a high proportion of respondents were located through these local agencies and a higher proportion of them were receiving non-advice support. It is likely that entrepreneurs who received assistance with premises received that assistance through local support agencies.

In the majority of cases where the support of local agencies is rated most critical the entrepreneurs are referring to either financial support in the forms of subsidies, loans or grants, or support in terms of a suitable premises for their business. A number of those who rated local agency support as critical did so as a result of assistance in the form of a premises or rent subsidy extended to them. The five FÁS respondents are Enterprise Scheme participants. The one PESP Company respondent is in receipt of the Area Allowance (Enterprise).

It should not be inferred from this that those who received support and did not rate it essential are deadweight cases. The manner in which this question was asked forced respondents to ignore the possibility of partially critical assistance or the possibility that assistance received may have improved their operations in some way that increased their viability.

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Sources of Capital

Respondents were asked only about their sources of capital and their views relating to their capital requirement. They were not asked about the details of that capital. Respondents used a mix of the sources discussed below. It should be noted that seed capital is not a necessary requirement in all cases. Fourteen (17%) respondents had little or no need of capital. These enterprises included those who simply practise their trade and already possess the necessary skills and equipment or tools for start-up. Most of these individuals have no wish to do more than create self-employment. Entrepreneurs operating in the black economy and those who operate intermittently are among those who established themselves without capital.

Savings

All sixty seven respondents who had need of capital invested some of their savings. Personal or family savings are the prime sources of capital among the respondents. Some stated the opinion that their capital requirement would have been considerably eased if the State had not taken so much of their previous income through various forms of taxation. Fourteen entrepreneurs relied solely on their own financial resources. In most cases this was all or nearly all of the entrepreneur's savings. Most of these respondents chose to use their own finance, but in at least two cases the respondent had unsuccessfully sought finance elsewhere.

Banks

Banks and other commercial lenders were used by 23 (28%) respondents as sources of capital. A number of these loans were not raised specifically as seed capital. Respondents were not asked about their relations with banks or credit institutions but some volunteered an opinion. Most of those who borrowed from a bank or credit institution had a negative impression of the experience. The common theme was that banks are not anxious to lend to micro-enterprise start-ups. Respondents thought that banks did not want to take any risk whatsoever and usually insisted on security where the amount was anyway sizeable. In other cases where the loan amount was small, the majority of cases, respondents were advised to take out personal loans or that overdraft facilities be used. Some respondents took out personal loans or loans ostensibly for other purposes without applying for finance as seed capital at all.

Credit Unions

Eleven entrepreneurs used finance from credit unions. Respondents stated that the advantage of credit union loans was that they were in effect fixed low interest loans. Some respondents also said that they found credit unions more sympathetic than commercial lenders when repayment difficulties arose. However, respondents still had to take out personal loans rather than commercial loans. A recent development in this regard was the announcement by the Minister for Enterprise and Employment that he intends to take measures that will permit credit unions to issue loans to small enterprises.

Private Sector or Voluntary Loan Funds

In recent years a number of voluntary loan funds have been established. The 1993 report on enterprise measures described a number of such funds. Their great advantage to entrepreneurs is that they usually take a more sympathetic view of the small entrepreneur's needs than would be possible for commercial lenders. Most funds tend to lend only to micro enterprises and to concentrate on start-ups. In this context, these loan fund organisations represent a welcome addition to the few agencies focused exclusively on the needs of micro enterprises. Usually, fixed low interest loans are offered. Seven respondents were in receipt of this type of finance. Not surprisingly, all seven had a positive view of the lending organisation. The lenders usually insist on some level of planning and a system of record keeping being introduced where they do not already exist and will usually give assistance to the applicant to achieve this. The operation of these funds will be described later.

Credit

Most micro enterprises cannot use credit to finance their operations. Many complained that small start-ups were viewed with suspicion and regarded by suppliers as very high risk and as such very prompt payment is usually demanded. Paradoxically, most respondents who were not in a cash sales business also complained of having to finance the giving of credit. In order to gain or retain business, respondents had to give generous credit terms to customers. Some complained that even with generous terms many customers still paid late. This and the attendant problem of bad debts is a drain on the financial resources of respondents and affects the viability of micro enterprises generally. The Task Force on Small Business recognised this problem and recommended that IBEC assist by

encouraging the private sector to reduce the rate of late payment and that legislation be drawn up requiring State agencies to pay promptly.

Enterprise Scheme

The FÁS run Enterprise Scheme gives participants a weekly allowance of £40 (for those with no dependents) or £65 (for those with dependents) for a period of 40 weeks. In order to qualify for the Scheme, a potential participant must have been unemployed for a minimum of 13 weeks. Nearly 20% (16) of respondents were former or current Enterprise Scheme participants. This high proportion was due to the fact that Scheme participants were deliberately targeted. Participants were complimentary about the scheme and the weekly income it provided at the critical start-up phase. They suggested that either the weekly rate or the number of payable weeks or both be increased. Five of the Scheme participants had also undertaken a FÁS Business Appraisal Training Programme (Enterprise Training).

The Enterprise Scheme is a good means of easing potential entrepreneurs into business. A number of Scheme respondents who had previously operated in the black economy felt that the Scheme contributed to their decision to move to the formal economy. Most participants felt that the main benefit of the Scheme was that it gave a measure of security in guaranteeing some income for the first 40 weeks of operation.

Four persons who were made redundant prior to start-up expressed dissatisfaction with the operation of the Scheme. These persons went directly from their former employment into start-up and were unwilling to become registered unemployed persons which would have enabled them to qualify for the Scheme. They argued that the scheme should be open to those leaving employment and to those who are made redundant.

Forbairt and Grant Aid

On 1 January 1994, IDA Ireland and Forbairt were established, operating under the direction of Forfás. Forbairt deals in the main with indigenous manufacturing enterprises or enterprises engaged in internationally traded services. These enterprises must also have more than five employees. These criteria exclude all the enterprises captured in this survey. However, two enterprises did receive feasibility assistance at pre start-up phase.

Small Business Loan Fund

A £100m loan fund which offers low interest fixed rate loans to small businesses was announced in the 1994 budget. Minimum loan amounts of £50,000 will be made. This announcement was subsequent to most interviews but the impression gained from respondents was that the minimum amount would be too large for their requirements.

Equity

The extent to which investors would be willing to put equity into micro enterprise is unknown. It is quite likely that the amount of equity available from private investors is very limited given the perception generally held of micro enterprise as high risk. In addition, most of the micro enterprises interviewed do not seem able to accommodate equity. As will be discussed later in relation to expansion, most micro entrepreneurs are loath to share the ownership of their enterprises. Only one of the enterprises surveyed actually received equity. In that case the enterprise, in the catering sector, began as a one person operation and achieved a measure of success in a short time. The business was expanded by becoming a partnership. The newcomer, who had a catering background, invested in the business and the partners were able to agree a division of responsibilities.

Other Sources

Charitable organisations sometimes extend resources to those among their clients who wish to establish their own business. One such organisation was included among the respondents to the survey of local enterprise support agencies.

Market Research

Thirty nine (48%) respondents had carried out some kind of market research or feasibility study prior to establishment. As stated earlier two of these feasibility studies were grant aided by the IDA. The nine Enterprise Training participants carried out market research while completing their business plans. All seven enterprises which received finance from Voluntary or Private Sector Funds were required to carry out market research, if they had not previously done so, and to present the results as part of their business plan. Only one person carried out formal market research which was not required by an agency and which was

unfunded. When asked about market research quite a number of entrepreneurs intimated that they "knew their trade" or "knew their market" sufficiently well and that there was no need for them to carry out formal market research

Business Strategy

Thirty five (43%) respondents had not completed a business plan either at the start-up phase or subsequent to it. Two of the three entrepreneurs who ceased trading had not completed a plan. The two entrepreneurs who had failed in previous enterprises had not completed a plan in relation to their failed enterprises but had in relation to their subsequent enterprise. When asked, both of these persons stated that they saw a lack of planning as a contributory factor to the failure of their previous enterprises. As would be expected, all those operating in the black economy had no business plans but stated that if they were to consider a move into the formal economy then the completion of a business plan would be a priority.

Others who had not engaged in formal planning tended to be tradespersons or those who left their employer to engage in the same business. These respondents saw no need to plan and in general tended to be less ambitious than was normally the case. They usually aimed for self-employment only and felt that they knew their markets and individual customers well. These respondents had no plans (and in some cases no desire) to adapt if conditions in their particular part of the market became adverse.

Forty-six (57%) respondents had a business plan which included a marketing strategy. Most stated that these plans were put together as part of the requirements of enterprise support agencies. A small portion completed plans subsequent to the start-up phase. Those who completed a FÁS Enterprise Training Programme (Business Appraisal Training Programme), completed a business plan as part of the training programme. Most agencies, including local and community based agencies, now require the promoter of a business idea to submit a business plan as part of the application process when seeking assistance.

The local enterprise support agencies place great emphasis on business plans. In the first instance they are seen as a part of the filtering process for applications for financial assistance. An applicant who cannot produce a plan or who produces an inadequate plan will usually not progress much further. In order to assist those applicants with limited business skills, some agencies offer assistance with the

development of business plans. This usually takes the form of financial assistance or time from a suitably qualified or experienced person.

Agencies and entrepreneurs generally agree that the discipline imposed by the completion of a business plan is vital to the assessment of projects. The business plan forces the promoter of an idea to realistically examine its requirements for success. This involves the examination of marketing possibilities and often prompts the promoter to carry out market research. It is often at the stage of plan completion that realistic costing is carried out for the first time. Those entrepreneurs who participated on the FÁS Enterprise Training Programme felt that the major contribution that the programme made to their efforts was giving them the discipline to complete a business plan. This then becomes the basis upon which finance is sourced and can be modified to suit the requirements of particular agencies.

