Small businesses in rural areas: Evidence of their role and success in North Yorkshire

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BARBARA J MASSEY

ABSTRACT

This study investigates the role and success of small businesses in North Yorkshire, setting them firstly in context within the UK as a whole and the region, then in a more in depth analysis of the characteristics of a sample of small businesses (less than 10 employees) from the Harrogate and Ryedale Districts of North Yorkshire. The phenomenon of the growth in size and significance of the small business sector has been part of economic life in this country in recent decades, and is one of the possible pieces of evidence of a regional economic resurgence. The growing importance of small businesses,in terms of their numbers, is undoubtedly a feature of the new economic landscape of the 1980's and 1990's.

Some traditional preconceptions are challenged,for instance, previous studies suggest that new firm foundations in rural areas are not stimulated by economic recession, as normally expected, and studies suggest the growing significance of embeddedness and networking, aspects which are not important to traditional economic theory. The research in North Yorkshire provides evidence to support the existence of a new economic landscape. The research describes the current economic climate in North Yorkshire in terms of wealth indicators, employment and VAT registrations and deregistrations, which underline the relatively healthy circumstances of the county.

In the second part of the study, based on a survey of small businesses,the particular characteristics of small businesses, including their location ,their longevity and reasons for their establishment are examined. The typical small business was found to be a 'niche' type service, established on the outskirts of a village or small market town, typically in home premises, established there for an average of around 11 years, and set up after voluntarily leaving employment, not redundancy. Many of the founders were qualified and a moderate level of technology was used in the business. There was firm evidence of local embeddedness and informal networking, though little or no evidence of agency assistance and formal networking, such as membership of business associations. The various characteristics were exhaustively cross-tabulated to further determine the characteristics of the sampled firms. Finally, the results of the sample survey were compared and contrasted with previous studies in the field of small business characteristics, particularly recent studies of small businesses in rural areas, and the results generally conformed to the patterns - there is a new economic landscape where countless small businesses play a small but significant role, perhaps a more static role in North Yorkshire than is commonly supposed.

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Declaration

No material contained in this thesis has previously been submitted for a degree in this or any other university.

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CONTENTS

CHAPTER 1

INTRODUCTION. 'A NEW ECONOMIC LANDSCAPE'.

This chapter is a review of some of the current work and ideas on the growth of small businesses, and in particular small businesses in rural areas. This background review is intended to put into context this research and thesis on small businesses in North Yorkshire. Through this review of literature, the key themes and ideas will be identified, and these will be used to frame this analysis of the impact of small businesses on North Yorkshire's economy. They will also determine what questions to ask about the characteristics of small businesses in North Yorkshire in the 1990's.

My aims within this chapter are firstly to outline the evidence for a changing and dynamic small business sector in the UK in recent decades, a "new economic landscape", in a mostly national context, and secondly to identify the features and issues put forward by other researchers as characteristic of small rural businesses. From these sources the idea of formal and informal networking was identified as one of the key research questions to apply to North Yorkshire, along with the question of embeddedness and the background concept of islands of innovation.

The chosen area of study is the small business sector, defined here as firms with less than ten employees. (The various methods of defining 'small businesses' are discussed by Curran (1986).) In particular, the emphasis is upon small businesses in rural and semi-rural districts of North Yorkshire in the late 1990's. Their importance to the regional economy and their growth in time and space appear to be of some significance. For instance, self employment is

20 percent above the national average, and in some parts of the county accounts for 30 percent of the workforce (North Yorkshire TEC 1997), and the number of small business units in North Yorkshire rose by 24 percent compared to 18 percent nationally between 1987 and 1991 (Census of Employment 1996).North Yorkshire seemed to be an appropriate study area in terms of its buoyant economy and demographics.

The growth of new small businesses, whether in an urban or a rural situation,has a relationship with the national economic performance of a country. For instance, it is commonly suggested that periods of recession and increasing unemployment stimulate entrepreneurship, forcing people into setting up their own business following or in anticipation of redundancy (Atkin, Binks and Vale 1983). This trend was in evidence during the 1980's recession, although equally high rates of company liquidations may have negated the long term impact.

Interestingly, it could be that recession-induced firm formation is not as characteristic of rural regions with their limited traditional industrial base and lesser vulnerability to unemployment. Research in East Anglia by Gould and Keeble (1994) indicated that the growth of small rural businesses was not encouraged by recession in this region. Their East Anglian study does not support the view that recession stimulated a surge in firm foundation - there was no recent recession-related increase; indeed the second highest peak (in 1977-78) of new firms occurred when recession was easing. The more intense recession of 1979-81 revealed no evidence of any further rise in rates of new firm foundation in the region.

The economic landscape of Britain has changed in recent decades, but also the academic theories of economic behaviour have shifted.Traditional economic theory assumes rational, idealized behaviour by entrepreneurs, minimally affected by social relations. One significant idea and a key question which will be explored further is the argument for embeddedness ,which stresses the role of concrete personal relations and structures (networks)of such relations in generating trust (Granovetter 1985:490, Grabher 1993). "Transactions of all kinds are rife with the social connections described."(Granovetter1985:491).Similarly,Lohr(1982:497)stated that "Friendships and longstanding personal connections affect business connections everywhere" This comment is explored in the case study of a diary of business contacts of a small business at the end of this chapter. Morgan(1992) concludes that a 'new industrial order' is emerging and that one of its chief features is the networked firm.

