



Arsyllfa **Wledig** Cymru
Wales **Rural** Observatory

KEY FINDINGS: PAPER 3

An overview of businesses in rural Wales

The rural business survey is a key component of the 'rural economy and employment' work programme of the Wales Rural Observatory. This report analyses and concludes upon data derived from a survey of 1,000 business in rural Wales.

The objective of the business survey was to source reliable and potentially comparative data on the state of businesses, their activities, development potential, obstacles and type of entrepreneurial practices undertaken.

The findings from the research will form the basis for future, more in-depth Observatory work, which will look in greater detail at the processes, obstacles and opportunities facing such businesses in rural Wales. It will also facilitate evidence informed policy making within the Welsh Assembly Government.

Key findings are:

In essence the rural business survey is a unique data set which provides a sound base for future research into the state of the rural economy in Wales. Although the solidity of any conclusions drawn from this data set will need to be further substantiated through a second phase of research, a number of salient findings can still be put forward:

- Above all, the findings from the survey demonstrate the distinctiveness of businesses in rural Wales
- The social and environmental aspects of economic and business development are both highly significant and closely interrelated in influencing business strategy
- There are significant infrastructural, support and labour market mismatches which need to be addressed in order to ensure the sustainability of business growth in rural Wales
- Given the optimistic and general growth potential demonstrated amongst the business respondents, it is essential that any constraints in exploiting the benefits of technology, training and product development are overcome in a co-ordinated manner.

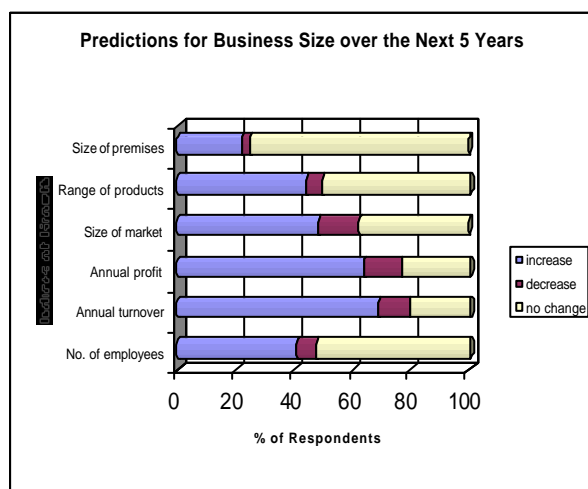


KEY FINDINGS

Evidence of embeddedness and informal networks

Two interconnected themes that came through strongly from the responses to the survey, are the concepts of rural 'embeddedness' and informal networks. For many respondents the merits of being located in rural Wales are closely bound up with notions of trust, face-to-face interaction and lifestyle commitments. For instance, 15.7% of respondents have stated that they have never considered relocating their business outside of rural Wales due to lifestyle issues, family commitments and/ or feelings of embeddedness. With regard to the particular advantages of being based in rural Wales, whilst 20.5% of respondents gave answers relating to the 'quality of life'/'quality of the environment', an additional 16.5% have cited benefits relating to the local embeddedness of their business. The solidarity of these ties are reflected in the fact that 88.7% of owners stated that they have lived in rural Wales for 10 years or more. Given that an aggregate of 41.5% of respondents have between 76 and 100% of their customers located at less than 30km from the business premises and 20.8% have between 76 and 100% of their suppliers at the same distance, these social ties are likely to serve well.

