

Small Manufacturing Business in Northern Ireland

JAMES BATES
MAEVE BELL

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INTRODUCTION

1.1 Small businesses play a vital role in the economy of Northern Ireland. In manufacturing industry 1,252 out of a total of 1,542 establishments employ fewer than 100 people (1).

1.2 Until the establishment of the Bolton Committee (2) very little public or official attention had been paid in the United Kingdom to this important sector of the economy; even less attention had been paid in Northern Ireland. The Bolton Committee commissioned a great deal of valuable research into the problems of small businesses in Great Britain, but these researches did not extend to Northern Ireland.

1.3 Indeed, surprisingly few facts were available about small businesses in Northern Ireland. A general survey of management in manufacturing industry in Northern Ireland had been carried out by the Department of Business Studies at Queen's in 1967 (3), and some of the data in it pointed to some problems in the small business sector, but the survey had not been designed to deal specifically with small firms and little detailed information was available.

1.4 In order to make a start in filling in some of the gaps the authors designed a pilot survey to collect and analyse information on some of the operations of a number of small manufacturing businesses, to find out what the owners and managers regarded as their chief difficulties and problems.

1.5 The main problem areas about which information was sought were management, finance, marketing, labour relations, training, and the use of advisory services.

The Businesses Surveyed

1.6 Two major constraints on the survey were money and time. No financial support was provided by outside bodies and the survey was conducted at low cost from departmental resources; in order to fit in with teaching schedules it was necessary to compress the fieldwork into a very short period. These two constraints ruled out a survey of the whole of Northern Ireland; attention was therefore concentrated on firms employing fewer than 100 people and operating in the Belfast area.

1.7 The names of firms were taken from the list supplied by the Ministry of Commerce for the earlier (1967) management needs survey (3). Firms which had been approached in the earlier survey were excluded, as were all branch establishments; after these exclusions the names of 71 firms remained on the list, and interviews were completed with 57 of these. Table I describes the response.

TABLE I
Response of selected firms

Refusal	6
Closed down	3
Removed from Belfast area	2
Close association with firm previously interviewed	2
Insufficient information	1
Successful interviews	57
	—
Firms selected	71

1.8 This is not a representative sample of small firms in Northern Ireland. The firms described in this survey are 57 small manufacturing businesses in the Belfast area which had not previously been approached in surveys by the department; no other businesses had an opportunity to be included in the survey; firms established since 1966 could not be included.

Survey Method

1.9 In each firm the respondent was either the chief executive of the business or, in three cases where it was not possible to meet him, a senior manager.

1.10 The questionnaire, which is reproduced as an Appendix, was drawn up in the autumn of 1971 after exploratory discussions with a number of interested bodies and individuals; it was pre-tested in a number of firms and revised in accordance with this experience.

1.11 The interviews were carried out by members of the research staff of the department of Business Studies and by graduate students enrolled for the Master's degree and Diploma in Business Administration. For the graduate students the interviews formed part of a course on survey research.

1.12 Preparation for the fieldwork consisted of a training and briefing session which included analysis of the questionnaire, detailed training in interview techniques and practice sessions using the questionnaire.

1.13 Contact with respondents was made first by letter; this was followed by a telephone call to arrange an appointment. After the interview the completed questionnaire was returned to the department for processing.

1.14 Fieldwork started on 9th November 1971 and was completed by the end of the month.

2. CHARACTERISTICS OF SURVEY FIRMS

2.1 The major demographic characteristics of the survey firms are summarised in Table II.

2.2 The two biggest firms employed just over 100 people each (having reached this figure just before the survey took place); the smallest employed eight people and ten additional outworkers (an outworker is defined as someone employed by the company who performs his work in his own home).

2.3 The firms were in four main industries: textiles, clothing, engineering and food, drink and tobacco; the miscellaneous category consisted mainly of printing and furniture firms. Over a third had been founded before the turn of the century, and four-fifths before the end of the Second World War; young firms are probably seriously under-represented in the survey. The majority were private companies; approximately two-thirds were independent and not formally associated with another company.

Ownership

2.4 Table III summarises the ownership pattern of survey firms.

2.5 The traditional family firm has always been important in Northern Ireland. Respondents were asked for their own subjective assessment of whether they were a family firm; 2 out of 3 said that they were; 18 said that they were not, and in another 3 the family did not have a majority shareholding. In 7 out of 10 firms there were 3 managers or less; in approximately half of the firms some managers belonged to the family, and in the big majority of businesses either some or all of the directors or partners worked in the business. Boards of directors on the whole were small and

closely knit; in four-fifths of the businesses there were between 2 and 4 directors or partners, and in 2 out of 5 firms all of the partners or directors were members of the same family. By almost any definition the majority of survey firms were closely controlled family businesses.