In some cases entrepreneurs stated that they saw the business plan as a means of gaining assistance and that they did not see the need to conform to the outlines of the plan in the development of their business. A number of the funding agencies indicated that they were aware of this and were considering attaching conditions to loans and grants which would require their clients to carry out a minimum amount of real business planning. This is usually facilitated by a business adviser. All such agencies agreed that circumstances may prevent their clients conforming rigidly to approved plans. However, these agencies are considering conditions such as the phased payment of loans and grants dependent on carrying out real business planning and the institution of systematic records and accounts procedures. At present most funding agencies extend loans and grants to their clients in one payment immediately following approval.

Premises

The provision of premises is in some cases a necessary support activity. In urban areas generally, and in Dublin and Cork in particular, there is a shortage of suitable and affordable premises for start-ups. The provision of incubator units in locations where micro enterprise start-ups may avail of centrally provided support services and access the experience of other entrepreneurs is also worthwhile. Entrepreneurs, particularly those who are one person operations, appreciate the safety net effect that local enterprise centres can provide. The feeling of isolation can be considerably reduced by being located in an enterprise centre with others who are undergoing the start-up experience or are just beyond this phase. There is a shortage of specialised incubator units, however. Units for food production are a

case in point although some progress is now being made in this area. The work of the St. Paul's Area Development Enterprise, in Dublin, is encouraging in this context.

It was frequently stated by those who were or who had been based in units in local enterprise centres that the start-up phase had been made easier because of the assistance that came with being located in such a centre. This can be simple assistance such as help with filling in forms which, for one person operations, can be of vital importance. The managers of local enterprise centres are a valuable resource in this context. They often act as a store of available information in relation to dealing with the requirements of State agencies and act as signposts to the sources of advice and assistance available to micro-entrepreneurs.

Many local space providers offer space to micro start-ups on a temporary basis. New start-ups are usually offered space at a very low rent to begin with but as time passes the rent increases to commercial levels. This is generally a result of the agency's desire to free up space for other new enterprises. The rationale is that the preferential provision is designed as a boost to new start-ups but if these enterprises stay beyond start-up phase (the first one or two years of operation would be regarded as typical) the space is not available for new start-ups. The fact that some local agencies can operate this policy is an indication of the level of demand that exists in their areas.

The brief of Forbairt (previously part of the IDA) prevents it from dealing with micro enterprise. There are other inhibiting factors, particularly that the enterprise centres are often too large for micro enterprise start-ups, usually consisting of approximately 2,000 square feet. Forbairt charges commercial rates for its enterprise space. The 1993 report on enterprise measures outlined the situation in the inner city of Dublin. It was found that small start-ups usually require less than 1,000 square feet and some operate from spaces of 150 square feet. The example of the Get Tallaght Working (GTW) Group was also described. This group with FÁS and IDA assistance converted an IDA enterprise centre to incubators of approximately 500 square feet each. This is a good example, cited also by respondents to this survey, of co-operation between State agencies and local initiative to meet the needs of small business start-ups.

Forfás has ownership of considerable unoccupied property which was purchased or developed for the purpose of industrial development. During this survey, it was recommended, particularly by agencies that provide enterprise space, that

consideration should be given to the conversion of some of this property to incubator units, including specialised units, for micro enterprise start-ups.

The cost of premises is also an issue identified by entrepreneurs. In most cases enterprises at start-up phase cannot afford to pay commercial rates. However, some of the space provision agencies charge below commercial rates. The examples of the Powerhouse Trust and St. Paul Area Development Enterprise were outlined in the 1993 report. Other agencies, such as Inner City Enterprise, provide a rent subsidy to start-up projects. These agencies recognise the importance of supporting projects by the provision of space at the early stages of development to help the project towards viability. The ability to pay commercial rents is one indicator of viability and therefore such supports are usually given on a temporary basis. Agencies extend non-commercial rates to enterprises for a set period after which they must pay commercial rates. After a further period these projects are encouraged to leave the incubator so as to make it available for new enterprises.

Enterprises often begin by operating from the entrepreneur's home. It is important that such enterprises are assisted to move into separate premises. This move could also be accompanied by a move from the black economy to legitimate operation. Support agencies and enterprises spoken to during this survey believe that the stock of viable start-ups could be greatly increased if the move from the black economy to legitimate operation was more easily facilitated. It was thought that there are a number of structural impediments to making this move. These are matters relating to levels of taxation, the cost of legitimately employing staff, the onerous requirements of State bureaucracy, etc.. However, other perceived impediments such as the unavailability of low cost suitable premises can be more easily tackled. As will be seen below, the provision of premises was a concern for 28% of respondents.

Actions Requested by Entrepreneurs

Respondents were asked to state what actions should be taken by the State or other agencies to improve the number of viable micro enterprise start-ups. The replies are shown on the following table.

	<i>Number</i>	<i>Percentage</i>
Give Financial Assistance/Broaden Grant Eligibility Criteria	62	77
Reduce Bureaucratic Requirements	41	51
Supply Useful Information or Clarity	38	47
Provide Premises	23	28
Reduce Tax Rates (incl. VAT)	21	26
Provide Support Package	17	21
Take Notice of Micro Enterprise	17	21
Make It Easier to Employ	8	10
Assist with Security Problems	6	7
Reduce Insurance Costs	2	2
Provide Training	2	2

The largest single request mentioned was financial assistance. These suggestions related to a mixture of loans, grants and subsidies. Of these, the provision of low interest loans without a security requirement was the most often suggested form of financial assistance. In relation to grants some respondents merely asked that they be made available. Some respondents (27) specifically stated that the grant criteria operated by State agencies should be widened to include both micro and service businesses specifically.

Paperwork and information availability were areas identified for action by very significant proportions of respondents. Over 50% of respondents stated that they would prefer a reduction in the paperwork required by State agencies. Some of the respondents' suggestions will be outlined later. A large proportion of respondents mentioned the availability of information about available support as a concern. This was mentioned in two contexts. Some entrepreneurs mentioned an information deficiency specifically; others indicated a need for clarity or co-ordination between information providers to be introduced to current provision.

The provision of premises was a concern for 28% of respondents. Most of these persons were operating from home or from unsuitable premises and desired to move to purpose built premises or a more suitable location.

The level of taxation is a concern for over one quarter of respondents. One might have expected this to be higher. However, respondents in the black economy do not have this immediate concern. Others would not have been drawn into the tax regime as they had not been in operation long enough. The concerns voiced were in relation to tax generally including corporation, income tax and VAT.

A number of respondents simply wanted State and other support agencies to take notice of the needs of micro enterprise. These entrepreneurs want assurance that those responsible for policy are aware of them and their requirements. Some respondents, however, want a support package that would specifically address the needs of micro-enterprise. These respondents felt that this was overdue in view of the active exclusion of the vast majority of micro-enterprise from current and previous support packages.

Two persons felt it necessary to mention their concern about the cost of insurance. In both cases this referred to general premises, stock insurance and vehicle insurance. Only two persons mentioned training for micro enterprises as an area in need of attention. As found elsewhere in this survey, this is an indication of the very low levels of training need awareness among micro entrepreneurs.

Overall the picture that emerges is that respondents would prefer simplified access to assistance and more coherence to State intervention.

Disincentives to Start-Up or Expansion

There was a considerable overlap between the responses to the previous question and the responses received on the disincentives issue. In response to the question about disincentives, respondents tended to concentrate on the issue of expansion. Generally, most respondent entrepreneurs and support organisations felt that the lack of available capital generally and the lack of State investment, in particular, limited the number of start-ups and expansions.

The majority of respondents are not employers. In a number of cases respondents stated that they had no wish to expand or to employ anybody. Some persons established their enterprise with the limited objective of creating self-employment. These tended to be qualified tradespersons or craftspeople who wished to practise their trade in the context of self-employment. These persons also stated that they would be reluctant to become employers even if this meant passing up the opportunity to increase business or expand. This was because of a number of perceived disincentives.

The greatest disincentive to employing persons is perceived to be the tax/PRSI burden. Micro entrepreneurs who emerge from the start-up phase are usually concerned with running a tight operation in financial terms but are also open to opportunities to increase business or to expand. These entrepreneurs would need to employ labour in order to increase business or to expand. When asked why then they do not do so the majority responded that the cost of employing persons is too great in proportion to what would be gained. In most of these cases the entrepreneurs themselves are taking relatively little out of the company in terms of remuneration. They also state that they could possibly employ persons willing to work for the relatively low wage that they would be able to pay but when employer's PRSI and employee's tax/PRSI are taken into account the overall cost to employers is a disincentive as is the amount of deductions from low paid workers' pay packets.

Entrepreneurs see an added disincentive in what they perceive as the bureaucratic burden that employers must assume. One person operations in particular perceive the paper work that employers must undertake as a distraction from the operation of their enterprise. Indeed, the whole notion of being an employer is seen as fraught with difficulties that will absorb the entrepreneur's time and effort in non-productive activity. This reason was also cited by several non employer respondents as the reason why they would not employ persons by means of employment subsidies. Most non employer entrepreneurs who wished to expand their enterprises seemed to be making a rational decision based on a comparison of relative benefits of employing persons versus the total cost to their enterprise as they perceived it. They assessed that cost in terms of a financial and time investment.

The respondent enterprise support agencies agree to some extent. A number of the agencies providing advice and assistance to those enterprises which have progressed beyond the start-up phase suggest other related reasons for the

entrepreneurs' reluctance. Firstly, they suggest that there is a natural fear and reluctance among entrepreneurs to take on the responsibilities of an employer which must also be considered. Entrepreneurs in one person operations may also be unwilling to accept the division of labour and responsibilities that accompanies expansion. A one person operation needs no internal management structures or procedures. Entrepreneurs who are apprehensive about the risk associated with expansion might also be apprehensive about restructuring their operation and diluting their responsibilities.