Growth potential/ lifestyle businesses



The evidence gleaned from the survey confirming that business growth is something which is occurring and/ or being aspired to by

the majority of businesses in rural Wales. For example, 70.2% of total respondents agree with the statement that they 'would definitely like' their business to grow. Furthermore, the majority of respondents predicted an increase in both annual turnover (68.7%) and annual profit (63.9%) over the next 5 years (with a further 48% predicting an increase in the size of the market). However, when it comes to those factors which were most cited as important in influencing the original decision to locate the business in rural Wales, for some respondents a number of softer indicators came into play. Mentioned most regularly by the aggregate, are issues of lifestyle choice/ family commitments (87.8%), quality of the environment (84.8%) and/ or respondent's already living there (81.3%). In the case of business size, for instance, an essentially positive relationship is displayed between size of business and those respondents predicting an increase in 'number of employees', 'annual turnover', 'size of market' and size of premises (for example). Similarly, an essentially negative relationship is displayed between size of business and those business respondents who are 'definitely not' interested in expanding the business. Thus, it is worth acknowledging, that in relation to business size (and/ or type) there does appear to be a tendency for some businesses to be governed as much by desires of economic growth, as by issues of lifestyle choice.

Strengths of rural Wales as a business location

The very fact that an aggregate of 87.9% of respondents have never considered relocating their business outside of rural Wales, supports the finding the fact that there are a number of strengths associated with situating a business in rural Wales. With regard to the particular advantages of being based in rural Wales, the two categories of answers that account for the majority of respondents aggregately are good levels of (rural) trade (40.5% of respondents) and the 'quality of life'/'quality of the environment' (20.5% of respondents). With respect to the latter of these two factors, 84.8% of respondents have also stated that the quality of the environment proved important in influencing their original decision to locate their business in rural Wales. The potential

clearly exists, therefore, for further capitalising on the strengths associated with an environmental economy. Perhaps even more reassuring though, is the statistic that 87.8% of respondents believe that their business is sustainable in its present form over the next 5 years.

Business support systems/ policies

Although some variations are found depending on the size, type and/ or location of a business, at an aggregate level positive conclusions can not be reached on either the quality or take-up of business support in rural Wales. The impact of this finding, as a potential constraint on business performance, is reflected in the fact that 7.7% of respondents have stated that the problem of regulations and/ or lack of business support has caused them to consider relocating their business outside of rural Wales.

Compatibility of the employee base

The results of the survey seem to indicate a slight mismatch between the availability and/or suitability of the rurally based employees, as compared to the positions available in rural businesses. This weakness is further compounded by physical obstacles associated with being based in rural Wales, as well as problems of a softer nature, such as failings in the framework of business support. For example, although more than five times as many employees (61.8%) are recruited from 'rural Wales' than are recruited from elsewhere; access/ proximity to qualified/ skilled workforce has only been ranked as good by an aggregate of 30.4% of respondents – with a further 23.7% rating this as bad. Similarly, 56.4% have experienced problems recruiting employees. For the majority of these respondents this can be related to a lack of applicants (62.3%) and applicants lacking the appropriate work experience (65.7%). Significant minorities, however, have also experienced problems with 'applicants lacking the appropriate academic/ professional training' (47.7%) and/ or 'applicants not driving/ relying on public transport' (31.5%).

Whilst an aggregate of 81.4% of business owners regard the skills/ knowledge level of the management and workforce as important

in influencing overall business performance, more than one third of businesses (37.9%) have experienced problems training employees due to 'insufficient time/ time lost during training'. A similar proportion (31.9%) perceive 'cost' to be a barrier to the training of employees.

Although 74.7% of business owners indicate that they employ less than 10 employees through their business, given the fact that aggregately 41.5% of business owners have predicted an increase in the number of their employees over the next 5 years, issues surrounding weaknesses in employee base are only likely to become more significant in the near future. It is worth noting, though, that exact figures for satisfaction with employees/ recruitment of employees/ employee training, are influenced by issues of type, size and location.