TABLE II
Demographic characteristics of survey firms

<i>Size</i>						<i>No. of firms</i>
1-25 employees	...	...	...	...	...	9
26-50 employees	...	...	...	...	...	24
51-75 employees	...	...	...	...	...	13
76-100 employees	...	...	...	...	...	8
over 100 employees	...	...	...	...	...	2
n.a.	...	...	...	...	...	1
<i>Total</i>	...	...	...	...	...	57
<i>Industry</i>						
Textiles	...	...	...	...	...	10
Clothing	...	...	...	...	...	15
Engineering	...	...	...	...	...	8
Food, drink and tobacco	...	...	...	...	...	7
Miscellaneous	...	...	...	...	...	17
<i>Total</i>	...	...	...	...	...	57
<i>Date of Foundation</i>						
Before 1900	...	...	...	...	...	20
1900-1944	...	...	...	...	...	25
1945 and after	...	...	...	...	...	12
<i>Total</i>	...	...	...	...	...	57
<i>Legal form</i>						
Private limited company	...	...	...	...	...	51
Private unlimited company	...	...	...	...	...	1
Partnership	...	...	...	...	...	5
<i>Total</i>	...	...	...	...	...	57
<i>Subsidiary or other status</i>						
Is a subsidiary	...	...	...	...	...	5
Is an associate company	...	...	...	...	...	9
Both subsidiary and associate	...	...	...	...	...	5
Neither subsidiary nor associate	...	...	...	...	...	38
<i>Total</i>	...	...	...	...	...	57

TABLE III
The ownership of survey firms

	<u>No of firms</u>
<i>Family ownership</i>	
Family firm	31
Not a family firm	21
Partnership	5
<i>Total</i>	<u>57</u>
<i>Number of managers belonging to same family</i>	
All managers belong	7
Half or more belong	13
Less than half belong	4
No managers belong	27
Only one manager	6
<i>Total</i>	<u>57</u>
<i>Number of directors or partners</i>	
2-4 directors	41
More than 4 directors	10
2 partners	3
3 partners	2
n.a.	1
<i>Total</i>	<u>57</u>
<i>Family directors or partners</i>	
All directors/partners members of same family	25
Not all directors/partners members of same family	31
Not ascertained	1
<i>Total</i>	<u>57</u>
<i>Full-time or part-time directors or partners</i>	
Directors work full time in business	45
Directors do not work full time in business	6
Partners work full time in business	5
n.a.	1
<i>Total</i>	<u>57</u>
<i>Number of shareholders/partners</i>	
5 and under	36
Over 5	18
n.a.	3
<i>Total</i>	<u>57</u>
<i>Number of managers</i>	
One	8
Two	12
Three	19
Four or more	18
<i>Total</i>	<u>57</u>

3. MANAGEMENT

3.1 In the survey a manager was defined as someone who had the responsibility to plan, organise and control the activities of others; interviewers were instructed to satisfy themselves that the person concerned was above the level of a supervisor, that he actually took decisions, and that within the firm he was considered to be a manager.

3.2 Respondents were asked whether they ever had any difficulties because there were only two or three managers to run the firm. 35 respondents said that they had no problems; of the remaining 22 the majority had problems of delegation or supervision, excessive work loads, inadequate opportunity for specialisation or the employment of specialists, and being a jack-of-all-trades. The common dilemma of the small business is that the owner has to be his own expert in most things, but rarely has time to do anything as well as he would like; he cannot be up-to-date with management techniques, and he is frequently so absorbed with day-to-day matters that he has no time to act as a real manager. The detailed replies of the respondents indicated that these were recurring problems.

Delegation

3.3 But however much the owner either wishes or is compelled to do everything himself, there are times when he cannot; most businessmen have to be absent from time to time. What he does about running his business on such occasions should give a clue to what he ultimately does about delegation; in order to find out about this respondents were asked who would take charge in their absence if they had to go away for a month or so on a business trip.

3.4 The answers varied so widely that they could not be categorised; the main impression is that delegation was an *ad hoc* decision when such absences or other crises arose. In some cases other directors stood in; in others managers deputised if asked; sometimes other members of the family deputised or "kept an eye on things" whilst a factory manager took day-to-day charge (not all respondents were too happy about the capabilities of such family members); in a few cases the boss split his functions among supervisors as a short-term expedient; one respondent said "When I take a holiday the firm closes".

Management succession and recruitment

3.5 Only two respondents raised management succession as a problem; they were worried about who would take over and provide continuity. Other owners should have been worried, because they had no plans for imminent problems of succession. This important problem of the small business was not further investigated in the survey; it was left to emerge from an unprompted question, and the fact that it emerged twice only is some indirect evidence of the fact that the survey firms gave it insufficient attention.

3.6 Similarly management recruitment was not an everyday worry, but when the problem arose it did so in fairly acute form. Small firms with irregular management recruitment needs cannot be expected to have standard or regular procedures; equally they are unlikely to have a reserve of internal candidates for promotion. Firms in *The Management of Northern Ireland Industry* (3) relied mainly on local advertising, family connections and personal contacts; survey firms behaved similarly. An even bigger problem, however, was that of paying a salary sufficient to attract the right sort of manager; although it was (understandably) never mentioned by respondents, an even bigger hurdle may well have been the reluctance of family firms to offer the right conditions and prospects to a potential management employee.