Chapter 6

Training

At the outset of the survey, it was not expected that training would be a high priority for many micro enterprises. For most micro enterprises time devoted to training means that the business that could be done in that time is foregone. Only six (7%) companies stated that they had undertaken formal training since start-up. In three cases this was in company training at operative level given by the proprietor to employees. Two entrepreneurs had undergone periods of technical training. One co-operative also undertook training for its members which was funded by the Co-Operative Development Unit (CDU). This training focused on co-operative and business methods. Awareness of the need for training was evident among the co-operative enterprises. This is probably due to the work of the CDU and the Irish Trade Union Trust (ITUT), which was described in the 1993 report. No enterprise had or was seeking the ISO 9000 or any of the quality standards available.

Enterprise Training

The nine persons who undertook FÁS Enterprise Training were the only respondents who could say that they undertook training prior to start-up as a result of their decision to establish a business. The FÁS Enterprise Training Programme is described in the 1993 report on enterprise measures. These nine respondents were encouraged to talk about the use they made of their training. All nine found the business plan completed as part of the training very useful. Five of these individuals were able to use their plans as the basis for their applications for finance to various agencies. Enterprise Training participants also stated that they found it invaluable that the programme enabled them to carry out market research and feasibility studies. (A number of other respondents also carried out feasibility work or some market research prior to start-up.) In general these respondents felt that the Enterprise Training programme increased their confidence with regard to establishing their own business and increased their chances of success.

As seen earlier, when respondents were asked to state what actions or improvements to provision they would wish to see brought about, very few mentioned improved training provision. In fact improved training provision came

near the bottom in a ranked list of preferences. This is yet more evidence of the very low priority assigned to training by persons operating micro enterprises.

Supplementary Information on Training

With so few respondents attending training courses a number of follow up questions were put to respondents. This follow up work was mainly conducted by telephone and fifty four of the original eighty one respondents were contacted.

The first follow up question asked respondents to consider the reasons why no training was carried out in their enterprises.

Table 18
Reasons For Not Training

<i>Reason</i>	<i>Number</i>	<i>Percentage</i>
Too Small/One Person	23	43
Time	9	17
Cost	7	13
Training Not Required	6	11
Other	2	4
No Benefit From Training	1	2
Don't Know	3	5
Training Company	3	5

More than half of all the respondents were one person businesses. These persons generally expressed the opinion that they were just too small to undertake formal training and that the immediate needs of survival loomed larger in their minds than training. In general it is the belief of respondents that micro enterprises do not train. Very few question this state of affairs or see it as an issue to be addressed. Although it is listed above as a separate reason, many respondents would see 'time' or unavailability due to pressure of work as a factor arising from the fact that they are micro enterprises and therefore less likely to be in a position to release themselves or others for formal off the job training. Surprisingly, the cost of training does not feature as a prohibitive factor among many respondents. Only 9% cited cost as a reason. It may be that micro entrepreneurs are not

sufficiently aware of the cost of training. Six respondents stated that they did not require training. The "other" category is made up of two respondents who felt that a lack of information about training courses was a factor for them. One respondent expressed the belief that the time and effort invested in training would not yield sufficient benefits to justify the training. With this in mind it was decided to investigate the benefits or otherwise that respondents would expect from training.

Table 19
Perceived Benefits of Training

<i>Benefit</i>	<i>Number</i>	<i>Percentage</i>
Better Management (incl. Quality)	24	44
Reduced Costs	23	43
Increased Level of Business (Marketing etc.)	12	22
Staying Updated	12	22
Safer Workplace	4	7
No Benefit	2	4
Other	3	6
Don't Know	2	4

The perceived benefits of training mentioned by most respondents were better management and reduced costs. Respondents expect that good training would provide better business methods which would reduce costs by enabling them to accomplish tasks more efficiently which would in turn save time and increase the quality of their operation. A number of entrepreneurs perceived training as another means of staying updated or of making contacts. These persons perceived training as a networking opportunity. The same number of respondents saw training as an opportunity to increase business through better marketing.

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Table 20
Preferred Types of Training

<i>Training Type</i>	<i>Number</i>	<i>Percentage</i>
Management	32	59
Business	21	39
Technical	17	31
Operational	12	22
Other	8	15
Don't Know	3	6

The majority of respondents would prefer business or management type courses. This is not surprising given their perceptions of the benefits of training. Most respondents feel themselves competent in their own particular field of enterprise. Many have considerable previous experience of working in the area they have established in. However they clearly feel that they lack the business, marketing and management skills that would maximise their potential to develop their business. The "other" category includes those who mentioned safety training, quality training and one person who mentioned personal development.

Table 21
Preferred Training Methods

<i>Training Method</i>	<i>Number</i>	<i>Percentage</i>
Distance Learning including Self Directed Flexible Modules	21	39
Evening Courses	9	17
Video	3	6
Internal with External Trainer	3	6
External Training	2	4
Internal Training	2	4
Don't Know	19	35

It is significant that a large proportion of respondents placed themselves among the "don't knows" in relation to the question on preferred training methods. In some cases they stated that they were unable to reply as they were not sufficiently aware

of current training methodology. Among those who expressed a preference, there was a clear inclination towards flexible and self-directed methods. Those stating that they would prefer evening courses qualified this as depending on the location, duration, cost and subject matter of courses. Respondents' unwillingness to take time out of work is reflected in the low preference figures for the methods that require absence from work. Perhaps these methods are also inappropriate in that the low numbers involved would make their delivery impractical. For example, in-company training delivered by an external trainer would be impractical given the very small number of persons that would receive training in each enterprise.

Given the small amount of formal training discovered during the survey it was decided to ask what other methods of learning or knowledge updating respondents use.

Table 22
Other Methods of Learning Used by Respondents

<i>Learning Method</i>	<i>Number</i>	<i>Percentage</i>
Local Agency Assistance	64	79
Mentors	21	26
Other Entrepreneurs	21	26
Trade Magazines	19	23
Trade Shows/Exhibitions etc.	14	17
Membership of Professional Body (incl. Unions)	12	15
Further Education	7	9

The figure for assistance (advice and referral) from local agencies is included as a considerable amount of this is learning activity. Mentoring is also a form of learning. From the perspective of micro entrepreneurs, this process is invaluable, enabling them to learn in a person to person context from experienced business persons. Another method of learning from the business experience of others is by seeking advice from other entrepreneurs. This is more easily accomplished by those located in enterprise centres. The nature of local agency support, including mentoring and the benefits to entrepreneurs of locating in enterprise centres, is outlined later.

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Remaining up to date in their particular field of enterprise is a concern for micro entrepreneurs and trade shows and exhibitions, trade magazines and membership of professional associations are seen to be important. Trade Unions may also fulfil this function for tradespersons. A small number of respondents are studying for Leaving Certificate, diploma and degree or postgraduate qualifications. The person taking the diploma and a person taking a degree were studying business subjects.

It may seem at first glance that there is an almost total lack of formal training among respondents; however, much learning activity is taking place among respondents. These activities are those that can be accommodated in very small or one person operations. As will be seen later very little formal training is provided by local support agencies but much of the support given encourages learning. The concept of training as it applies to micro enterprise and local support agencies needs to be widened, therefore. If we focus exclusively on formal training we may miss and consequently undervalue much learning activity that is taking place. This said, there is no doubting the absence of a training culture among micro entrepreneurs.

Chapter 7

Enterprise Failure and the Black Economy

In order to give a complete picture of micro enterprise it was decided to speak to a number of persons who had operated micro enterprises which failed and a number of persons involved in black economy operations. The conduct of interviews was difficult in both cases. Respondents often gave incomplete responses and therefore the information gathered is sketchy. Although a list of standard questions were put to respondents the interviews usually took their own direction.

Enterprise Failure

The term failed or failure is not used in any judgemental sense. In all cases the term is used in connection with the enterprise and not the individuals involved.

This survey was not intended to comprehensively cover the causes and circumstances of micro enterprise failure. However, in view of what seems to be a comparatively high failure rate among micro enterprises in Ireland, an initial look at the reasons behind this phenomenon is warranted. Information relating to five failed enterprises was gathered for this report. These interviews were obtained through referrals from entrepreneurs or enterprise support agencies surveyed. Two entrepreneurs, now running successful businesses, were interviewed in relation to enterprises that failed in the past. These five entrepreneurs were asked to state what they saw as the reasons for the failure of their enterprises. Their reasons are set out below.

Enterprise A

This entrepreneur received a large tax bill and was not in a position to deal with it. He added that if the business could have dealt with the bill the remaining company revenue would have been insufficient to make it worth his while continuing in business. The enterprise was a one person operation in the service sector and business and turnover (information volunteered) were considered "steady". The interviewer did not probe to ascertain if the tax bill was reasonable in terms of

company revenue or if revenue was managed properly. The point being made by the respondent was that the bill rendered his business unviable. He also complained about the process of determining and issuing tax demands.

Enterprises B and C

These enterprises were subsidised by the Enterprise Scheme. When the period of the scheme elapsed the entrepreneurs found that the income received from the business generated was too low. Neither entrepreneur saw any possibility of matters improving at the time they made their decision. Both stressed that they were more than willing to work hard but that their business was just not viable. These businesses, both one person operations, were supplying services very much geared to their local markets and the extent to which business and revenue could be increased proved limited.

Enterprises D and E

These two enterprises did not offer clear reasons for their decision to cease trading. Various contributory factors were mentioned, including the demands of the taxation authorities. Both entrepreneurs, one of whom was an employer, complained of their time being taken up with managing the business instead of doing business. One also complained about subsidised competition and about the grant and subvention system from which he was excluded by reason of his enterprise size.