The suggestion is that interpersonal relationships play a far greater role in business than had previously been acknowledged. As discussed later in the chapter, networking between small businesses in particular may encourage a climate of joint success (or failure?) instead of single isolated successes and failures; this is in some ways a holistic view of the small business economy.

It has been suggested that localized small firm networks might provide a general model of innovation and regional development.Todtling (1994) concludes that empirically the evidence for localised small-firm networks becoming a general model has up to now not been convincing.It could be that embeddedness created by formal and informal networking is particular to the more rural setting. This question is open for research in North Yorkshire, and findings may be compared with research in East Anglia and other locations.

In the 1980's many scholars proclaimed the advent of the new, small business economy,organized in horizontal networks and vertical cooperation in which small business units formed the economic backbone (Piore and Sabel,1984;Streeck 1991). Morgan (1992) certainly concludes that a 'new industrial order' is emerging and that one of its chief features is the networked firm. However, despite the favourable trend in small business employment in the 1980's , many existing small firms have experienced job losses, and closures have remained a risk among small enterprises." If one measures economic performance by share of gross national sales and investments for example, it appears that large enterprises have gained rather than lost in competitive strength" (Semlinger, 1993:161).

The increasing role of small firms in generating economic development is another key theme of the new economic theories.Small firms were to be inhabitants of islands of innovation, through which the economy would regenerate. Effectively, small firms were to lead the economic regeneration and create a multiplier effect, and growth would be from grass roots level as opposed to from the big firms at the top. Curran and Blackburn(1994:23-4) reported that "the promotion of small firms was supposed to have a positive impact on localities and local economies. Just as a revival of the small firm sector could lead the national economy to recovery, so it could local economies, though just how this would happen was not always very clearly spelled out... there is a chain of assumptions...more small firms meant higher levels of economic activity and more jobs and since small firms were also assumed to be integrated into the local economy around them, the locality must benefit."

Furthermore, the new economic landscape does not imply that high technology is the only way forward. Maskell (1998:99), in his study of the low-tech competitive advantages of the Danish wooden furniture industry , states that "the prevailing ethos of high tech production makes it easy to forget that low-tech industries are not synonymous with low growth or low profitability." He points out that small businesses elsewhere in Europe, such as Italy, have succeeded in seemingly unfavourable, high cost environments.Maskell concludes that high technology might not be the only way by which mature, developed countries can hope to sustain and augment their economic position.

Integral to this new economic theory is the resurgence of regional economies. "Since the early 1980's social scientists have increasingly focused upon the significance of the region to the organization of economic life. No analysis has yet developed a wholly convincing explanation for the resurgence of regional economies - to do this it is necessary to understand the region as a locus of untraded interdependencies"(Storper 1995:191).

In conclusion, this thesis intends to research the growth and characteristics of small businesses because of their apparent importance as a source of economic life to individuals, regions and the nation. Their resurgence is certainly significant nationally and regionally, as is discussed in the next section. There has also been a reappraisal of theories of economic development because "No existing theory explains the main economic events (since)1979.Reality has outgrown existing theories" (Drucker,1989:21).

However, Yarwood(1996: 23) states that "many investigations of the rural economy have been at the macro-scale ...the broad brush approach has neglected many important aspects of rural restructuring". His paper considers manufacturing growth in rural areas,in the form of a micro-scale investigation of a rural industrial estate in Leominster , Herefordshire. The following investigation of the characteristics of small businesses in North Yorkshire is a further such micro-scale study which could provide evidence of some of the reasons for the growth of the small firm sector.

<u>THE GROWTH OF SMALL RURAL BUSINESSES</u>.

The evidence for the growth of small rural businesses, at least in terms of number, can now be summarised. What are the main features of the growth and what is the place of small firms in the economic landscape?

1. Growth of manufacturing employment in rural areas.

Although unemployment has recently tended to be somewhat lower on average in rural areas of Britain than urban, there is the reality of underemployment and a diminishing amount of farm work. With traditional rural occupations decreasing,there is a trend for an increase in other gainful activities among those already living in rural areas. Agriculture as a percentage of total employment is also relatively unimportant, even in rural areas, so the growth of a variety of small businesses in rural areas is unsurprising.

The rural economy has undergone significant restructuring in recent years. Champion and Townsend (1990)reported that rural manufacturing jobs declined only by 2.8% during the period 1981 -1987, compared to a far greater loss of 15.7% on a national scale. Certainly, in 1981, rural manufacturing employment was significantly higher than it had been in 1960. Although national employment in manufacturing has stagnated and shows only small growth now in rural areas, the service sector has, at the same time, expanded, and accounts for a significant proportion of new rural businesses.

In this new era of instability, many dramatic changes have taken place. New industrial spaces have taken over as the leading centres of economic growth and businesses have been forced to become more flexible and innovative. This new growth has occurred in rural and semi-rural areas at the expense of the traditional locations.

Curran and Storey(1993:16) suggested that there is "faster employment growth, higher rates of profitability and higher birth rates of firms in rural areas". Townroe and Mallalieu(1993)found that in the four counties of Derbyshire, Devon, Norfolk and Northumberland, statistics on VAT registrations and de-registrations provided a picture of strong growth, stronger than the national average in the 1980's.(Significantly, their survey also revealed that most new businesses were below the VAT threshold.)