Management training needs

3.7 Most managers and owners of smaller businesses feel that they lack something in either training or experience; respondents were asked to identify (without prompting) areas in which they personally would like to be better equipped. They were also asked at a slightly later stage (by a prompted question) to identify similar needs of their chief subordinates (if any). The answers are shown in Table IV.

TABLE IV
Training and experience needs of chief executives and chief subordinates

	No. of replies	
	chief executive	chief subordinate
Experience	—	5
General Management	11	6
Accounting	8	4
Finance	12	5
Sales and marketing... ..	5	5
Production and allied techniques	6	3
Other	8	4
Nothing required	14	20
Not answered	2	3
No subordinate	—	8

3.8 Training was generally a more important perceived need than experience; the major areas of need were finance and accounting followed by general management. The biggest category was "nothing required".

3.9 Human relations, man management or personnel received one mention only, and that in respect of a subordinate.

3.10 Bolton (2, para. 10.5) also looked at this question and commented "... it is interesting to contrast the outsider's view of the businessman's problems with his own." Few outsiders would agree that nothing was

required; few would feel it an accurate observation that human relations was an area in which training was not needed.

Management training courses

3.11 It is not easy for the managers of small businesses to attend formal training courses; respondents were however asked to say what courses they would find most helpful, both for themselves and their chief subordinates, if they could be made readily and conveniently available. Table V sets out the answers.

TABLE V
Potentially beneficial courses for chief executive and chief subordinate

<i>Type of course</i>	<i>No. of replies</i>	
	<i>chief executive</i>	<i>chief subordinate</i>
Finance	27	7
General management ...	21	20
Marketing	18	10
Production	16	13
Personnel	5	5
Nothing	4	12
No subordinate	—	8
Number of firms interested in courses	53	27

(Note: The categories in Table V are not mutually exclusive)

3.12 Not surprisingly interest in courses reflects the perceived weaknesses of managers and subordinates. Finance and general management are the main needs, although (perhaps because it is seen to be bound up with control and top level decision making) finance does not get a high ranking for subordinates. Marketing and production get lower rankings; personnel has the lowest rank.

4. LABOUR

4.1 Respondents were asked whether they had any problems with their work force, and were asked to say what the problems were; general labour problems were also mentioned at other times in the interview. Table VI gives the answers to the general question "in the last year or so have you had any particular problems with your work force?"

4.2 Unpublished data from the Management Needs Survey (3) showed that four out of five small firms (with 25 to 99 employees) were experiencing recruitment difficulties in 1968; the proportion was not so high in survey firms in 1971, but recruitment was still the commonest problem. Problems

TABLE VI
Problems with work force

	<i>No. of replies</i>
Recruiting	12
Absenteeism	10
Problems due to political unrest	10
High labour turnover	5
Other problems	8
No problems with work force	23

(Note: The answers to questions in Table VI are not mutually exclusive).

of recruiting, absenteeism, turnover, political unrest and so on are not easy to separate from each other; they are frequently symptoms of a general management problem of human and industrial relations. The salient fact is that three out of five firms had problems with the work force; most employers were dissatisfied with their work forces.

4.3 Comments made by the executives included:

- It is difficult to get the right type of worker (steady and loyal);
- Labour does not make the effort;
- Recruits have no capacity for learning;
- Interest taken in the work, compared to twenty years ago, is not the same;
- The government have made it more profitable for people not to work;
- Working conditions are bad;
- The female labour force is unstable;
- Girls take it in turns to take a week off.

4.4 Labour turnover was measured from employment data collected in the survey and was calculated by expressing the number of leavers during the preceding year as a percentage of the average number employed during the year; this is one of the cruder measures of labour turnover, which ignores some of the more interesting questions which might be asked, but it gives some indication of the broad dimensions of the problem. Table VII summarises the data.

TABLE VII
Labour turnover

<i>Percentage turnover</i>	<i>No. of firms</i>
Up to 20%	11
21-30%	13
31-40%	11
More than 40%	18
Not ascertained	4
<i>Total</i>	<i>57</i>

4.5 Two out of three firms had labour turnover of less than 40 per cent per year (which is frequently thought of as an approximate national average); this suggests that small manufacturing firms in Northern Ireland may possibly have slightly lower turnover than average. It would be unwise to rely too much on this suggestion or to deduce much from it.

4.6 Labour problems are not usually best investigated via highly structured questionnaire interviews of the type used in the survey; the most that can be concluded under this heading is that the answers reflect some management attitudes to labour problems.

5. *MARKETS AND MARKETING*

Competition

5.1 The smaller business more often than not has to try to sell its goods in competitive markets; it is true that some may have local monopolies, but the majority do not. The nature of the competition is not always clear, but unless the businessman has some fairly clear idea of it, he is unlikely to devise sensible competitive or marketing policies.

5.2 Respondents were asked a number of questions about the kind of competition which they faced; they were asked for their own opinions on these matters, and many of the answers represent intuitive estimates rather than precise information based on market research. The respondent had previously been asked to state his main line of business, and questions on competition related to this line of business only. The answers are shown in Table VIII.