These enterprises were in the catering and distribution sectors. Both companies had attempted to expand and incurred investment as a result. Both entrepreneurs considered that they would probably have survived had they not attempted expansion. In one case expansion had been planned, production increased and stock costs were incurred. The entrepreneur remained a one person operation and could not deal with the demands of increased business and yet was unwilling to become an employer. The other entrepreneur expanded in an unplanned way and employed persons as business grew.

The Black Economy

A considerable number of self-employed persons operate in the informal or black economy. These persons find it preferable to do business outside the framework of a legally trading entity and they do not pay tax or any other contributions expected

of legal enterprises and employers. An important issue is that black economy operators must in many cases constitute unfair competition for legitimate operations as they have less overheads and their prices are not affected by taxation. Some of this category may also work legally. The total numbers involved are unknown and any attempt to ascertain the numbers or the scale of activity they engage in would be fraught with obvious difficulty. It has been suggested that those operating in the black economy represent a large pool of potentially legitimate entrepreneurs. On this basis it has been argued that administrative changes (mainly relating to taxation) or other adjustments could bring large numbers of black economy operators into the legal economy. It was decided, therefore, that this survey of micro enterprise would be incomplete without some consideration of the characteristics of and issues affecting those operating in the black economy.

Findings

Seven males operating in the black economy were interviewed. All seven were supplying services directly to the public. The services were cleaning, delivery, two mechanical repairs, two plumbers and a carpenter. Although five persons were offering themselves as capable of doing the work of qualified tradespersons, only three in fact were actually qualified at their trade. Those persons involved in the cleaning and delivery services had not previously worked. The other five had some experience of working legally in the trade in which they are engaged. Five of these persons were officially unemployed and were drawing social welfare benefits in respect of unemployment. Four had family dependants. Their black economy operations were regarded as supplementary income which, when combined with benefits, gave a tolerable income.

Respondents were asked if they had considered legitimising their operation. The five unemployed persons had examined the possibility. One was investigating the Area Allowance (Enterprise) and found the retention of secondary benefits attractive. This person has no dependants and the differential between becoming legitimate and receiving the Allowance and earned income and remaining in the black economy may not be significant. For the other unemployed respondents their decision to remain in the black economy was based on the fact that their present income was assured with little effort. It was suggested that going legitimate and depending on one's own earnings would mean working considerably longer and harder to secure the same income. When the risk element was added, legitimate self employment is not seen as an attractive proposition. However, all five persons seemed quite knowledgeable about the available assistance.

The two employed respondents are qualified tradespersons. Both stated that they need to supplement their income by providing a cash service in the evenings and at weekends. These persons consider that their official remuneration is an inadequate return for their labour but both are planning to engage in legitimate full-time trading at some time in the future. Both have fully investigated the sources of assistance available to them.

All seven respondents were asked what developments would encourage them into the legitimate economy. Three unemployed respondents stated that they wished to remain as they were. The remaining four respondents expressed reluctance on a number of grounds. The bureaucratic requirements of legitimate self employment was seen as a major disincentive. When pressed about this, respondents usually specified that the requirements in question were those of the taxation authorities. The other concern referred to was that legitimate self employment might not be financially viable. All respondents agreed that, where applicable, the Area Allowance (Enterprise), seemed attractive. Besides its financial benefits the Allowance was seen as attractive because it was administered by the local Partnership Company which is not perceived as a State agency.

This chapter contains a brief look at the issues of micro enterprise failure and the black economy. The level of information is limited and firm conclusions cannot be drawn. However, a number of possible areas for further research have been touched upon. These include:

- ♦ the level of prior investigation carried out by those who operated failed enterprises; and
- ♦ the extent to which administrative changes (including changes to the tax regime) would encourage the legitimisation of black economy operations.

Chapter 8

Survey of Local Enterprise Support Agencies

Local enterprise support agencies were surveyed in order to describe their activities. The operation of these agencies in Ireland is not well documented and yet a description of support mechanisms to micro enterprises that excluded such agencies would be incomplete.

Characteristics of Local Enterprise Support Agencies

With one exception all enterprise support agencies spoken to were established in the period from 1984 to the present. Most were established as a consequence of a desire at local level to address in some way the rising level of unemployment which by 1984 was clearly not a temporary phenomenon. To a great extent these agencies reflect a change among local actors and their perception of the available methods of promoting local economic development and tackling unemployment. Respondent agencies expressed the view that their agency was initiated because of the desire to create vehicles which would enable communities to engage in self help.

Most agencies spoken to hold the view that local initiative and local effort is most effective in dealing with local economic development and unemployment. They state that this view has emerged as a result of their experience. It is also the result of what some refer to as "scheme disillusionment". In many cases local agencies were initiated as a result of a perception that nationally planned responses to local problems are inferior to either local initiative or local control of the resources deployed to meet local problems.

The Objectives of Local Enterprise Support Agencies

All the surveyed agencies are engaged in providing support to enterprises. The extent of that provision varied considerably, however, between those who merely provide enterprise advice as part of a larger advisory service and those who focused exclusively on enterprise support provision. Support services most typically

include advice, referral, mentoring and funding. Those not focusing exclusively on enterprise support operate to a wider brief related to economic and social development. All these agencies are concerned with responding to the issue of unemployment. This can take the form of strategies designed to ameliorate the social effects of unemployment on individuals and their families.

The stated objectives of agencies fall into three broad themes. These are usually expressed as employment creation, enterprise start-up and development, and development generally. To a great extent the set of objectives put forward by an agency reflects the agency's inception.

Employment Creation

The most frequently cited organisational objective was job creation. In some cases the objective was stated simply as "employment". When asked to elaborate, these agencies usually focused on the notion of viable job creation. Viability can be construed as social viability, community or local viability or economic sustainability. The notion of viability adopted by an organisation will have implications for the types of enterprises it promotes and assists. Some organisations are not always clear about the type of viability to which they are referring. The definition of "viable job creation" varies across agencies, necessitating the further breakdown of objectives into the two categories below.

Enterprise Start-Up and Development

Of the twenty five agencies surveyed, eighteen are concerned exclusively with enterprise start-up and development. These agencies focus on the start-up process and the development of their client enterprises. They are exclusively concerned with enterprise and their perspective is more economic or commercial than social in nature.

General Development of Locality

Seven agencies have a more general developmental role being concerned with a designated area and that role incorporates enterprise creation only as it arises as part of a wider development strategy. These agencies tend to have a different perspective to those agencies concentrating exclusively on enterprise. Being concerned primarily with the general development of localities they often take a less commercial view of viability. They can make decisions to support projects on the

basis that they will contribute to an overall development strategy rather than base decisions on the commercial viability of an enterprise as a separate entity. One agency participating in the survey is a charitable organisation and extends financial assistance to individuals starting businesses based on its own charitable objectives rather than any assessment of the commercial viability of businesses.

Legal Status of Agencies

The majority of support agencies operate as companies limited by guarantee. This seems the most appropriate legal form for the surveyed enterprise agencies as they are all non-profit making organisations. However, a number operate loan funds and charge interest on the loans they offer. One of the organisations captured in the survey is a registered charitable organisation. Two other agencies are in the process of applying for charitable status. A significant reason for seeking such status is that it allows tax benefits to donors to such organisations.

Criteria for Assistance

All agencies have a set of criteria, drawn up in accordance with their objectives. These govern the type of project or project promoter to whom they may give assistance. The most important criterion set down by most agencies is that of viability. However, as indicated above, there is a degree of variance among agencies as to what is defined as viable.

As mentioned earlier, a number of agencies assist and fund projects deemed to be of strategic importance to their areas. The agencies may themselves sponsor these projects to assist those establishing enterprises or to encourage more start-ups. Commercial viability is not the foremost objective here since in the view of agencies these projects are designed to increase general enterprise viability in an area.

Most of the agencies surveyed operate within a strictly defined locality. As such, most place geographical limits on the assistance they offered. Usually, an entrepreneur must meet one of a number of criteria. They must:

1. Be a resident of the area;
2. Intend to operate within the area;
3. Undertake to move operations to the area; or
4. Undertake to employ a number of persons from the area.

For agencies operating within a limited local area, most of those seeking assistance do in fact come from or work in their areas. Local agencies do not compete for clients. The scale of financial and other assistance offered is generally insufficient to lead to such competition.

Stage of Intervention

Support agencies may give assistance at different stages of enterprise development but most confine their activities to projects which are at the pre start-up phase or enterprises which they have assisted to establishment and to which they render post start-up assistance. Increasingly, agencies provide this latter kind of ongoing development assistance.

Information Dissemination

The dissemination of information varies widely among the surveyed agencies. This is possibly the result of the value different agencies place on this activity and also of the resources and possibilities available to agencies. A surprisingly large number of agencies (11) rely totally on word of mouth for the dissemination of information about their activities among potential clients. Several reasons were advanced for this. Some agencies found that in their particular locality word of mouth was an effective means of informing potential clients. This may be the case but it seems to indicate a lack of professionalism. In other instances, principally those involved in providing finance and/or premises, a deliberate decision has been made not to proactively publicise the agency activities. Here, demand for the service on offer usually far outstrips the capacity of agencies and they argue that publicity among potential clients, would serve no useful purpose. In general, the results of this survey suggest that local agencies do not accord the dissemination of information a high priority and, taking account of the resources available to them, this is not surprising.

Area Based Partnership companies, County Enterprise Boards and Leader Groups have better resources and thus greater potential to publicise their activities. In addition, two non-Dublin agencies make very effective use of their local newspapers. They do so by promoting the potential of micro-enterprise generally and by doing so, also publicise themselves. The Irish Trade Union Trust (ITUT), which supplies a support service to the co-operative sector, can rely on its extensive Trade Union links and the close knit co-operative movement to heighten awareness of its

activities. The Irish Congress of Trade Unions (ICTU) network of Centres for the Unemployed act as local contact points for ITUT.

