



## **Submission to the Consultation on the Reform of the National Micro and Small Business Support Infrastructure**

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### **Introduction**

Chambers Ireland is the country’s largest business network, with 50 affiliated chambers in every major market in the country representing businesses locally, regionally and nationally. We are dedicated to promoting competitiveness within the business community. In turn, this competitiveness can lead to economic growth, stability, and job creation and retention.

Our members have consistently worked alongside City and County Councils to provide a range of services and supports for all those within the business community, whether they are established MNCs or SMEs in the first phase of doing business.

Local Authorities are often the bodies best placed to respond to the needs of the local community and economy; however, they can only perform their functions if they use the expertise available from local businesses who understand the local landscape.

There is little doubt that the relationship between Government and the business community has changed in recent years. Given the reality of economic recession, most Governments are looking to small and micro businesses to become the engines of economic growth.

Therefore, there has been a renewed interest in enterprise policy. At its core these new policies are focused on Research and Development, innovation and education. The main shift is towards creating the best fiscal, legislative and physical environment in which businesses can succeed.

The role of Government moves from direct intervention towards a more 'holistic'<sup>1</sup> approach. Governments no longer operate in isolation and must form networks and interdependencies with other stakeholders: educational establishments; business leaders; chambers of commerce etc. The ultimate goal of this is to create the most supportive environment in which enterprise can flourish, entrepreneurs feel supported, businesses can grow and employers can retain existing staff and create new jobs.

Given that small and micro businesses make up 90% of the enterprise base, employing in excess of 622,000 people and contributing €10bn to the exchequer each year, it is essential that they are supported through robust structures and policies.

The objectives set out in the consultation document are admirable; it would be hard to disagree with aspirations such as

- Increasing the number and five year survival rate of start-ups,
- Increasing the number of start-ups by women,
- Increasing exports from small and micro businesses, and ultimately
- Increasing job creation.

However, this will only be achieved if Government listens to the views of organisations such as Chambers Ireland.

This submission reflects the views of the entire Chamber Network and the businesses they represent. More than anyone they understand the realities and challenges of doing business in Ireland today.

Our concerns focus specifically on the issue of Local Enterprise Offices. These new bodies, which will replace City and County Enterprise Boards (CCEBs) and be brought inside the jurisdiction of Local Authorities, have the potential to be highly influential; however, their efficacy will be dependent on a range of variables.

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<sup>1</sup> See Lenihan, H. 2001. *Enterprise policy evaluation: Is there a 'new' way of doing it?* Evaluation and Program Planning. 34. 323–332

It is our hope that this submission will contribute to the type of holistic policy required to support small and micro businesses throughout Ireland.

## Previous submissions

In July 2012, Chambers Ireland made a submission to the Department of Jobs, Enterprise and Innovation, following the publication of 'Supporting Economic Recovery and Jobs – *Locally*'.

The submission reflected our general priorities relating to the wider economy and more specifically to the Action Plan for Jobs (APJ). Our view remains that the APJ, while strong on aspiration and addressing many of the most important challenges facing the business community, has failed to deliver substantive results.

We also made a number of strong recommendations on Local Enterprise Offices. In summary these were:

1. The roles and functions of LEOs must be clearly defined. 'Mission creep' into areas already provided by the private sector must be avoided. There must be no duplication of services. The Terms of Reference (TOR) for LEOs must be clearly established.
2. Members of local business communities should be represented on LEOs at a governance level. The claim, in paragraph 1.7 of the Strategy, that local businesses will be consulted in decision making, should be copper-fastened at governance level.
3. The services provided by LEOs must be judged using clearly stated indicators. Performance metrics, exclusively focussed on 'hard' quantitative and qualitative measurements, must be used to confirm the amount of support activities undertaken for core customers, i.e. business start-ups employing one to nine staff.
4. Chambers recognise that Local Authority revenue sources must be broadened to ease the burden on the business community. This must be achieved without compromising the quality of services provided.
5. All efforts must be taken to contain costs and produce savings at local government level. These savings should be passed on to the business community.

We believe that these remain unaddressed in the most recent consultation document. While the introduction of a property tax, announced in Budget 2013, should lead to a broadening of Local Authority revenue, as per recommendation four, limited detail has been provided on issues such as the specific functions of LEOs or the metrics that will be used to evaluate them. It remains essential that these, and other, issues are dealt with fully before LEOs become operational.

## Concerns and Questions

Through consultation with our affiliate chambers, we have identified a range of concerns and questions that need to be answered:

1. What range and type of business supports (and to what level) are to be provided by LEOs? The consultation document is unclear on this. It is essential that clear Terms of Reference are established, focussed on delivering supports to business start-ups employing 1-9 staff.
2. How will Local Authorities ensure that there is no 'mission creep' into areas already provided by business support organisations in the private sector?
3. There is a lack of support on offer that will allow small businesses to expand. Ireland has a history of producing start-ups; however, when they get to a certain size entrepreneurs who lack management capability tend to sell overseas before the businesses become more successful.
4. With LEOs to be coordinated via Centres of Excellence within Enterprise Ireland (EI), does this imply that funding will not be available to indigenous, non-exporting businesses?
5. Does EI have a remit to grant funding to non-exporting businesses? If not, then this may need to be rectified for innovative new business start-ups that are not merely displacing existing businesses?
6. There are potential problems in the area of responsibility and accountability. Accountability and reporting structures are essential to ensure the effective operation, assessment and continuous development of LEOs. For instance, if a Department of Jobs, Enterprise and Innovation employee is working within a Local Authority (Department of the Environment, Community and Local Government) which department will be responsible for their decisions, and which department is ultimately accountable?
7. Will any provision be made for supports to be provided on a regional basis, thereby qualifying for European funding? The same issue applies with LEADER companies that may or may not fall within the remit of these new entities. It is our understanding that heretofore LEADER companies have been able to secure a higher level of funding at EU level.
8. While clearly agreed terms of reference, transparency of governance structures, and LEO reporting and review processes are essential, it is equally important that the Centre of Excellence is not overly prescriptive in terms of coordinating the services of LEOs. Unless the programmes and objectives of LEOs are grounded in, and responsive to, the business needs of its areas, there is a danger that LEOs will not sufficiently respond to the specific problems and concerns of local areas. This may further increase the possibility of displacement and duplication of services.