5.3 Generally speaking the majority of respondents were up against what they felt to be strong competition, from a fairly large number of small local firms; a substantial minority however were competing against national, non-local firms. The answers on number of competitors are probably the least reliable of these figures—it seems unlikely that in the industries covered there should be so few competitors—and the replies merely say what the businessman thought.

Customers

5.4 The kind of work done by the firm can have a big influence on its marketing position and policies. In some businesses work to specification forms a substantial part of output; in others a substantial proportion of output consists of the making of standard lines of goods to be put on the general market. Table IX describes the marketing positions of respondents in these general terms.

5.5 Two-thirds of the respondents did work to specification, but less than one-third were dependent on such work to the extent of half or more of their output. Of the 37 firms doing specification work 32 considered that they were dependent on a small number of customers (this information has not been tabulated), and thought that it would be difficult to replace

TABLE VIII
The nature of competition (main line of business)

	<i>No. of firms</i>
<i>Strength of competition</i>	
Strong competition	41
Moderate competition	14
Not much competition	2
<i>Total</i>	57
<i>Source of competition</i>	
Mainly local firms	26
Mainly non-N.I. firms	18
Both about the same	13
<i>Total</i>	57
<i>Number of competitors</i>	
None	1
1-5	14
6-10	9
11-25	16
26 and over	6
Don't know	11
<i>Total</i>	57
<i>Size of competitors</i>	
Mainly national companies	11
Mainly small companies	36
Competition from both	10
<i>Total</i>	57

a customer should an order be cancelled. None of the "marketers" (firms making standard lines to put on the market) felt that they were dependent on a small number of customers; the "jobbers" (firms making goods to specification) on the other hand are particularly likely to be vulnerable in this sort of oligopsonistic situation.

5.6 Twenty-seven firms had had problems with customers in the preceding twelve months; complaints about delivery and quality were the commonest, but slack business and increased slowness of payment were not far behind. Over half of the firms however said that they had not had any specific customer problems in the preceding year.

5.7 Slow payment by customers may be an ongoing problem with many small firms; only twelve of the survey firms generally received payment within four weeks of delivery. The other side of the coin is that small firms rarely have the opportunity as customers to dominate their suppliers and may indeed be squeezed in both directions. Twenty-nine firms (just

over half) had had difficulties with suppliers in the preceding twelve months; by far the most important of these difficulties was slowness in getting supplies.

5.8 Many of the firms sold through more than one outlet; very few sold direct to final consumers. This classification of customers is crude, and does not distinguish between (for example) sales to retailers such as Marks and Spencer, on specification, and sales to retailers of standard lines.

Products

5.9 The Bolton Report (2, page 343) commented that one of the important economic functions of the small business is as a source of innovation in products, services and techniques (although only a few will actually play an inventive role in practice). Table X, which lists answers to questions on advances, improvements and new products indicates that firms in the survey do not themselves play a very important innovative role.

5.10 Thirty-six firms had no plans for new products, and of the 14 which said that they had plans, these turn out to be changes in product lines rather than new products (changes for example from the production of overalls to the manufacture of trousers). The majority of respondents were aware of advances and improvements in their industry, and the majority had used them; well over half of the improvements noted were either in machinery or materials. The two firms which had not used the improvements said that they were too costly.

Exports

5.11 Thirty-six of the respondents exported some of their products, but 21 exported less than 10 per cent of their output; 21 did not sell any goods outside the United Kingdom. (Table XI). Of the 36 exporters 14 sold to the Republic of Ireland only. The textile firms in the survey were different from other respondents in that each of the 10 firms had exported some of their products.

5.12 Nine of the 36 exporting firms had received help from the Export Services division of the Ministry of Commerce; some of the firms had never heard of the service, and one or two of the others reported unfavourably on it.

TABLE IX

Nature of work and customers (main line of business)

	<i>No. of firms</i>
<i>Nature of work</i>	
half or more of total output specification work	17
Less than half of total output specification work	20
No specification work	20
<i>Total</i>	57
<i>Customers</i>	
Retailers	23
Wholesalers	20
Direct to consumer	12
Industrial user (finished goods)	7
Other manufacturing firm (intermediate goods)	8
Agents	8
<i>Total (including those selling through more than one outlet)</i>	78
<i>Difficulties with customers</i>	
Inability to deliver on time	9
Slow payment	7
Slack business	7
Complaints about quality	2
Other difficulties	6
No difficulties	30
<i>Total (including those with one or more difficulty)</i>	61
<i>Difficulties with suppliers</i>	
Slow in getting supplies	23
Demands for early payment	4
Increased transport costs	2
Poor quality	1
Other difficulties	5
No supplier problems	28
<i>Total (including those with one or more difficulty)</i>	63
<i>Time lag between delivery and payment by customers</i>	
Less than 4 weeks	8
4 weeks exactly	4
4-6 weeks	8
More than 6 and less than 8 weeks	18
More than 8 and less than 12 weeks	9
12 weeks and over	9
<i>Total</i>	57