Links with Similar Agencies

Generally, linkages between local agencies are weak and the level of networking activity is negligible. It was evident, however, that in Dublin a number of funding agencies co-operate. As will be outlined later, some operate what amount to matching funds arrangements. Others are in the process of negotiating such arrangements. Also in Dublin a number of space providers have co-operated in making joint submissions for funding. No national network, federation or umbrella organisation of any kind was mentioned by the agencies surveyed.

The focus of most agencies is firmly fixed at the local level and while agencies may mention macro-economic concerns related to taxation, etc., very few mentioned the difficulties they faced in the context of a wider set of concerns facing local enterprise support agencies generally. Given the relative newness of locally based or community based enterprise support agencies to Ireland, this is understandable.

A small number of agencies have continuous contact with the Chambers of Commerce. One agency was established through the efforts of Chamber members. None of the local agencies captured in the survey had ongoing contact with the Irish Business and Employers Confederation (IBEC) or with the Small Firms Association. The agencies do have ongoing contact with the Area Based Partnership Companies, Leader Groups and there is evidence of contact also with the County Enterprise Boards.

Contact with State Agencies

FÁS is the State agency with which most agencies have contact (64%). A number of agencies relied on FÁS for resources during their own start-up phase and some continue to rely on FÁS to fund current provision. Seven local agencies have depended or continue to depend upon Community Enterprise Worker Grants for resources to employ staff. This provision under the Community Enterprise Programme (now subsumed into the Local Enterprise Programme) is an extremely important resource to agencies seeking the means of providing assistance at local level.

The Social Employment Scheme was used by two agencies at start-up phase and a third relies upon the scheme, now replaced by the Community Employment Programme, for its staff resources. The Community Youth Training Programme (now part of Community Training) was used by two other agencies for the conversion of buildings to enterprise space.

In addition to the above, one local agency has an arrangement with the local FÁS Training Centre to be notified when Enterprise Training courses are nearing completion so that they may inform them of their services. Three agencies reported ongoing contact with the industrial development agencies but none were in touch with An Bord Trachtala (The Irish Trade Board).

The Resources of Agencies

Agencies usually rely on a mixture of funding sources. Exceptions to this are the PESP Partnership Companies and two agencies established to manage enterprise assistance measures funded by deduction at source schemes in large enterprises. The majority of agencies are dependent on resources of a temporary nature and must engage in continuous fund raising. This in itself constitutes a considerable drain on time and resources. Eight agencies expressed the view that their future operation might be curtailed because of an anticipated lack of resources. Staff resources are usually funded through schemes such as the Community Enterprise Programme, the Social Employment Scheme or in a small number of cases by direct sponsorship from large enterprises.

On the whole, for the range of supports offered and the level of activity undertaken, it seems that the staff resources of agencies are used effectively. In some cases, agencies manage to deliver a wide range of services with what can only be considered inadequate staff resources. However, inadequate staffing resources must lead to a less than optimal service.

Contact with Educational Establishments

Only five agencies reported ongoing contact with educational establishments. In three of these cases the contact was due to some of the agency's board members also being members of the boards of educational establishments or being employed in these establishments.

Actions sought by Local Support Agencies

The concerns of agencies clustered around two broad themes. These were the survival of their organisation and a desire to see increased and improved micro enterprise support provision generally. A number of organisations, comprising roughly 40% of respondent agencies, stated that their outlook and ability to plan was severely limited by the need to raise funds for their own operation. These organisations see increased and more structured State funding as a need for local agencies. The other major concern expressed was that micro enterprise should receive adequate provision. In this context respondent agencies were concerned about the low level of provision and the lack of co-ordination of provision.

The Services Provided by Local Enterprise Support Agencies

A number of different local enterprise support roles can be identified as described earlier. Respondent agencies were asked to categorise the types of services they provide and the results of this categorisation are shown below.

	<i>Number</i>
Advice	23
Referral	24
Training	2
Mentoring	3
Initiation	6
Post Start-Up Support	14
Strategic Development	13
Funding	19
Space Provision	9
Other	6

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The majority of agencies fulfil a number of enterprise support roles but four have an exclusive funding role. All four funding agencies are based in Dublin and they rely, to a large extent, on other agencies, primarily local enterprise support agencies, to refer clients to them. These funding organisations usually expect a certain amount of vetting to have been carried out by the referring agency and also that the referring agency will have ensured that all relevant information, including business plans, will have been assembled.

A further two agencies advise and refer only. These are locally based advisory agencies who operate to a broad brief of addressing the social and economic consequences of unemployment.

Advice and Referral

As shown in Table 23, the majority of agencies offer an advice and referral service. The availability of advice and referral information and the quality of that information was frequently commented upon by both the enterprise support agencies and the entrepreneurs included in this survey. This will be referred to later in conjunction with the issue of the co-ordination of services.

Enterprise support agencies often provide assistance with assessing the viability of a business idea. The FÁS Enterprise Training measure gives would-be entrepreneurs the opportunity to develop a business plan and carry out market research. The Community Enterprise Programme provides community groups with similar opportunities. Local enterprise agencies provide hands on assistance and support during the start-up phase and facilitate the exploration of the viability of an idea without making much of a commitment in financial terms.

Training

Although most local agencies do not provide training, many facilitate valuable learning experiences for their clients. Mentor systems, described below, are a good example. Neither of the two enterprise agencies that provide training originally saw such provision as a central organisational objective. One of these, ITUT, provides training exclusively to the co-operative sector and as such provides sector specific training which would not otherwise be available. The other agency, the Get Tallaght Working Group, an innovative local agency in Dublin profiled in the 1993 report on enterprise measures, has developed a training package for its own clients.

This is the NEST (New Enterprise Support Trust) pilot programme developed for the long term unemployed who have set up in business. The programme centres on developing business skills, personal development and maintaining motivation. It involves a year long commitment and includes weekly structured group sessions, weekly one to one sessions for individual problem solving and motivational evenings with guest speakers. Progress is carefully monitored throughout the programme. Their programme is structured into three phases - the pre-business plan, business plan to start-up and post start-up phases.

Mentoring

Mentoring includes the provision of advice but it also involves much more besides and needs to be considered separately. Mentors or business advisers are usually experienced business persons who offer their advice and experience to those at start-up phase. Forbairt operates a Mentor Programme but no respondents used it. In general, respondent enterprises are not eligible for Forbairt assistance.

Three of the agencies surveyed offer a mentoring service. These agencies maintain panels of volunteers who do not receive remuneration for their efforts. Usually a mentor gives a minimum of a couple of hours a month to the start-up they are dealing with but more time will be given if needed. The agencies try to match a business person with relevant experience to the needs of particular start-ups. A good "match" is important. The concept of the mentor or business adviser requires that he/she can be taken into the confidence of the entrepreneur who knows he/she can share confidential and sensitive business information with the adviser who is then in a better position to advise. The experience and track record of mentors makes their advice valuable for entrepreneurs. It is important that entrepreneurs are assured that information shared with mentors remains absolutely confidential as the agency matching entrepreneur and mentor may also be extending financial assistance to the enterprise.

Project Initiation

A number of agencies engage in, or have engaged in, project initiation. They may have identified an opportunity which could arise through the needs of existing business in an area. An agency may then endeavour to find a promoter to take on the project or may seek to manage the project itself. In some cases concerns about the viability of a project may be outweighed on the basis that it serves a wider strategic need. In these circumstances, the support agency may decide to manage the project itself. Overall the amount of project initiation activity carried out by

respondent agencies was very small and this type of activity was seen as peripheral to their main objectives. A number of agencies suggested that there may be potential in the project initiation approach and that their attempts in this area were limited by a lack of resources and relevant links.

In the case of ITUT, the agency providing support to the co-operative sector, initiation can take the form of rescue operations. Under the Phoenix Programme ITUT assists the employees of enterprises facing closure to, where viable, undertake a rescue of the enterprise or part of it through the formation of a co-operative enterprise. The dissemination of information about the Phoenix Programme was assisted by a Euroform project designed to instil awareness of the possibilities of this type of enterprise rescue among Trade Union officials.

Post Start-Up Support

Fourteen agencies provide follow-up support beyond the initial service offered at start-up phase. Some are funders who wish to maximise repayment possibilities by enhancing the chances of success of their clients. It is of concern that eight of the funding agencies surveyed provide no follow-up support.

Strategic Development

Strategic development refers to enterprise activities designed to promote the concept of enterprise or the infrastructural supports necessary for enterprise development. These developments can take the form of enterprise information dissemination or the provision of information technology services including databases of local firms, etc. Thirteen agencies engaged in such activities.

Finance Provision

As mentioned earlier, four agencies operate exclusively as finance providers. The other fifteen who provide finance, offer financial assistance in the context of an overall start-up support package. It is of note that only one agency is both a finance and space provider although one other offers a rent subsidy to its clients.

Finance is usually offered in the form of either a grant, sometimes referred to as a non-repayable loan or a low interest loan. Only one surveyed agency gives what are in practice non-repayable loans. The administration of loan funds is usually

rigorous in that, despite high failure rates, agencies are concerned to maximise the repayment of loans. Some agencies will not consider an applicant until he or she has been dealing with the agency for a minimum period. Applications, including business plans, are required by all agencies interviewed and these are vetted by loan committees, usually composed of experienced business persons.

Some lenders operate as lenders of last resort. These agencies will consider funding a project only when the project promoters can demonstrate that they have been unable to raise finance through the normal commercial sources. This often occurs because of the promoter's circumstances rather than the perceived viability of the project.

Funding agencies, particularly in Dublin, often have arrangements to match each other's funds. This means that the risk associated with those projects rejected by commercial sources is spread among a number of local agencies. Once one or a number of local agencies have committed funds to an enterprise, commercial funders often agree to come in. In this way the local agencies can act as pump-primers freeing up other sources of finance because of the initial backing they give to enterprises. A number of the entrepreneurs covered by this survey would not have reached start-up phase but for this type of assistance.