2. Growth in self employment.

At the time the survey was conducted, Spring 1997, self employment as a percentage of the labour force in the UK as a whole stood at 7.3 percent (Yorkshire and Humberside 6.4 percent) (Regional Trends 33 1998), although North Yorkshire's figure is higher. Interestingly, there is a general North -South divide in self employment, indicating more self employment in the south. Thus North Yorkshire stands out from other regions in this respect. Robson (1998) found that in the long run, regional rates of self-employment were a function of the real value of net housing wealth and the industry composition of regional G.D.P. However, a significant proportion of regional variations in self-employment can be explained only by regional 'fixed effects', which reflect fundamental long term influences which make some regions more fertile environments for self-employment than others, as in North Yorkshire. Also, since the self-employed compete with one another for limited market opportunities, other things being equal, relative returns are higher in those regions with a relatively low prevailing rate of self-employment .

Robson found that one of the most important determinants for self-employment was age, that is that self-employment rates tended to rise with age up to the late forties and then decline slowly. Thus regions with higher proportions of older workers in the labour force have tended to have more self-employment. He also found that a disproportionate number of new entrants to self-employment would be drawn from the ranks of the unemployed, but that was not a simple relationship. Not all of the unemployed will be particularly suited to self-employment. The longer-term unemployed in particular are likely to be short of the entrepreneurial skills necessary to sustain a successful career in business and may be slow to identify and act upon entrepreneurial opportunities. On this basis therefore Robson predicted a negative relationship between the incidence of long term unemployment in a region and the regional rate of male self-employment. Thus, North Yorkshire may be expected to have higher rates of self -employment if these assertions are correct.

Robson also states that there is evidence from both the U.K. and U.S.A. of a positive relationship between the rate of male self-employment in a region and the proportion of local labour force with relatively high educational qualifications, which also applied to North Yorkshire at this time (Regional Trends, 1998). Furthermore, given that most individuals who set up in business for themselves are likely to enter industries in which they have previous experience, it seems reasonable to conjecture that the rate of male self-employment will be highest in those regions where industries characterised by a relatively low minimum efficient scale of operation (for example agriculture, forestry, fishing, construction, hotels, catering and repairs) contribute a relatively large share of G.D.P. The statistical evidence from the distribution of this kind of employment is that this is true in North Yorkshire.

Robson also identified that the major source of loan collateral is the equity provided by owner occupied housing, which therefore suggests that self employment rates are likely to be highest in those regions with relatively high levels of housing wealth per capita. This is a characteristic of North Yorkshire, particularly the Harrogate District.

3. Decentralisation.

Champion *et al.*(1987) found that counter-urbanisation has certainly taken place in the UK. The growth of population beyond the conurbations is a prerequsite for new small businesses there. Published statistics for North Yorkshire (NYTEC 1997)show that it had the highest rate of population growth in the region between 1981 and 1991, and the growth continues. Between 1981 and 1998 North Yorkshire had a 10.5 percent increase in population and the UK had experienced 5.1 percent growth (Regional Trends 2000). Between 1991 and 1998 the majority of population growth in North Yorkshire was due to inward migration, with an estimated net inward movement of 2,500 people in the county. However, it may be significant that the number of people of working age has fallen slightly since 1991, which indicates another national trend of the 'greying' of the population. Nonetheless, over the next 15 years the population of North Yorkshire is expected to grow by eight per cent or 60,000 people. These represent both new entrepreneurs and a potentially solid customer base for any new businesses. Over the next 15 years the number of people aged 45-64 will increase by a third. This section of the population is likely to be the source of new business foundation(although not the primary age group, as mentioned later) and is also very likely to be more affluent. Similarly,it is in-migration to East Anglia which may have engendered high new firm foundation rates (Gould and Keeble 1984).

According to Department of Environment figures, from 1974 to 1981 (but then discontinued), industrial floorspace increased much more in rural areas, closely followed by small towns, but growth was stagnant in the conurbations. This is a key background factor, relating to decentralisation in the 1970's,and evidence of the growth of rural businesses at the time. Thus spatial growth of industries has been evident in the countryside, whilst physical decline has been all too obvious in the inner cities. The shift of firms, output and jobs from the conurbations and big cities to the smaller towns and rural areas (Keeble, 1976;1980;1984: Fothergill and Gudgin, 1982: Fothergill *et al*,1985: Townsend,1993) namely the theme of counter-urbanisation, is also discussed in Chapter 4.

In their study of new firms and rural industrialisation in East Anglia,Gould and Keeble (1984) found there was a spatial bias of new firm origins towards both rural areas and the Cambridge region. Inner cities were found to be playing a declining role. A comparison could certainly be made between rural East Anglia and North Yorkshire. Similarly,firm foundation rates were found to be significantly higher in the rural areas of the East Midlands(Gudgin 1979), and in addition he recognised a marked negative relationship between the rate of firm foundation and the proportion of an area's employees working in large factories. Comparable findings were made in Portsmouth, Southampton and Scotland.

Fothergill, Gudgin, Kitson and Monk(1985) suggest that little manufacturing in Yorkshire and Humberside is in rural areas. (Four per cent of the region's manufacturing jobs were located in 'rural' districts in 1981, compared to 41 percent in the South West and 40 percent in East Anglia.) This conclusion may be misleading because it is dated, rather than being untrue of contemporary Yorkshire and

Humberside. Despite this finding, rural manufacturing employment in 1981 was still significantly higher than in 1960, and rural areas' share of the national stock of manufacturing jobs increased throughout the period. Growth in rural areas is certainly part of a wider shift in industrial location. The authors also concluded that as a general rule, the larger the settlement, the greater the rate of decline in manufacturing employment; rural areas have experienced the most favourable growth.