TABLE X

Innovations and new products

						<i>No. of firms</i>
<i>New product plans</i>						
Has plans for new products	...	...	...	...	...	14
Continuous small changes	...	...	...	...	...	3
No plans	...	...	...	...	...	36
n.a.	...	...	...	...	...	4
<i>Total</i>	...	...	...	...	...	57
<i>Advances/improvements in own industry</i>						
New machinery	...	...	...	...	...	31
Better materials	...	...	...	...	...	8
Improved design	...	...	...	...	...	5
Use of plastics	...	...	...	...	...	4
Other improvements	...	...	...	...	...	7
No advances or improvements	...	...	...	...	...	16
<i>Total (including cases where more than one advance was noted)</i>	...	...	...	...	...	71
<i>Use of advances by respondent</i>						
Have used	...	...	...	...	...	39
Have not used	...	...	...	...	...	2
No advances/improvements	...	...	...	...	...	16
<i>Total</i>	...	...	...	...	...	57

TABLE XI

*Exports**Proportion of products sold outside the United Kingdom*

						<i>No. of firms</i>
None	...	...	...	...	...	21
5 per cent and less	...	...	...	...	...	15
6-10 per cent	...	...	...	...	...	6
Over 10 per cent	...	...	...	...	...	15
<i>Total</i>	...	...	...	...	...	57

Sales forces

5.13 Fifteen of the survey firms employed a sales manager; in eight of these cases he was concerned exclusively with sales, and in seven cases he had other responsibilities as well (Table XII.)

TABLE XII
Employment of sales force

	<i>No. of firms</i>
Employs sales manager	15
Managing director performs function	19
Other directors perform sales function	15
Salesmen look after sales	6
Parent company looks after sales	1
n.a.	1
<i>Total</i>	<i>57</i>
Firm employs salesmen	28
Firm does not employ salesmen	29

5.14 In 19 of the firms the managing director himself was responsible for sales, along with his other responsibilities; in 3 cases another director or manager had the responsibility; in 12 cases the job was shared between two or more directors or managers.

5.15 In 6 cases a salesman was responsible for all of the sales aspects of the business. Just under half of the businesses employed salesmen.

5.16 The pattern is not untypical of the smaller business; in very few instances is the sales function ignored, but in few cases is it treated as a function in its own right.

6. FINANCE

Patterns of use

6.1 A great deal of attention has been paid in recent years to the financial problems of smaller businesses; the patterns and problems of small business financing are now fairly well established. In this survey information was sought on the frequency of use of sources of funds and particular difficulties which had been faced by the respondents; no attempt was made to calculate actual amounts of money raised and used.

6.2 Patterns of use are outlined in Table XIII.

6.3 The majority of firms had ploughed back some part of their profits in the period 1967 to 1971; 5 firms had no ploughed back any profits at all in the period. There has been a slight decline (from 47 to 41) in the number of survey firms ploughing back profits during the period.

6.4 Just over half of the respondents said that they had experienced some difficulties in retaining profits during the period; in most of these cases the difficulty was either in making any profit at all or making enough for retention. Tax policies were frequently blamed; close company legislation was a common complaint, but it is possible that some respondents

misunderstood tax requirements in this respect (a fact commented on in the Bolton Report). In some businesses respondents felt that directors' drawings or distributions to shareholders had been too high.

6.5 Retained earnings were the most important and most frequently used source of funds; other internal sources used included loans from parent companies, individuals or directors (in some cases the last named were not really loans at all but profit retained in the firm by the directors who could draw if they wished to).

6.6 The commonest form of external finance was the bank overdraft; only 9 firms had not had a bank overdraft, and two of these were firms whose parent companies dealt with all financial matters. The proportion of four out of five firms with bank overdrafts is higher than that found by Bates (5) and Bolton (2) in Great Britain, where approximately half of small businesses did not use bank credit.

6.7 Nineteen of the respondents had had a permanent overdraft; and in over half of the cases where firms had overdrafts in the five year period the overdraft had lasted from 6 to 12 months, and in forty per cent of cases the duration had been from 10 to 12 months.

6.8 Although there is no information about amounts actually raised through overdrafts these data suggest that small businesses in Northern Ireland may depend rather more heavily on bank finance than their counterparts across the water.

6.9 Fourteen of the firms had difficulties with overdrafts; these difficulties commonly took the form of the bank refusing to extend credit limits without additional security.

6.10 The relatively heavy and long term reliance on bank overdrafts suggests that (as is the case with many British firms) a number of businesses really treat bank credit as part of their long term capital.

6.11 Of other sources of finance used, hire purchase and leasing of plant and equipment were the most common, being used by between a quarter and a third of respondents; this too is in fairly close accord with British experience. None of the respondents had factored their debts.

6.12 As is only to be expected the raising of funds by new share capital was rare in survey firms.

6.13 Respondents were also asked whether they had tried and failed to raise money from any of the sources mentioned; five had tried to do so, without success. Only two respondents had tried to get funds from any of the institutions specialising in the financing of small and medium-sized businesses; both had succeeded.