Application of Technology

'Technology' is a component of business strategy which is yet to be fully capitalised upon by the majority of business owners. For example, only 48.7% of respondents consider technological capacity to be an important influence to business performance (as compared, for instance, to 64.9% perceiving social contact with friends, family and business associates being important, with a further 20.6% arguing that this factor is not even relevant to their business. Following on from here, only 7.6% of respondents attribute 'major spend' of their annual turnover to ICT. A consequence of these indicators of limited investment in ICT, is the low number of owners which make use of technology to increase the turnover of their business. It is worth noting though, that issues of business size and type both play a role in the application of technology. For instance, in the case of business size and the importance of technological capacity, an essentially positive relationship does seem to exist (rated, for example, as important by only 35.6% of 1-4 sized business respondents, but 60.0% of 50-99 and 88.9% of 100+ sized business respondents). The same can also be said for use of internet and email in maintaining links with customers and suppliers, and/ or marketing products. Clearly, therefore, given the predominance of 'smaller sized businesses'

in rural Wales, there is still room for considerable growth in the application of technology before it can be deemed as a particularly positive feature of rural business strategy.

Innovation/ entrepreneurialism amongst rural business owners

Although the results of the survey do tend to suggest that skills in innovation/entrepreneurialism are held by the majority of business owners, certain inconsistencies can still be evidenced in the daily application of these attributes. Furthermore, indicators of innovation/entrepreneurialism do appear to be influenced by factors of business size and type.

Paradoxically enough, although 74.3% of respondents identify information and knowledge as an important influencer to business performance, only 5% of respondents allocate 'major spend' of their annual turnover to research and development. When asked about the most innovative activity which had been undertaken in the last 5 years, only 5.6% of respondents stated that 'no' innovative activities had been undertaken. However, when it came to categorising the different types of innovative activities that had been engaged in, wide variation was found (in reflect of business size and type) for individual respondent's perceptions of what counted as an innovative activity in their particular case. Nevertheless, for the majority, the 'most innovative activity in the last 5 years' could still be categorised in to four themes: increasing the range/ quality of products (28.8%), creation of a website/ internet based marketing and/ or greater computerisation in the work place (19.9%), investment in the business/ business premises (16.4%), research and development/ use of new equipment (9.4%).

Major business obstacles and constraints

In parallel to the numerous benefits and strengths associated with owning and running a business in rural Wales, there are also a wide range of obstacles and constraints which need to be acknowledged.

Possible constraints associated with the business owners themselves include the finding that 20.7% of the total survey population have no academic qualifications whatsoever. Also relevant here, though, is the fact that a considerable degree of variation is found in the levels of qualifications held by owners of the different type, size and location of businesses. Whilst variation amongst business owners in levels of academic qualification is obviously not necessarily a fault in itself, it does raise questions when connected with the very low levels of take up and/ or satisfaction with the various sources of business support on offer in rural Wales. It may also become compounded by the problems which have already been discussed regarding weaknesses in the employee base.

Finally, two other issues which account for the majority of business weaknesses are problems of accessibility with customers and suppliers/ poor transport links (regarded as a disadvantage of being based in rural Wales by 36.1% of respondents) and an insufficient/ unsuitable customer base (regarded as a disadvantage of being based in rural Wales by 35.6% of respondents). Thus, although the fact that 87.8% of respondents believe their business to be sustainable, clearly bodes well for the economy of rural Wales, this is not enough in itself to prevent the need for continually reviewing the state of play amongst individual business owners.

This report is one of a series of reports produced on rural Wales by the Wales Rural Observatory.

The Wales Rural Observatory undertakes independent research and analysis on rural Wales. It is funded by the Welsh Assembly Government to support evidence-based policy-making.

The Observatory's activities are focused on four main areas:

- Collecting and analysing social and economic data on rural Wales
- Presenting these data within a Geographical Information System (GIS)
- Producing a series of descriptive and evaluative reports
- Monitoring and reviewing other research and policy relating to rural Wales

A website providing further information about the Wales Rural Observatory, including its activities and outputs, can be accessed at www.walesruralobservatory.org.uk

For further information on this research, please contact Alexandra Franklin on 02920 874970, e-mail: franklina1@cardiff.ac.uk or write to WRO, Glamorgan Building, Cardiff University, Cardiff, CF10 3WA