Is profitability above average in rural areas (Fothergill *et al* 1985)? There is conflicting evidence. Most conurbations are not high cost locations compared to the countryside. The West Yorkshire conurbation, for example, is a comparatively low cost wage area adjacent to North Yorkshire, so it should be an attractive low cost location for small businesses. Possibly the only cost variable showing a consistent advantage for rural areas is the lower price of industrial land. The authors also point out that basic wage rates in the UK are nationally negotiated and the transport network is well developed, so many materials and components are available to firms at the same price in all areas giving no obvious advantage to rural areas. Rural areas therefore have only a marginal advantage in cost.

Fothergill *et al* also suggest that the availability of labour may have favoured the growth of rural industries. There is a supply of females (complementing males employed in agriculture) and, perhaps more importantly, a supply of migrants from the conurbations in search of better residential environments. However, rural areas have a skill shortage, as mentioned elsewhere. Do the jobs follow people or do the people follow (and create) jobs?

There may be problems in rural locations for new or small businesses. Keeble *et al* (1992) identified that firms in rural locations are constricted more by shortages of skilled labour, small premises and lack of technological and managerial innovation, than their distance from urban markets. Curran and Storey(1993), however, suggest there is very little difference between businesses operating in urban and rural localities and that the problems of operating a business are the same, irrespective of location.

4. Islands of Innovation?

The locations of rural small businesses could be considered as the new 'growth poles' for innovation in the latter part of the 20th Century. Todtling(1994)suggests that there is a more complex European landscape of 'innovation poles' than has existed in the past. He concedes that, on the one hand, most of the large metropolitan regions remain important centres of innovation, but that new zones of innovation are emerging partly adjacent or near to the large metropolitan areas and partly also in newly industrializing intermediate or even peripheral locations. North Yorkshire can be considered potentially as a classic example of such an area, with its proximity to Leeds/Bradford; Harrogate, Selby and York are the intermediate districts, in terms of their distance from the West Yorkshire conurbation, and finally the bulk of the remaining county is peripheral, such as the Ryedale and Craven districts.

Simmie(1998) investigated the economic conditions which prompted the development of 'islands' of small firm innovation . He stated that neo - Schumpeterian economic theory argues that economic recovery after periods of economic recession, such as we have seen during the 1980's and early 1990's, is driven by innovations which do not spring up all over the country but are spatially concentrated in a small number of metropolitan regions. Simmie's hypothesis is that innovation is facilitated by agglomeration economies; or by local factor conditions providing factor cost efficiencies within given localities; or by continuous production hierarchy negotiation within particular spaces; or by demand pull conditions which maximise the coincidence between both production hierarchies and markets. His study in Hertfordshire found two reasons - a concentration of innovation, high quality human resources, venture and risk capital and knowledge and information ; and the second main group of findings was that innovation in Hertfordshire was facilitated by the ability to arrange simultaneously both production and consumption . Why the innovations congregated in certain areas was not explained by larger firms developing backward linkages. There was evidence of innovative milieux but the innovations studied were not generally produced in collaboration with other local producers in the same industrial sector. There was no circulation and diffusion of new ideas in the area.

East Anglia provides a useful comparison to North Yorkshire. Gould and Keeble (1984) investigated rural industrialisation in East Anglia. They found a bias towards the rural areas - new firms were more likely to form outside urban centres and also to have a greater impact in rural than urban settlements. Rural East Anglia experienced a 6.3 percent firm foundation rate, nearly three times that of the 'large towns' category, with 2.2 percent. Overall, 69 per cent of East Anglia's new manufacturing firms established in villages or small towns. Over six per cent of manufacturing employment in 1981 was in new firms in rural areas- compared to about three per cent in the major urban centres. The authors acknowledged that there was a recognisable 'Cambridge effect' in that the City seemed particularly attractive for new businesses, especially in the Science Park, and it would be interesting to evaluate the 'York' or indeed the 'Harrogate effect' in North Yorkshire. Such places are considered to be far more attractive locations to live and work than the industrial cities. In connection with this, Gould and Keeble (1984) also found that the remote but environmentally 'attractive' areas of north Norfolk and coastal Suffolk experienced rates of business growth well above those expected. (Possibly this is also true of the remote rural areas in North Yorkshire.) The study area was a rural region, characterised by numerous villages and small market towns, a relatively attractive residential environment, and only limited traditional manufacturing industry. Spencer(1995)found that the most depopulating villages in south Oxfordshire were ironically ranked highly among the district's most sought-after settlements. There is a consensus that rural or semi-rural environments are the most attractive residential environments.

Gould and Keeble (1984:190) concluded that "East Anglia appears to provide an exceptionally conducive environment for enterprise creation.However, new firms had only a very small impact on job creation - few jobs relative to the rest of the Region's manufacturing and service industries ".

We must question how much of this growth of rural businesses and counter-urbanisation is merely decentralization, by which larger companies try to regain flexibility, not genuine new firm foundation. Large companies seem to be progressively separating into smaller business units, and sub-contracting to small firms, a feature which is discussed further in the next section.