Local enterprise fund providers usually have very limited funds to commit to projects and therefore often impose limits on the scale of funding they can offer individual enterprises. The typical limit applied to loans is in the region of £5,000 per project. However not all enterprises will request amounts up to the limit. As mentioned above, where an enterprise's funding requirements exceed an agency's limit, a number of agencies may combine to provide finance. Relatively speaking these are small amounts and yet the availability of such funds has facilitated the creation of enterprises which probably would not otherwise exist. Moreover, these funds have fulfilled this vital role in deprived or marginalised communities where enterprise creation and development might otherwise not have been an option. In this sense they are developing an enterprise culture in what are in many instances hostile environments.

A distinction should be made between agencies which fund projects on purely commercial grounds and those who do not. A number of the surveyed agencies will only advance funds to projects which they deem to be commercially viable. These agencies are more likely to be those exclusively focused on enterprise development. Other agencies will also advance funds to social or community businesses which do not seek commercial viability. These projects can aim to provide a needed local

service or to engage in business which creates employment which may not be commercially viable. The latter type of funder tends to be an agency with a wider development brief than enterprise support provision alone. The funding of social enterprise is often seen as an essential element of an integrated local development plan.

Agencies which lend rather than provide grant assistance lend at low rates of interest. The usual rates of interest are 5% or less while a few seek only repayment of their capital. A 5% rate may not seem very favourable in the present historically low interest rate environment; however, most lenders offer fixed repayment rates. Some offer a variable rate that is pegged at a certain percentage below the prevailing commercial variable rate. Only one lending agency insists on security for its loans.

All lenders spoken to expect a high rate of failures among those to whom they lend. Most estimate a failure rate of approximately 50% over a three to four year period. This is a matter of concern to those lenders who seek to operate revolving loan funds. These agencies attempt to recycle resources through repayments from one client to loans to another. The concept of revolving funds requires a reasonable rate of successful loans. Consequently, those who operate revolving loan funds often offer good continuing support services to their clients also. They also tend to be among those who operate to a more rigorous economic agenda.

The terms and conditions under which local agencies lend vary widely. In all circumstances, however, the agencies demonstrate a level of flexibility that the entrepreneur is unlikely to find in commercial institutions. Local agencies are also apt to be more lenient and understanding when loan default occurs. These two reasons make local loan funds more accessible and more attractive to those seeking a small amount of funds for the establishment of a micro enterprise.

Despite the high level of attention paid to funding it should be borne in mind that it is just one, and not always the most important, service provided by local enterprise support agencies. Funding as a tool to promote enterprise development can often be wasted unless it is part of an overall support package that is appropriate to the needs of entrepreneurs. Moreover, the experience of the funding agencies covered is that many of the entrepreneurs that approach them are not seeking finance. Many of those who do seek funding may be in more urgent need of other forms of assistance.

Space Provision

There were nine space providers among the agencies surveyed. All these agencies also offer advice, referral and ongoing support services to their clients. More importantly, they also act as an advice and referral service for the areas in which they operate. Those in the more remote areas may also act as project initiators. As mentioned earlier, only one space provider also provides finance for start-ups. Enterprise centres or clusters of incubator units can have additional effects beyond the provision of space. The concentration of micro entrepreneurs into locations where they may benefit from centrally provided services and the experience of other entrepreneurs is beneficial.

Other

The types of services referred to in this category have already been mentioned in connection with the information contained at Table 23 above. These are a range of miscellaneous services including the provision of professional services and the sourcing of business, suppliers, etc.. Some agencies have extensive private sector involvement or links, usually because of the way in which they were initiated or the composition of their boards of directors/management committees or panel of mentors. Six of the surveyed agencies can be described as usually providing these miscellaneous services as part of their provision.

The Development of Local Provision.

This report is timely in that as well as looking at the needs of local enterprise it also outlines the experience of a number of local and community support agencies. These organisations have filled the gap in public provision for micro enterprise at local level. Local agencies surveyed expressed the hope that the development of provision under the County Enterprise Boards and the PESP Partnership Companies will accommodate the experience of these local agencies.

Chapter 9

Conclusions

This chapter draws together the experiences of entrepreneurs and local enterprise support agencies as described in earlier chapters. The discussion is focused on issues arising from interviews with both parties. The conclusions outlined suggested improvements to provision that have emerged through the survey results. It is anticipated that any new actions could be accommodated within existing structures. However, specific conclusions are, in the main, not targeted at any particular element of the enterprise support structure. It is more appropriate for the relevant bodies to decide how best to accommodate these proposals.

Information

The availability of good information about micro enterprise start-up is a key factor in the provision of enterprise support services. Respondent entrepreneurs and agencies identified the unavailability of clear consistent information as an urgent issue to be addressed. The creation of one stop shops was seen by many respondents as necessary in this context.

Awareness of Micro Enterprise

Micro entrepreneurs feel that there is a lack of awareness among State agencies generally and policy makers in particular about micro enterprise and its needs. Indeed, in view of the qualifying criteria operated by some agencies, a number of micro entrepreneurs feel actively discriminated against. The recent report of the Task Force on Small Business recommends that a Small Business Division be established within the Department of Enterprise and Employment. An aspect of this division would be that it would draw together responsibility for matters relating to small business which are currently dealt with by a host of authorities. This Division is being put in place and improvements can therefore be expected in this regard.

The Co-Ordination of Services

Service provision and the quality of service offered by local support agencies vary considerably. This is, to an extent, dependent upon the resources available to agencies, but may also be related to the skills and expertise of those who work in those agencies. A lack of co-ordination is evident through the limited awareness among agencies of each other's provision and the confusion about agencies and their services discovered among entrepreneurs. The objective of co-ordination should be to ensure that clients receive as a minimum a basic advice, referral and planning service of acceptable quality.

The co-ordination of local services would enhance overall provision. This may not seem an attractive proposition for some community based or private sector voluntary organisations whose focus is very much at local level. However, such co-ordination could be achieved through the creation of a strong network of local agencies. An alternative would be for the State to contract provision out to selected local agencies who are deemed to provide services of an appropriate quality. The State could provide co-ordination and delivery could remain at a local level. It would be useful if a comprehensive survey of such services could be undertaken in conjunction with a rigorous assessment of the types of assistance start-up businesses require.

A considerable degree of confusion about the provision of State agencies was evident among respondent entrepreneurs and local agencies. Information about provision and the provision itself should be rigorously co-ordinated so as to provide simple access to users. The needs of entrepreneurs should drive the allocation of the responsibilities for provision.

Networking of Local Support Agencies

Local support agencies have made little or no attempt at networking at a regional or national level. This is understandable given that part of the rationale for such agencies is that they are focused at local level. Moreover, many agencies are also preoccupied with their own survival. In the absence of networks, the issue of co-ordination assumes a greater importance. It is unlikely that agencies will address such issues as their own training needs in isolation from each other. It is only in the context of a shared common experience that discussion of such needs and attempts at meeting them can be appropriately undertaken.

The absence of a network of local enterprise agencies should be rectified. Learning from other entrepreneurs is a method used often by entrepreneurs at start-up phase and a network could facilitate this type of learning. Such a structure could channel the efforts of those experienced business persons or organisations who wish to offer their experience to those at start-up phase. The Department of Enterprise and Employment could oversee the creation of such a national network through the County Enterprise Board system.

Representative Associations

While some survey respondents may belong to professional organisations or associations promoting sectoral interests, respondents have no contact with the Irish Business and Employers Confederation (IBEC), the Small Firms Association (SFA) or any other general employer or business organisation with the exception of two respondents who had some contact with their local Chamber of Commerce. While respondents were not asked to give their opinion of IBEC, the SFA or other such organisations some volunteered their view that these organisations do not represent the needs of micro enterprise.

Micro entrepreneurs value the advice and support of experienced business persons. The one on one exchange of information that takes place between an experienced business person and a person involved at start-up is the type of flexible learning experience that entrepreneurs prefer. In this context the employer and business representative organisations form a significant untapped resource. These organisations should investigate the possibility that their existing membership might be willing to participate in efforts to transfer the benefits of their experience to micro enterprise. From the perspective of such organisations, attempts to assist micro entrepreneurs could yield long term dividends in the form of increased membership.

The Local Focus of Enterprise Support Provision

Survey respondents were consistent in expressing their preference for locally administered and delivered services. In most cases they prefer to deal with community or locally based organisations and, if possible, to take advice and support from other business persons, to dealing with State or national organisations or schemes. From the point of view of the State, it must be recognised that development work with micro enterprise means dealing with many enterprises which will initially create little employment. It may be more

appropriate that local agencies carry out this type of work as the measurable short term return for investment may make it unattractive for large State agencies.

Local agencies refer to the empowerment that is gained through local action. Most agencies were established to fill a gap in support services. Local promoters initiated the process that led to the establishment of a local enterprise support structure. The process of developing these structures has led to the development of invaluable experience in local communities. Capacity building in terms of local development has not been the least of the spin-offs from the agencies. This is of particular importance in marginalised or deprived communities.

FÁS and the Provision of Services

FÁS provision for micro enterprise includes the Community Enterprise Programme, the Enterprise Scheme and Enterprise Training. These measures were the subject of an evaluation report produced by the ESF Programme Evaluation Unit in 1993. FÁS is in the process of rationalising its enterprise provision taking account of some of the recommendations of the 1993 report. The Enterprise Scheme, Enterprise Training and the Community Enterprise Programme, including the activity of the CDU, will be integrated to form the new Local Enterprise Measure.

During the course of interviewing respondents it became apparent that some respondents were reluctant to approach FÁS because they perceived FÁS as a training agency for the unemployed and not as an agency involved in industrial development. There was considerable support, however, from those who had benefited from the Community Enterprise and Enterprise Training aspects of FÁS provision.