Liquidity

6.14 At the time of the survey there was some concern that the liquidity of smaller businesses was being affected by credit restrictions and the

political situation; respondents were therefore also asked whether during the past twelve months they had been experiencing problems either through being asked to settle accounts more promptly or through their debtors paying more slowly.

6.15 Thirty-two firms had experienced extra difficulty in getting prompt payments from customers (although two firms had in fact been paid more quickly because they sent out their accounts more promptly); twenty-four firms had been asked to pay more promptly; fifteen firms had been squeezed in both directions.

TABLE XIII
Sources of funds 1967-1971

<i>Source</i>	<i>No. of firms using source</i>
A. Ploughed back profits	
1967	47
1968	45
1969	45
1970	43
1971	41
B. Overdraft	
None at all	9
Sometimes	29
Permanently	19
<i>Duration of overdraft</i>	
(percentage of cases 1967-71)	
Nil (24)	
Up to 6 months (24)	
6-12 months (52)	
C. Other Sources	
	<i>No. of firms</i> <i>No. of occasions</i>
Share capital	2 6
Loans from parent company	5 17
Loans from directors	9 36
Transfer of partners capital	1 1
Bank loans (not overdrafts)	2 2
Loans from individuals	4 5
Hire purchase	15 —
Lease of plant or equipment	19 —
Credit factors	— —

7. PROVISION AND USE OF ADVISORY SERVICE

Sources

7.1 The traditional sources of advice for the smaller business are the bank manager, the accountant and the solicitor; other outside sources of advice have rarely been used.

7.2 For financial advice and assistance 26 firms went to the bank, 21 went to their accountants and 7 consulted their auditors; 10 sought advice within the company, 8 sought it from a parent and 3 never sought advice; only 4 respondents had sought financial advice from anyone else, such as a merchant bank or financial specialist. There are very good reasons why smaller businesses are relatively conservative in their sources of advice; their bank managers and accountants know them, command their professional respect and are accessible. But some smaller businesses are not happy with what they term old-fashioned advice from accountants.

7.3 There is little doubt that there is an information gap in the financial field; for most of the respondents borrowing began and ended with the bank manager. There is also little doubt that many owners of small businesses resent the possibility of outside interference, particularly when it is unsolicited.

Management consultants and other specialised agencies

7.4 Thirty-three of the firms in the survey had employed either consultants or other types of advisory service, in a variety of fields, outlined in Table XIV. Management consultants were the most widely used; advertising agencies came next, selection consultants came next and others (including market research agencies) were rarely used.

7.5 Almost three-quarters of the firms which had experience of management consultants thought that they were at least worthwhile and sometimes very satisfactory; the remainder were either critical or non-committal.

High cost was one source of complaint.

7.6 The Bolton Report commented ". . . we have to recognise that it would be unrealistic to expect or advise the great majority of small firms to employ consultants because their scale of operation would not warrant it". The report did however recommend "signposting" of advisory services for smaller businesses in order that they could use them if required.

7.7 Respondents were asked whether anything could be done to help the smaller firm get specialist advice on managerial and technical problems. The question was not very satisfactory and the replies do not mean very much. Short part-time practical courses were suggested by 9 respondents; an advisory centre for small firms was suggested by 6 firms; there were 16 other suggestions (a fairly miscellaneous bag); 26 respondents either did not know or did not think that anything was required.

Trade associations

7.8 It has been argued (notably by Bolton) that trade associations are well placed to undertake consultancy services for members at low cost and without raising the same suspicions as management consultants.

7.9 Respondents were asked whether they belonged to a trade association and whether they got what advantages they got from membership; the answers are shown in Table XV.

TABLE XIV
Use of advisory services

	<i>No. of firms</i>
<i>Financial advice</i>	
From the bank	26
Accountants	21
Auditors	7
Parent or associated company ...	8
Within own company	10
Other	4
None	3
<i>Total</i> (not mutually exclusive categories) ...	78
<i>Management consultants</i> (total firms using=23) for advice on:	
Production techniques	7
Sales/marketing	5
Finance	6
Bonus schemes	3
Administration	4
Other	3
Not used	34
<i>Total</i> (categories not mutually exclusive) ...	62
<i>Market research/advertising agencies</i>	
Market research only	2
Advertising only	13
Neither	42
<i>Total</i>	57
<i>Selection consultants</i> for Management selection only	
Operative selection only	4
Both	1
Neither	1
<i>Total</i>	51
<i>Other agencies</i>	
Secretarial/office staff	4
Technical advice on production	2
Insurance	2
Other service agencies	3
No other agencies	47
<i>Total</i> (categories not mutually exclusive) ...	58

TABLE XV
Trade association membership

	<i>No. of firms</i>
Does not belong to trade association ...	14
Belongs to trade association	43
<i>Advantages of membership</i>	
Wage negotiation	19
Labour relations other than wages ...	5
Technical help	5
General advice	16
Getting to know businessmen	4
Other advantages	12
No advantages	9

7.10 Labour relations and general advice were the most important advantages; the opportunity to meet other businessmen was also cited fairly often; there were few cases where the trade association was seen by the respondent as offering a really worthwhile service which could not be ignored.