Fothergill *et al.* (1985) concluded that the expansion of rural population and employment during the previous two decades, encouraged by the decentralization of manufacturing, may not be sustained. They noted that the service sector remains concentrated in towns and cities, including the important banking and business services. I would tentatively suggest that the decade since 1985 has not fully supported this conclusion, as the expansion of population and employment continued during the 1990's. So what are the characteristics of these new small rural businesses?

CHARACTERISTICS OF SMALL RURAL BUSINESSES.

Beyond 1985,the conclusions of research are less about location than about the characteristics of small businesses. In studying business characteristics, we will start with general features. Curran and Storey(1993) stated that the types of businesses and the motivations behind them differed from urban to rural. The rural lifestyle is somewhat different, the businesses tended to be 'niche' type businesses for which demand seemed relatively buoyant. Craft or specialist types of businesses were characteristic of rural areas. (The authors go on to suggest that in the early 1990's recession these could be the types of businesses to be worse hit.) The investigation of types of businesses and the motivations behind their establishment were therefore suggested as key research questions for this study .

What levels of technology are characteristic of small firms? A study by Massey *et al.* (1992) discovered that there was a significant North-South divide in the characteristics of small firms in 'science parks' in the UK. In the North, firms in science parks turned out to be younger, smaller, more likely to be based on small indigenous firms, and less 'scientific' than those in the dynamic South-East. Ilbery *et al.* (1995) found that very small, independent and privately owned businesses in Europe make very limited use of telematics services. The use of telecommunications, ie. electronic mail, teleconferencing, teleworking, electronic funds transfer and computer networks, tended to be in core areas and only later spread into rural areas. Overall, studies suggest that small rural businesses are unlikely to be at the forefront of technology. Whether this applies to all of North Yorkshire is arguable. The use and extent of technology were therefore included as a research question in North Yorkshire.

Interestingly, research conducted at the level of individual companies and plants in the USA found that the likelihood that managers would adopt new technology was significantly associated with the degree of 'urbanity' of the counties in which the factories are situated - metropolitan rather than non-metropolitan, suburban rather than downtown, urban rather than rural. Harrison *et al.* (1996) found that suburban counties adjacent to both the most highly urbanised and smaller metropolitan areas displayed the greatest propensity to modernise. Rural areas and actual metropolitan areas were the least innovative.

The characteristics of individuals setting up small businesses are also distinctive. Townroe and Mallalieu (1993) established that most founders were in their thirties and male, while firms had two or less employees, were in manufacturing and mainly sole traders. About one third of businesses were a 'spin out' from previous employment. A surprisingly small amount (between three and five per cent) were caused by early retirement. In this sample, over a quarter of the founders had a degree; they were overall a well educated and well qualified group of people. Gould and Keeble (1984:190) similarly found that the occupational structure of the founders was a chief influence,that the "managerial and educational qualifications of potential founders has a direct bearing on the propensity to start firms and the subsequent success."

The fast growth of new businesses was not,in fact, identified by Townroe and Mallalieu as off-farm diversification,or arts and crafts based, as might perhaps be expected of rural areas. The intention or motivation behind setting up in business was to 'achieve independence', for nearly a third of the sample, and another important reason was 'to use artistic or manual skills.' The owners saw a rural location as a distinct advantage both in terms of its cost base and its market image. Interestingly, one of the survey's conclusions was that it is virtually impossible to explain the non-pecuniary objectives and motives behind the setting up and perhaps the success of rural small businesses.

In his study of an industrial estate in Leominster,Yarwood (1996) found that 59 per cent of the firms were classified as manufacturing, with little evidence of high-technology. The remainder were classed as non-manufacturing, providing services such as retailing, distribution and transport. Out of the 46 firms investigated, only nine were' indigenous '(only ever operated on that site), 24 were 'migrant',mostly from within Leominster, with five from outside the county, and 13 of the 46 were 'branch' plants. Their movements were predominantly local. Is this a characteristic of other rural small businesses? The locational characteristics of a sample of small businesses in North Yorkshire were therefore a further research question for this study.

FORMAL AND INFORMAL NETWORKS

In the first section on the new economic landscape, we discussed the supposition that the growth of small businesses (including rural businesses) was a very significant feature of the contemporary economic landscape. The growth of small businesses in both urban and rural locations may owe a great deal to networking. Granovetter (1973: 1360) called it "The strength of weak ties". Marchesnay and Julien (1990:) stated that the role of the small business owner-manager was as "a creator of jobs and a member and stimulator in the local and regional milieu". Lorenzen (1996)suggested that a 'local climate' of shared trust becomes established.

Networks may be both formal and informal.Formal networks may take the form of institutions, and perhaps established systems of subcontracting, and informal networks may take the form of a personal recommendation or connection which may appear quite arbitrary and difficult to quantify. Both types of networks will be considered, and research in North Yorkshire reported later will partly focus on the extent and role of formal and informal networks .

"Local and global networks, local and non local embeddedness, the coexistence of various production systems, and small and large firms are regarded as the major forces functioning and governing the new industrial districts"(Park 1996:477).

Granovetter(1985:491) concluded that "it is not only at top levels that firms are connected by networks of personal relations, but at all levels where transactions must take place". He explains that patterns of repeat orders occur because companies or customers want to avoid the costs of searching for new suppliers and establishing new relationships,and it is relatively low risk to deal with known vendors. Furthermore it is likely that the buyer has established a personal relationship that he values with representatives of the supplying firm. "Friendships and longstanding personal connections affect business connections everywhere"(Lohr 1982:497).(The statement was made about Japanese business relationships, yet appears to be more widely applicable.)

