INTRODUCTION

Studies of small business have gathered momentum since the Committee of Inquiry on Small Firms chaired by J. Bolton (1971) was appointed over thirty years ago, itself prompted by an extremely difficult period for businesses, and particularly small businesses. At the time, the subject was poorly researched and documented, resulting in policy based on inadequate information. Two things hampered this study and continue to do so: there are a lot of small firms, and they are very heterogeneous. In the absence of exhaustive documentation, the Committee quickly generated new sources. Chambers of commerce, government departments, banks, universities and trade associations were invited to participate. Advertisements were placed in the press resulting in 400 returned submissions. 16,000 small businesses were surveyed and a consultancy unit was launched working under a director of research, which produced 18 reports. The committee also travelled to Canada, Germany and Japan to learn about these countries’ small firms. No greater cooperative research effort has been known since.

Published in 1971, the Report acknowledged the importance of small firms of which there were 1.25 million employing 6 million people, or 25 per cent of the employed population, responsible for 20 per cent of GNP. The Report studied in detail some 820,000 small firms employing 4.5 million people and producing 14 per cent of the GNP. Moreover, it found that the actual number of small businesses in the UK was smaller than in any other comparable country (Dewhurst, 1996).

The Committee concluded that ‘the small firm plays a vital role in the preservation of a competitive private enterprise system’, that it was ‘an essential medium through which dynamic change in the form of new entrants to business can permeate the economy’ and that without this dynamic small firm sector the economy would ‘slowly ossify and decay’ (Bolton, 1971). Hence, the Report switched on a light enjoining other investigators to follow. Indeed, with so many carrying torches today, it is remarkable that there is still little true consensus on which policies
are effective, why some regions do well and others flounder, and which small businesses should be marked out for favour, if any. There is no doubt, however, that small firms will continue to excite attention and challenge policy-makers, because they are prolific and their diversity is perhaps as rich as human nature itself. The proposition here is that Wales’ traditions and economic trajectory have modified how small businesses are perceived by both policy-makers and would-be entrepreneurs, and that alterations to this are required to ensure future success.

The next section of this chapter provides a back-drop for the discussion and concludes that the UK political environment has consistently sought to recognise the potential economic value of small firms. The third section suggests that Wales has followed a development policy designed to deliver high-profile results. The following section examines small firms in Wales and finds that Wales is one of the poorest performers in respect of start-up rates and sales per employee. The fifth and sixth sections explore the difficulties in developing realistic policy and realistic expectations from small firms themselves. The seventh section suggests some key issues in the development of new strategy for small firms, while conclusions are drawn in the final section.

THE POLITICAL BACKGROUND

The political environment holds a key position in both shaping interpretations of the role of small business and those policies designed to assist the sector. With newly-vested local autonomy in Wales through devolution, and as more English regions seek their own self-determination, regional politics can have a decisive role in influencing the nature and level of economic contribution made by small firms.

The Bolton Report was a political response to hardships faced by small businesses in the late 1960s, and its greatest achievement was perhaps to provide the first measure of the inconspicuous economic effort of many of the working population of Great Britain. Subsequently, Margaret Thatcher’s Conservative government continued to raise small businesses to prominence. In the UK, free market thinking has always been implicit; yielding a society whose individuals have unrestricted access to, and power to dispose of, the factors of production (Goss, 1991). Small firms form the bulk of stock of competing suppliers who jostle to fulfil consumer demand in an entrepreneurial ‘enterprise’ culture. Pro-Thatcherites have argued that nationalisation,