Other bodies

7.11 The industrial training boards offer particular specialised services to all of their members; 20 of the respondents did not belong to training boards, and of the rest 10 did not make use of the courses and facilities of the board to which they belonged. Table XVI outlines the use made of training boards.

TABLE XVI
Training board membership

	<i>No. of firms</i>
Belongs to training board	37
Does not belong to training board	20
<i>Use of services of board</i>	
Management courses	7
Supervisor/instructor training	15
Apprentice training	6
Other courses and services	7
No use of services	10

7.12 A final general question under the heading of advice asked whether in the view of the respondents, there was anything that the various organisations for businessmen could do for smaller firms. Twenty-nine respondents either did not know or felt that there was nothing that could be done;

5 suggested advice on financial matters; 4 suggested information on services available, and there were 19 miscellaneous suggestions.

8. THE PARTICULAR DIFFICULTIES OF SMALL BUSINESSES

8.1 At the end of the interview respondents were asked what particular difficulties, in their opinion, the small business had to face.

8.2 The league table was:

<i>Problem</i>	<i>No. of times mentioned</i>
Liquidity	14
Other financial	12
Lack of skilled labour	12
Other labour problems	12
General complaints against government	11
Inability of managers to specialise	10
Raising capital	9
Rising costs	8
Absenteeism	8
Marketing problems	7
Competition	5
Form filling	5
General management problems	3
Miscellaneous problems	14
No problems at all	2
Don't know	1
No answer	20

9. COMMENTARY

9.1 A pilot survey asks questions rather than answers them; perhaps the most useful form of commentary is to summarise the tentative conclusions of the survey and to indicate some of the possible further implications.*

9.2 The majority of survey firms were closely controlled family businesses (2.5); the typical small manufacturing business in the United Kingdom is of this type, and many of the problems of smaller firms arise because of difficulties of ownership and control inherent in the family business. Boswell (4) refers to problems which arise from "management by gerontocracy" and difficulties of inheritor management which frequently arise from such ownership patterns.

9.3 Although the majority of respondents claimed to have no difficulties because of the smallness of their management teams (3.2) many did have problems of delegation, supervision and inadequate opportunity for the development of specific management functions.

*Figures in parenthesis refer to paragraphs in the report.

9.4 It is perhaps disturbing that only two of the respondents had identified problems of management succession (3.5) or recruitment (3.6); the impression is that management in small firms waits until such problems arise, by which time it may well be too late.

9.5 Many identified needs in training and experience (3.7), the major perceived needs were in finance and general management.

9.6 Problems of human relations and general personnel problems were rarely mentioned; there is a general belief (not backed up by evidence,) expressed by Bolton (2, para. 2.33) and others that human relations in small business are better than in bigger businesses.

This is an area in which further research is desirable: although human relations were not identified as such, the fact that labour problems (4.1 ff.) were mentioned may indicate that things may not be as rosy as many believe. Absenteeism and high labour turnover are frequently used as indicators of potential human relations problems. Fears of "poaching" of labour (commonly expressed in detailed comments by respondents) may well be another symptom.

9.7 Marketing was rarely identified as a weakness or training/experience need (3.7); this too is an area in which later answers (Section 5 passim) indicate deficiencies.

9.8 In their markets the respondents were, on the whole, in fairly weak competitive positions, and dependent on fairly small numbers of customers.

9.9 Market intelligence and sound marketing policies are frequently portrayed as expensive luxuries for small firms; the evidence suggests that they may nevertheless be worthwhile. More detailed research in this area is desirable; more facilities are probably needed.

9.10 Financial problems are commonly the symptoms of deeper management problems. Difficulties in raising funds, overtrading, liquidity problems etc. (Section 6), were frequent in survey firms. There is almost certainly a need for better financial advice for smaller businesses.

9.11 Consultancy and advice in general are probably inadequately used; Bolton's "signposting" need (2, page 347) is as great in Northern Ireland as in Great Britain.

9.12 The problems of small businesses in Northern Ireland are probably not unique; what may be unique however are the opportunities in a small community for assistance, training and advice.

APPENDIX

THE QUESTIONNAIRE

A pilot study of the smaller business

This appendix indicates the questions asked: the precise wording and layout differed from the list of questions which is given here.

1. When was the business founded?
2. Is it a private limited company?
- 2a. What is the legal form?
3. Is the firm a subsidiary of another company?
- 3a. What is the name of the parent company?
4. Is it associated in any way with any other company or group of companies?
- 4a. What is the association?
5. Would you describe this as a family firm?
- 5a. Are the majority of the shareholders members of the family?
6. How many managers are there in the firm?
7. Do any of the managers belong to the same family?
- 7a. How many belong to the same family?
8. If you had to go away for a month or so on a business trip, who would take charge in your absence?
9. Managing a business nowadays is a complicated affair. Do you find you ever have difficulties because there are only one or two (a small number of) managers to run the firm?
- 9a. What sort of difficulties have arisen?
10. In the last year or so, have you had any particular problems with the following:—your work force, your customers, your suppliers, anybody else?
11. Most managers in smaller businesses feel they are missing something in either training or experience. In what areas of your business would you like to be better equipped personally?
12. What about your chief subordinate?
- 12a. Would you like him to be better qualified in some aspects of the business?
13. If it was convenient and readily available, which form of management training would you yourself find most helpful?
- 13a. What about your chief subordinate? If he could get away, what sort of management training would he benefit from?
14. What is your main line of business?
15. In your main line of business, would you say you were up against:—strong competition, moderate competition, not much competition?
16. Does the competition come from local firms or from firms outside Northern Ireland?
17. How many competitors do you think you have in your main line of business?