Training

The very small amount of formal training taking place among respondents is a cause for concern. To an extent this is understandable, particularly in the one person operations which comprise the majority of our sample. However, one person and other very small operations are precisely the businesses that suffer from lack of management capacity. A lack of management capability was evident among respondents and was most dramatically manifest among entrepreneurs who were unwilling to relinquish any corporate responsibility. In some cases this was a factor inhibiting expansion.

This survey and other research confirms that there is a correlation between enterprise size and training activity. This raises a number of issues in connection with micro enterprise. Are micro enterprises too small, as many respondents say, for effective formal training to be practically carried out? If this is the case then training providers and those who fund them should examine the possibility of facilitating the learning activity that does take place among micro entrepreneurs.

A significant finding of this survey is that much learning activity, as opposed to formal training, takes place in micro enterprises. Moreover, the type of learning activity is most often through interaction with other business persons, either those in a similar start-up position or those who are more experienced in business. Interaction with mentors or fellow business persons is most likely to stimulate learning.

Micro entrepreneurs are not being reached by the training providers. Training agencies need to devise innovative methods, and examine new emerging methods of training delivery, to reach micro entrepreneurs in order to promote awareness of training. This is particularly necessary in the case of management training and its benefits for micro entrepreneurs. This is an area in which ESF funding could be used to great effect as a catalyst, perhaps under one of the new Community Initiatives. Consideration should also be given to the provision of resources to support the types of learning activities that take place in micro enterprises. Support could be given to mentor systems operated by local agencies. Representative organisations could have a role to play in providing such support as would networks of micro entrepreneurs.

The dissemination of information about training and the effectiveness of training provision itself are diminished by the absence of a co-ordinated national support structure. In the case of training information, it is apparent that the lack of focal points or one stop shops is a major drawback. It is also the case that training which is not part of an integrated support package must be less effective than training which is delivered as an element of such a package.

This report focuses on entrepreneurs and the services local agencies provide for them. There are other issues affecting the quality of those services which were not touched upon. What are the skills and experience of the staff of local agencies? What training programmes have they themselves undertaken? Do local agencies run any training programmes for their own staff? Although these issues were not addressed, it is quite likely that the skills and training experience of local agency

staff vary considerably. Training within local support agencies is an issue that is not tackled in this report but there can be no doubt that the extent and quality of such training has a considerable impact upon the services offered by local support agencies. This is an issue that would require consideration in the context of the possible channelling of State resources through those agencies.

The Unemployed

The unemployed represent a significant proportion of those who establish micro enterprises. The two broad measures to financially assist the unemployed, encountered through this survey, are the FÁS run Enterprise Scheme and the modified version of this run by Partnership Companies as part of their approach to combat long-term unemployment in their areas. Both measures are probably cost efficient as it is quite likely that a significant proportion of participants would not have established businesses and would have remained in receipt of a similar amount to the subsidy in the form of unemployment payments. At the very least these schemes add to the viability of micro-enterprises at the critical phase of start-up. A significant lack in the FÁS schemes, highlighted in the 1993 evaluation, was the absence of structured follow up support. Structured support and follow up would greatly increase the likelihood of success among subsidy recipients. The proposed inclusion of such activity in descriptions of the new FÁS Local Enterprise measure is therefore particularly welcome.

Market Research

A degree of complacency among micro entrepreneurs about the need for market research was encountered. Promotion of awareness of the benefits of market research needs to be undertaken. However this would be most appropriately done as part of a general enterprise promotional campaign.

In terms of encouraging entrepreneurs to undertake research the FÁS Enterprise Training measure is a positive contribution as is the insistence of voluntary and private funding agencies that their clients undertake research before receiving funding.

Business Plans

Most agencies covered by this survey used the business plan as a basic means of analysing business proposals. The provision of assistance for the completion of business plans should be widely available as a good business plan is an important part of the pitch micro entrepreneurs make to funding agencies including commercial lenders.

Premises

In certain areas, the provision of assistance with premises goes some of the way to making it affordable for potential entrepreneurs to establish businesses. If the cost of failure can be minimised then the number of persons willing to establish small businesses and to risk failure should increase. Increased provision of suitable premises for micro enterprise start-ups in areas of shortage could be achieved through the conversion of existing Forfás premises or the subvention of local space providers.

The Black Economy

Two types of black market operators were encountered in the survey. There were persons who wished to establish a business but felt that legitimising their operation would involve too much investment, in terms of time and responsibility for the perceived return. Other individuals engaged in black market operation to supplement their earnings or social welfare benefits. Some of these have no desire ever to engage in legitimate operation but some would consider it if they perceived that an adequate return could be made. An individual's decision to remain in the black economy is to a great extent determined by the manner in which the tax and/or social welfare system affects that individual's income. In this context developments such as the Area Allowance (Enterprise) operated by the PESP Partnership Companies is a welcome innovation. Respondents expressed the opinion that this scheme is an improvement over the Enterprise Scheme in that it recognises that the loss of secondary social welfare benefits would in some cases be a prohibiting factor.

There is potential for converting a portion of those operating in the black economy into self employed persons. It is encouraging that those interviewed as part of this survey are aware of those facets of the taxation and social welfare systems that

affect them and the assistance offered by agencies. Some of those interviewed re-evaluate their decision to remain in the black economy on a regular basis. This suggests that some of these persons are amenable to change. The Area Allowance (Enterprise) Scheme operated by the PESP Partnership Companies is a useful model for the type of scheme that may encourage persons into legitimate operation. A national scheme would have the potential to encourage unemployed persons into self employment. Consideration should be given to the institution of a national scheme along the lines of the Area Allowance (Enterprise) Scheme.

Capital

Due to their high failure rate and the "fly by night" perception that seems prevalent in relation to micro enterprise it can be difficult for entrepreneurs to source capital. Some start-ups find it impossible to find finance in the commercial market. Commercial lenders are cautious about lending to very small operations with little in the way of assets or track record. Local enterprise agencies may fill the gap to some extent, usually in the form of the provision of low interest loans. These local loan funds provide an invaluable alternative source of capital. The funds usually apply commercial criteria to loan applications but lend to enterprises and persons that will not normally secure commercial funding. Indeed the criteria for consideration for some loan funds is that the applicant has been rejected by the commercial lending sector.

Given the high failure rate among micro enterprises local agency loan funds are usually very tightly administered. There is also usually little or no overheads attached to their operation. Local agencies can provide a limited amount to each project which is usually far short of the total financial requirement of projects. However, the importance of such loans is that they are often the first form of financial assistance received by a project and can work as a significant boost to confidence. These loans can also serve as a vote of confidence which will encourage other agencies or commercial lenders to lend to projects. Local enterprise support agencies are often instrumental in referring projects to these other agencies or lenders who will then look more favourably upon these projects as they perceive them as having undergone some form of vetting.

Local enterprise loan funds fulfil a much needed role. They can provide finance for individuals and projects that would not otherwise find an initial source of capital. If an increase in the number of micro enterprise start-ups is to be achieved, it is clear that loan funds, preferably locally administered, should form a significant part of the support available.

Loan Funds versus Grant Aid

It is clear from this survey that the sectoral bias of funding discriminates against the majority of micro enterprise start-ups which are in the services sector. Most State funding is directed towards the manufacturing and internationally traded services sector. However, most new employment created in recent years has been in the services sector. The argument against grant aiding service industry is largely bound up with concern about displacement of existing business and deadweight attached to grant aid intervention. These concerns may have been used as a rationale for near non-intervention in relation to micro enterprise. Here the perception of micro enterprise as "messy" or not as easy to deal with as other types of businesses may have contributed to the lack of intervention.

The arguments against grant aid probably still hold true. The difficulties that survey respondents have encountered in raising capital suggests that intervention in providing low interest loan funds may be more appropriate to the needs of micro enterprise. It can be argued that such intervention would correct an anomaly that has militated against maximising the number of start-ups and the expansion of existing businesses. The lack of capital on suitable terms has clearly hampered the development of micro enterprise.

Intervention through low interest loan funds could be designed to increase the number of start-ups which would be a welcome development. Repayable loans are also less costly than grant aid. It would have to be recognised that because of the high failure rate of micro start-ups, a proportion of loans would be unpaid. In addition, such an approach would create some displacement through increased competition. The micro enterprise sector as a whole could be strengthened, however, and a number of firms would be assisted in growing into larger entities which could have the potential to look beyond the very local service market. More stable employment would therefore be generated and these firms would serve as a better foundation upon which to base local development. Stronger micro enterprises might also be more amenable to availing of the training in management skills which the sector largely lacks at present.

In an approach such as that outlined above, there needs to be flexibility in terms of the size of loans. No lower limit should be placed on such loans. The Report of the Task Force on Small Business suggests that degrees of eligibility rather than total inclusion or exclusion be used for making decisions relating to grant aid. This approach could be used in making decisions relating to loans in that some services

may be adjudged to have little or no potential beyond the very local market in which they operate. A number of exclusions could be maintained.

In conclusion, it is clear that the difficulties experienced by micro enterprises in sourcing finance are a barrier to development. The State could intervene in this area and assist with the provision of loan funds. County Enterprise Boards could consider contracting part of their financial role to local agencies, particularly in areas of disadvantage within their remit. This devolution to the local agencies should also involve financial assistance towards the other services offered by these agencies. Essential features of well run local loan funds are that they offer low interest repayable loans, that they assess projects on a commercial basis and that they are linked to a wider support package.