Garofoli(1991)recognised that instead of large firms involved in mass production, localised networks of a number of small firms produce a variety of customized products in small batches, cooperating not just in production but also in distribution and in technological development. This may be the situation in North Yorkshire partly because it is not a traditional centre of heavy industry and large industries.

Todtling(1994:81) also recognised that in some districts small firms under competitive pressures were forming large groups in order to stay competitive , but he argued that the empirical evidence for the strength of linkages at the local and regional level, and of local embeddedness, was very often anecdotal rather than being systematically derived. "There exist only case studies in which usually rather few firms and institutions have been interviewed. More systematic and representative studies in a broader comparative setting are lacking. Furthermore, in the existing studies there has often been an implicit bias in favour of the identification of such localized networks."

Do small firms rely more on informal local networks and local institutions (with regard to information gathering, markets, finance) than large firms and their branches? For instance, a branch of a large national firm would have at their disposal certain technical and research staff, a larger data base and probably the financial means to commission research as and when necessary .Small firms would acquire local knowledge largely on a trial and error basis. To the small firm, the informal network between itself and other small firms, and local institutions ,is a realistic substitute for the formal networks in which large firms operate. It may, unfortunately, still be inadequate. Bryson and Daniels (1998) studied the characteristics and linkages between SME (small and medium sized enterprises). SME owner managers were said to have too many strong ties with their local business community and weak ties elsewhere in the U.K.

Nonetheless,the innovation process may undoubtedly be encouraged or enabled by the informal network. It helps to spread risks, combine resources and assets, and share know-how and experience. Firms which operate in isolation have fewer resources to draw upon. Morgan(1992:166) concluded that "Innovation is increasingly being recognised for what it is, namely,a collective social endeavour.

Collective entrepreneurship is the future" .

Todtling(1994) suggests that the presence of firm-networks at the local and regional level is attributed not just to economic but also to socio-cultural factors. Together, these factors are said to constitute a specific local "milieu" conducive to firm foundation and innovation. Direct personal and informal contacts are indeed highly relevant.

On a broader basis, Cooke and Morgan(1991:43) summarize the key elements of the 'networked region' as "a thick layering of public and private support institutions, high grade labour market intelligence and associated vocational training, rapid diffusion of technology transfer, a high degree of interfirm networking and, above all, receptive firms well disposed towards innovation."

In the aptly titled 'Kaleidoscope Economies', Patchell (1996:482) stated that a region's economic prosperity depends on the interaction of its residents. "When cooperation among firms is achieved, the region can become an economic force vastly outstripping the abilities of any one firm". Interdependence between small firms occurs when each firm has a specialised product or service, but it also depends on other firms or individuals for inputs and sales. "Any firm is only one part of a complex chain of production - a series of transactions - held together by direct or indirect linkages between a series of firms." (Lloyd and Dicken 1990:211)

Networks however need not only be directly economic. They may be social or community links. In a study by Yarwood (1996), over half of companies surveyed in an industrial estate in Leominster offered sponsorship for local activities, thereby investing in the community. Sponsorship may in fact be quite expensive in terms of money or time, but the result may be to increase the local customer base, since it is a characteristic of small firms to be more oriented to local markets. Sponsorship, voluntary work or similar non-economic networking are a very visible link between small firms and the local community.

In conclusion, the study of networks and local embeddedness is an area of increasing academic interest, but Schmitz (1992:104) states "there is a great deal of description of the policy but - with a few exceptions - there is little analysis of its effectiveness." This thesis will attempt to test the significance of Curran and Blackburn's view (1994:113) that "Business owners are epitomised as strong 'networkers' participating in and sustaining a web of economic and social links for information, customers and supplies" .

Subcontracting

As mentioned previously, the continued growth and success of small firms may be partly due to the increase in subcontracting. Morgan(1992)found that for many firms externally-sourced supplies accounted for at least 50 per cent of total manufacturing costs. This must be to the benefit of numerous small firms, but perhaps not to the more remote rural firms. The research in North Yorkshire may establish whether a significant amount of small businesses rely upon other larger firms.

Outsourcing by large firms is more economical partly because the small firms have lower overheads, lower administration costs and lower wages in general. Small firms' flexibility provides a workforce for the large firms which can be almost arbitrarily expanded or diminished. Another perhaps more negative influence of subcontracting upon small businesses is that purchasing companies exert considerable control over prices.

Agencies

The role of agencies and Government policies in the small business network will now be considered, particularly the role which they play in the encouragement and success of small firms, and small rural firms in particular. Curran *et al* (1993) suggest that we need more public policies directly related to rural industries, training and advice for small businesses. In his study of Leominster, Yarwood (1996) recognised that the county structure plan hoped to encourage small scale manufacturing and commercial development. The study area was part of a Rural Development Area , which involved the provision of workspace for manufacturing and other employment needs, through grants, sites and support. The agencies constrained economic development to sites in or around the main urban areas of the county. They aimed at preservation of the environment, therefore industrial growth in that particular area was directed onto specialist industrial estates on the peripheries of the major settlements . A comparison could be made with the location of small businesses in North Yorkshire and more specifically, what agencies and levels of assistance are available in the districts.