## Recommendations

### Objectives of LEOs

- **The core remit of LEOs must be exclusively to support start up companies of 1-9 staff only, as was the remit of CCEBs.**
- Promote a culture of enterprise, innovation and customer service.
- Create employment directly and indirectly through the support of local economic development generally and specific strategically agreed sectors.
- Increase the survival rate of businesses.
- Ensure educational providers are more closely involved in the development of local enterprise.
- Manage existing enterprise support resources, to best meet the needs of enterprise in local areas.

### Functions of LEOs

- We believe the LEOs must have two distinct functions:
  1. Firstly, they should offer a **limited range of business support services** on site. There is a danger that these new bodies will be given unnecessary additional powers to those already held by CCEBs. This could result in ‘mission creep’ into areas already provided by support services in the private sector. This would not only be inefficient, it would also be unfair to the providers in the private sector, who might find it difficult to compete with an organisation that receives funding and support from the State. Furthermore, LEOs could provide active support for initiatives within the private sector.

The Service Level Agreements between Enterprise Ireland and the LEOs must clearly define the roles and responsibilities of each LEO. These should reflect the number and level of enterprise support services already operational in specific geographical areas. For instance, there may be limited requirement for the LEO in Limerick, which already has an extensive enterprise support network, to perform specific functions. However, in other areas, where considerable gaps in support are identified, the need for specific services will be greater. With this in mind, while the Terms of Reference for each individual LEO must be clearly defined, the Centre of Excellence, located within Enterprise Ireland, must not be given excessive control over individual LEOs.

2. Secondly, LEOs should be the site where small and micro enterprises can go to receive **information on enterprise supports which are already available**, both locally and nationally.
- In essence, the LEO would become a ‘hub’ around which are clustered a number of ‘spokes’. Information could be accessed about:
    - State supports such as grants for Research and Development;

- Local Chambers of Commerce and the services they provide such as the Enterprise Europe Network currently hosted in Cork, Dublin, Galway Sligo, and Waterford.
  - Local educational opportunities for business people;
  - Rural Development Programmes;
  - Regeneration Programmes;
  - Enterprise Centres—(both publicly and privately operated).
- The LEO would have the additional function of evaluating these services and giving advice on which is most appropriate for businesses at each stage of their development. They could ensure that the services on offer provide value for money and guarantee there is minimal displacement or duplication of services. Clearly defined metrics must be agreed annually so that the effectiveness of LEOs is monitored and evaluated, and strategies and operational processes can be adapted as necessary to ensure services meet their objectives.
  - In order to perform these functions effectively, the **governance structure of LEOs must have representation from the various stakeholders who work in the enterprise support space**. This must include the business community.
  - It is essential that governance structures are transparent, politically neutral and not subject to the political influences of the local authority in which they are situated.

## Structure of LEOs

- Given that many small and micro enterprises involve individuals with limited experience in business, it is essential that LEOs are structured in a clear, coherent and user friendly way.
- Research from the Mayo Enterprise and Innovation Advocacy Group<sup>2</sup> proposes that supports should be available in five clearly defined areas:
  1. **Finance** – grants/R&D funding, banking, taxation.
  2. **Legal** – company registration, governance, compliance, patent registrations.
  3. **Business Support** – mentoring, marketing, market research, exporting, liaising with external agencies.
  4. **Innovation and Infrastructure** – ideas lab, networking, satellite offices.
  5. **Enterprise Education and Training** – start-ups, financial, customer relations, innovation.
- The LEO must be equipped to identify which supports are most important for each business; it must be able to give sound advice on which organisations can provide these services and support the business as it attempts to make sense of the plethora of available supports.

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<sup>2</sup> Enabling Enterprise and Innovation in Mayo, October 2012 (Co promoted by Castlebar Chamber and three other stakeholders in the County)

- Given that many businesses perceive Local Authorities to primarily exist as ‘rates collectors’, it is important that LEOs are marketed and branded in such a way that distinguishes them from the Local Authority. Businesses must see LEOs as ‘open’ and accessible providers of business supports.
- Finally, it is essential that staffing levels are maintained. There is a danger that service requirements will increase without a corresponding increase in staffing levels.

## Conclusion

The ultimate objective of LEOs must be to create an efficient and coordinated system of supports for small and micro enterprises across Ireland; which recognises the unique requirements of local businesses and the unique circumstances and challenges which face them in local areas.

LEOs have the potential to make a real difference to the number and success rate of small and micro businesses in Ireland. In turn, this could have a significant impact on job creation, with considerable knock on benefits for the entire economy. It is essential that LEOs do not become a ‘box-ticking exercise’ or a way in which Local Authorities justify business rates. They must have strong objectives, distinct functions and clear structures to produce outcomes that will benefit Irish businesses, the Irish economy and Irish society.