Enterprise Support and Community Organisations

The extent of enterprise support available from community organisations varies. These organisations are usually focused on the social problems of their areas and enterprise development can be a peripheral activity. Community groups, particularly those in disadvantaged areas, tend to give priority to dealing with the affects of high unemployment. However, some communities have established separate structures to develop local enterprise and the Get Tallaght Working Group described in the 1993 report is a good example of this type of initiative. In general, the relative lack of available resources must account for some of the paucity of community organisations in the area of enterprise development. However, where resources have been made available to assist community organisations to operate their own enterprise development programmes they have often been very successful. The Community Enterprise Programme (CEP) is useful in this context in that a portion of expenditure under the programme is available to community organisations to operate their own enterprise support activities. From discussions with community groups and those who have used the enterprise services provided by community groups it is apparent that the devolution of control to local agencies is the key to this success. Available funds under the CEP are low and the 1993 report recommended that CEP expenditure be increased. Under the Local Enterprise measure, CEP expenditure will continue but the level of expenditure is not easily distinguished within the integrated measure.

The Loners Who Want No Assistance

There will always be a proportion of entrepreneurs who will not seek advice or assistance and many of these may not need this support. However, the impression gained from speaking with some of these entrepreneurs is that they have no wish to waste time and effort in what they see as a tangled maze of unco-ordinated and irrelevant agency requirements. Increasing the national and local co-ordination of services might therefore encourage this group to think again of the possibilities for growth and expansion. As services become more relevant to the needs of micro enterprise it is likely that these persons will begin to use such assistance.

Enterprise in Rural Areas

A number of enterprises and enterprise support agencies were visited in rural areas. One common theme encountered was that establishing enterprise in these areas entails added difficulty. There is usually a lower population base to sell a product or service to but perhaps more importantly there is usually a low level of development which in itself impedes enterprise success. Very often the enterprises interviewed sell their product or service to other, larger, firms. Developed areas have a base upon which to establish micro enterprise development that is often missing in remote rural areas. The Leader Programme, which has the facility to grant aid strategic developments in rural areas, may improve matters.

Exporting and Import Substitution

The local service focus of most micro enterprises excludes them from the possibilities of exporting or of undertaking import substitution. Manufacturing enterprises have some potential in this regard. However, there seems to be little awareness among respondents about the possibilities of export markets and import substitutions. An impression was gained that this may be due to a belief that micro enterprises are not appropriate to this sort of activity. This is an issue that needs to be addressed in the light of the potential that exists for import substitution among some enterprises.

The Collection of Data

It was stated at the beginning of this report that a shortage of information about micro enterprise in Ireland was evident. This report forms only a small part of the effort required. A number of interventions in favour of micro enterprise are suggested below and the collection of data about micro enterprise could be integrated into the administration of such interventions. For simplicity's sake this information should be collected once only from each enterprise at an initial contact point. This information would be useful in following up enterprises which have been assisted and the measurement of activity and impact would be facilitated. Impact assessment would require follow up procedures for at least a sample of the overall population of assisted persons.

Final Comments

The present support provision for micro-enterprise is patchy in its extent and quality. Information about support is not easily available or accessible and the range of services is confusing to potential users. The greatest improvements that the State could bring to provision are co-ordination and a degree of standardisation. The State can use its resources to bring about the co-ordination of services by contracting local agencies to provide a guaranteed level and quality of support services. The allocation of resources should be contingent upon the range and quality of such services. Contracting arrangements could solve the problem of uneven provision and considerably ease the problem of under-resourcing experienced by local enterprise support providers.

It is necessary to reiterate that this study is exploratory in nature and the obstacles to rigorous research in this area have been outlined. However, a number of areas for further research have emerged. These are:

- ◇ the means by which representative information about micro enterprise can be efficiently collected;
- ◇ based on the above, a thorough investigation of the needs of micro enterprise could be undertaken;
- ◇ rigorous exploration of the training needs of micro enterprise including:
 - ☆ identifying training and learning activity within micro enterprise;

- ☆ identifying other training and learning activity that can potentially impact upon micro enterprise;
- ☆ exploring the means by which the training agencies can best impact upon micro enterprise;
- ◇ establishing by means of baseline studies the range of locally provided support services;
- ◇ exploring ways of maximising growth among micro enterprise;
- ◇ a number of areas for further research in relation to enterprise failure and the black economy were outlined in the relevant chapter.

Finally, it is important to mention the interest shown by respondents to this survey. The ESF Programme Evaluation Unit is grateful for the co-operation it received from respondent entrepreneurs and local support agencies.

Appendix 1

Structured Interview Questionnaires

Information Needs From Start-Ups

Entrepreneurs

Characteristics

Age

Sex

Prior Status - Unemployed/Redundant
Training/Scheme
Home Duties
Retired
School Leaver
Other

Work Experience

(Including relevant skills and experience)

Level of Educational Attainment

Previous business experience

What was your motivation in establishing this business?

Enterprise

Characteristics

Type of ownership

Type of Business Operated (*Service/Manufacturing etc.,*) (Sector)

Is it full or part-time business?

How long is your business established?

Number of employees (*Full-Time/Part-Time*)

Issues

Capital (Include grants and subsidies)

Was capital required at start-up (or expansion)?

How was capital acquired (any problems, refusals etc.)?

Did you receive, or are you in receipt of, the Enterprise Allowance or the Area Allowance (Enterprise)?

Probe experience of allowance.

Premises

Are premises required?

Is home, commercial or other premises being used?

Were suitable premises available to you at start-up?

Probe re cost of premises.

Business Plans

Have you a business plan?

If yes

- Was it drawn up as a requirement of a funding agency?
- How useful is the plan?

Market Research

Was any form of market research undertaken prior to start-up?

If yes,

Was it undertaken as a requirement of a funding agency?

Export and Import Substitution

Do you export services/goods or are you engaged in import substitution? (probe for awareness)

If yes, how much of product/service ? (own estimate)

Competition

What level of competition is your business facing ? (*own estimate*)

Viability

Does your business

- yield a wage but no other surplus
- yield a profit
- yield no surplus (*breaking even*)
- make a loss
- other

Training

Has any training been carried out in your company since start-up?

If yes

- what was the nature and length of training?
- who undertook this training?
- who delivered this training?

Have you undertaken any training prior to start-up?

If Enterprise Training was taken

- How relevant was the course to the actual start-up situation?
- Was the business plan drawn up, as part of the course, of real use to you?

Follow Up Training Information

For those not training

Could you state any of the factors that militate against training in your case?

Are there benefits to be derived from training?

If yes, what are they?

If you were to undertake training what would be your preferred type of training?

- Management }
- Business }
- Technical
- Operational
- Other
- Don't Know

What would be your preferred methods of training?

Do you use other methods of learning aside from formal training? Yes/No

If yes, please state these methods.

Assistance from agencies

What assistance is available to you as a person starting an enterprise?

(if in difficulty assist by showing agencies and services list and ask if they are aware of services)

What agencies did you approach for assistance?

*(if no ask why and go to **)*

If yes was it for

- Advise (about other agencies funding etc.)
- Premises
- Training
- Other Reason

Do you consider that the assistance received was critical to your decision to proceed with start-up?

*Information***

What was your source of initial information about available assistance? *(if any)*

Do you consider that

- Enough start-up information is generally available?
Y N D/K
- That the available information is usable or accessible?
Y N D/K

General

Are there any general problems associated with start-up that you would like to mention?

Have you considered employing persons?

Have you considered expanding your business?

What could be done to improve the number of successful start-ups?

Any Other Comments

Failed Businesses Only

To what do you attribute the failure of the business? (*types of reasons*)
What in particular prompted your decision to cease trading?

Black Economy Operators Only

Do you have any dependants? (*ascertain how many*)

Are you

- in employment? (F-T/P-T)
- in receipt of unemployment benefit/assistance?
- in receipt of disability benefit?
- in receipt of other social welfare benefit?

Have you considered the establishment of a legitimate business?

Have you investigated the assistance that might be available to you? (*Probe for awareness*)

Why haven't you established a business?

Are there any comments you would like to make?

Structured Interview Questionnaire

Information Needs from Agencies

Legal Status

When was your agency established and by whom?

What are the objectives of your organisation including the motivation for establishment?

Services

What services are offered to persons establishing businesses?

What criteria are used to decide who may receive these services?

How does the organisation see its services fitting into the overall structure of enterprise supports generally available?

Information

What methods of information dissemination do you use?

Contacts and links

What links are maintained with other similar organisations to your own?

What contacts do you maintain with state agencies?

What contacts are maintained with educational establishments

Funding and resources

How does your organisation receive its funding?

What staff resources do you have?

What level of activity has been engaged in? (*quantify*)

What improvements could be made to overall services/general provision for micro enterprise start-ups?

What action could be taken to improve the services of local support agencies?

Are there any other improvements that you would like to suggest?

Any other comments?

Other Evaluations Completed by the European Social Fund Programme Evaluation Unit

- Preliminary Review on Community Employment (June 1995)
- Report on the Impact of Evaluations (May 1995)
- Evaluation Report on Training and Employment Grants (February 1995)
- Evaluation Report on the Vocational Preparation and Training Programme (August 1994)
- Thematic Evaluation on Women's Training Provision (April 1994)
- Thematic Evaluation on Recording Systems (April 1994)
- Thematic Evaluation on Impact Indicators (April 1994)
- Thematic Evaluation on Training of Trainers (March 1994)
- Survey of Employers (December 1993)
- Follow-Up Evaluation on the FÁS Specific Skills Training Programme (December 1993)
- Follow-Up Evaluation on the FÁS Industrial Restructuring Programme (December 1993)
- Evaluation of Certification Systems (December 1993)
- ~~Evaluation Report on FÁS Enterprise Measures (June 1993)~~
- Evaluation Report on the Human Resources Sub-Programme of the Tourism Operational Programme (June 1993)
- Evaluation Report on the Middle Level Technician and Higher Technical and Business Skills Programmes (June 1993)
- Evaluation Report on the Advanced Technical Skills Programme (December 1992)
- Evaluation Report on the FÁS Industrial Restructuring Programme (December 1992)
- Evaluation Report on the FÁS Specific Skills Training Programme (December 1992)

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