Most Development Agencies pursue inward investment in the shape of manufacturing firms, and many choose producer services; few endeavour to attract the full range of basic consumer services. Hughes (1998) states that there are five main categories of strategic actions which a regional development agency must deploy, the two main functions being financial assistance to business and provision of premises. Furthermore, local economic policies which encourage industries with a strong export orientation are not necessarily the most beneficial to the local economy (Williams 1996).Curran and Blackburn (1994) questioned whether TECs will be any more successful than Enterprise Agencies as a local means of delivering management training and other support for the smaller business.

Most writers consider that the public and semi-public institutions supporting firms, for example,trade or business associations and chambers of industry and commerce, are a vital part of the small firm network. These institutions provide amongst other services, research capacity, training, technology transfer, business information, and finance for small firms. Bennett(1998) concludes that business associations are all strongly focused on one or a few services, and there is considerable fragmentation and a range of size of associations.

It was found by Bryson and Daniels(1998)that'Business Link' does not encourage SMEs to participate in the development of a national knowledge and enterprise network.Large firms are able to access specialist external expertise irrespective of location, whereas SMEs are tied into local providers of more generalist expertise. Also SMEs suffer from in built inertia, due to the pressures of the day to day running of the business. Inertia and embeddedness are related issues since a disinclination to move and change in any way are inevitably entrenching the firm in a locality. The positive effect of this would be a familiarity with the local market, probably the establishment of a niche type industry or service, and most likely the establishment of a barrier to other competitors from outside the locality, if these other benefits were strong enough. The negative aspects of inertia are the probable lack of progress or innovation if firms are too tied to the locality, and the increased vulnerability to the ups and downs of the regional economy. Embeddedness does not, however, mean the same thing as inertia, it is more of a positive situation.

The importance of 'networking' under the umbrella of a business association or trade body may be significant to small businesses. Curran and Blackburn (1994) surveyed a sample of small businesses to assess the level of membership of selected external associations or bodies. They found that 27.3 percent belonged to a Trade Association, 25.4 percent a Chamber of Commerce , 9.0 percent to the National Small Business Association, and 19.8 percent other business/professional groupings. Over four out of ten owner-managers claimed to be members of no outside body whatsoever, local or national. Bennett (1998) found that Chambers of Commerce find it difficult to increase market penetration beyond 20 or 30 per cent, the best achieved at present, which is one of the issues discussed in the results of the survey in a later chapter.

Bennett (1998) also suggests that for the small business owner, membership may lend a status, kudos, or respectability. Membership may act as a network of peer support or offer access to informal gateways for venture capital, strategic partnerships or joint ventures. "This concept of associations as a 'business club' is dismissed or derided by many observers, especially civil servants and ministers, but in practice these many social functions are a vital aspect of a dynamic capitalist economy" (Bennett 1998: 1375). He suggests that businesses join associations for a wide variety of reasons, whereas the literature has tended to concentrate on 'price and product' associations. Research by Bennett shows that although the overwhelming motive for businesses to become members is to gain access to services which offer specific benefits to that business, Club and social/peer support aspects play a major role in many or most Chambers of Commerce. He found that small businesses value more highly the social and club aspects whilst larger businesses tend to focus more on services. Retail and other high street local trading businesses may be more likely to join a small Chamber as 'the thing to do', rather than manufacturing businesses.

CONCLUSION

In summary, the main features of the "new economic landscape" are firstly the growing importance of new firm foundation and small firms to the economy, particularly in rural areas, in recent decades. Secondly, the existence of embeddedness and small firm networks, both formal and informal. Thirdly, the concept of the growth of islands of innovation. This is the new economic landscape of the growing rural and semi rural areas, as opposed to the old landscape of predominantly urban manufacturing industries . It is not a complete replacement of the old landscape nor an entirely new phenomenon, but it is a significant shift in character, behaviour and location of businesses that cannot be ignored. Identification and investigation of its key features in North Yorkshire are part of my research which follows.

The characteristics of small rural businesses in North Yorkshire are investigated in a random survey of 60 businesses in the districts of Harrogate and Ryedale, and by the analysis of a diary of business contacts during one week for a typical small business. The principal questions for research were what types of business existed, how long had they been established, where were they located, and why, and what were the motivations behind their establishment? Key economic and demographic background information about North Yorkshire is included to provide evidence of growth in the regional setting, along with statistics on a district level. In addition, the Local Authority and other official bodies concerned with small businesses were consulted to determine what advice or support is available in North Yorkshire to foster the growth of small businesses. Finally, comparisons and parallels from published literature are made with the North Yorkshire survey results and overall conclusions are drawn.

CHAPTER 2

A PROSPEROUS COUNTY IN STATISTICAL DATA

Interestingly, Aydalot and Keeble (1988:9) regarded innovation as a product of the local milieu and stated that "it is often the local environment which is, in effect, the entrepreneur and the innovator, rather than the firm". What are the economic and demographic features of North Yorkshire and do they create a local milieu for the growth and success of small businesses? In this chapter, the economic and demographic situation will be summarised and then a more detailed analysis of employment and VAT Registration statistics will follow, which were the basis for the selection of two districts employed in this study.

The county of North Yorkshire could be said to have a positive image in comparison with many of the surrounding counties. North Yorkshire is largely a semi-rural county on the fringe of the "dirt and grime" of the West Yorkshire conurbation or Teesside, yet encompassing the undeniably beautiful countryside of the Yorkshire Dales, Moors and coast.