18. In general, are they national companies or smaller concerns?
19. Do you do any work for other firms to their specifications?
- 19a. How large a part of your total output is formed by these specification orders?
- 19b. Do you depend for most of the specification orders on a fairly small number of customers?
- 19c. Would it be difficult to replace any of these customers if they cancelled the order?
20. How do you go about selling your products? Do you mostly sell to:— other manufacturing firms, agents, wholesalers, retailers, direct to the consumer?
21. How soon after the delivery of your goods do you generally receive payment from your customers?
- 21a. In the last 12 months, has there been any change in the time taken by your customers to settle their accounts?
- 21b. How about yourself? In the last 12 months have you been asked to settle your accounts more quickly?
22. Have you any definite plans to make any new product within the next 12 months?
23. Have there been any marked advances or improvements in your industry during the last 10 years or so?
- 23a. What are they?
- 23b. Have you used them?
- 23c. Why not?
24. Do you employ a sales manager?
- 24a. Is he concerned exclusively with sales, or does he have other responsibilities in the business as well?
- 24b. Who does look after your sales?
25. Do you employ any salesmen?
26. Do you sell any of your products outside the United Kingdom?
- 26a. What proportion of your goods are exported at the present time?
- 26b. Have you ever received any help from the Exports Service Division of the Ministry of Commerce?

Now I would like to ask a few questions about the financial side of your business. I don't want any figures or confidential information; just to know what you do.

27. In which years since 1967, that's five years ago, have you ploughed back profits, apart from providing for depreciation?
28. Have you had any particular difficulty in ploughing back profits?
- 28a. What were the difficulties?
29. What about other sources of finance? Have you at any time since 1967 had an overdraft at the bank?
- 29a. In which years was there an overdraft?
- 29b. Roughly for how many months in each year did you have one?
30. Have you had any difficulties in the past few years in getting or keeping an overdraft?
- 30a. What were the difficulties?

31. As well as overdrafts, have you at any time since 1967 raised any extra funds from the following sources of finance? Please include any funds raised since 1967, even if they have been repaid.
32. Since 1967, have you bought anything on hire-purchase?
33. Have you leased any plant or equipment since 1967?
34. Have you used the services of a credit factor in this period?
35. Since 1967, did you try but without success, to raise money from any of the sources we have just been talking about?
- 35a. Why did you not get any?
36. Have you tried to get funds from any of the institutions specialising in the finance of small and medium-sized businesses, such as:—the Industrial and Commercial Finance Corporation, Technical Development Capital, the Industrial Finance Corporation, Ulster Merchant Finance?
- 36a. Which institution did you get the funds from?
- 36b. Why did you not get the funds?
37. To whom do you go for financial assistance and advice?
38. Does the firm belong to a trade association?
- 38a. What is it?
- 38b. What advantages do you get from membership?
39. Does the firm belong to one of the industrial training boards?
- 39a. Have you used any of the board's courses or facilities?
- 39b. What did you use?
40. Have you ever employed any of the following:— management consultants, accountants, market research agencies, advertising agencies, management selection consultants, selection consultants for operatives, any other external agency, none?
- 40a. What sort of work did they do for you?
- 40b. Have you any comments to make on it?
41. What do you think can be done to help the smaller firm get specialist advice on managerial and technical problems?
42. Is there anything the various organisations for businessmen—such as the Chamber of Commerce, the British Institute of Management and so on could do for the smaller firm?
43. How many shareholders are there in the firm?
44. How many directors are there?
45. Are the directors all members of the one family?
46. How many directors work in the business?
47. How many partners are there in the firm?
48. Are any of the partners related to each other?
49. How many are *working* partners?
50. How many work full-time and how many part-time?
51. Sole owner:— Do you work in the business full-time or part-time?
52. What particular difficulties would you say a small business has to face?

NOTES

- (1) Data from Ministry of Commerce, Statistics Branch, relating to 1971.
- (2) See *Small Firms; Report of the Committee of Inquiry on Small Firms*, (Chairman J. E. Bolton), H.M.S.O. 1971. Cmnd. 4811.
- (3) Bates, James and Bell, Maeve, *The Management of Northern Ireland Industry*, Department of Business Studies, The Queen's University of Belfast, 1971.
- (4) J. Boswell, *The Rise and Decline of Small Firms*, Allen and Unwin, 1973.
- (5) Bates, James, *The Financing of Small Business*, Sweet and Maxwell, 1st edition, 1963, 2nd edition 1970.

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