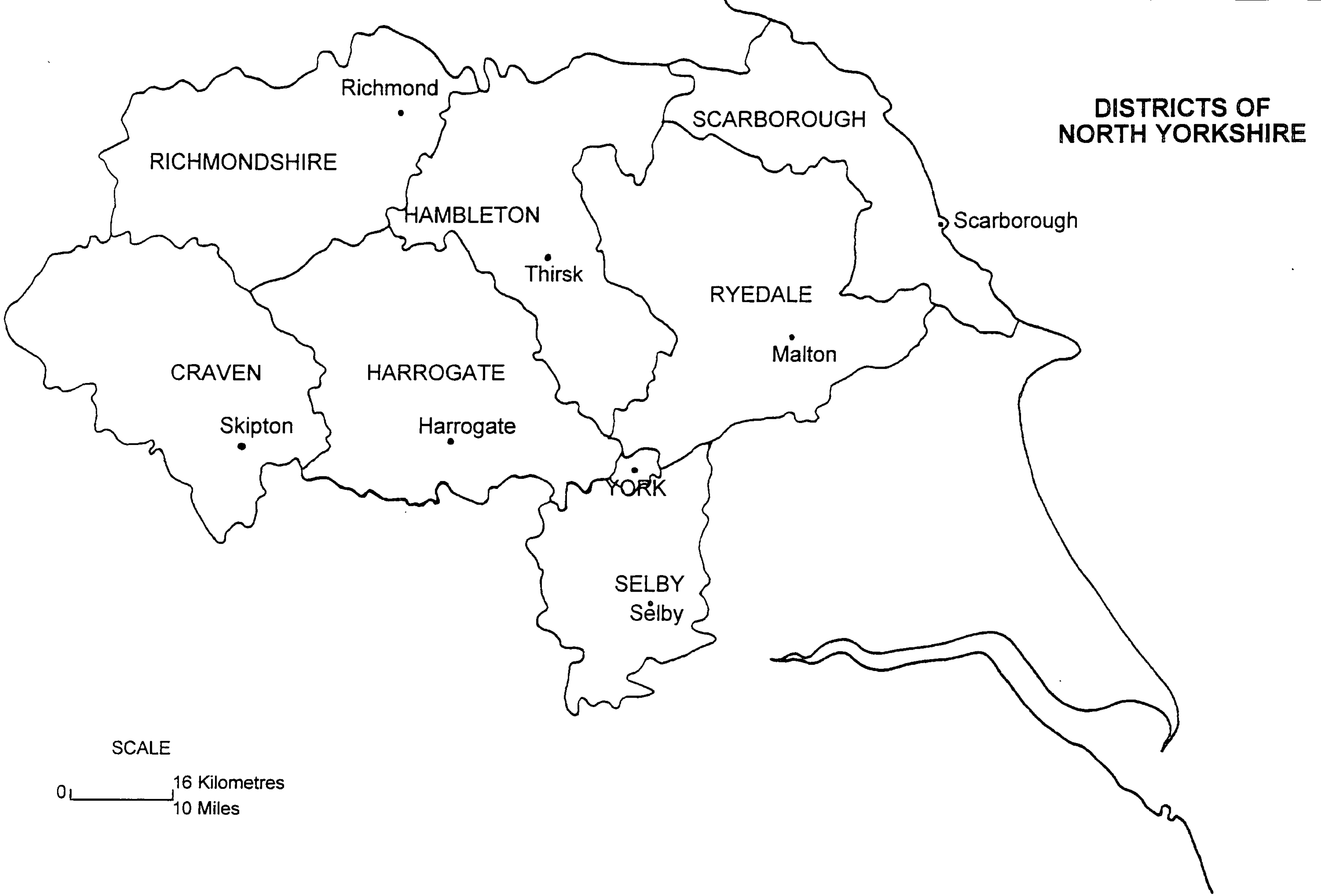
North Yorkshire might be seen as a scenically attractive, comparatively safe place to live, a place if not of uniform prosperity, at least not of industrial decline, recession and urban blight. It might be seen as fertile ground for small businesses, with a growing population and a greying population, higher disposable incomes than other areas in the north (the fifth highest county for disposable income per head in England, although aggregate earnings are lower than the regional average), and with an urban market on the doorstep. Small market towns, historical cities and villages within North Yorkshire are arguably attractive places to work and set up a business if one is determined (or forced) to be self employed.

The following map shows North Yorkshire and its districts, including the unitary authority of York.

The general setting in North Yorkshire is one of positive socio-economic indicators in comparison with the rest of the region, if not the rest of the country, although the picture is by no means one of uniform growth and prosperity.

North Yorkshire is ahead of the other counties of Yorkshire and Humberside in terms of household income per head and disposable household income per head, the latter being 113.4 (UK=100) (Regional Trends 33, 1998) compared to the Yorkshire and Humberside average of 93.4. In the whole of the UK this disposable income is exceeded only in Hertfordshire, London, Surrey and Wiltshire. Gross Domestic Product (GDP) per head in North Yorkshire is also significantly above the rest of Yorkshire and Humberside, and North Yorkshire ranks eighteenth nationally . The GDP per head (1996) for Yorkshire and the Humber is 90, with North Yorkshire itself having 101 (Regional Trends 2000). In some ways, North Yorkshire resembles an island of relative wealth surrounded by a sea of low income counties, which include West Yorkshire, Durham and Humberside.

The population of North Yorkshire excluding York grew by 10.5 percent in 1981-98, which was significantly higher than the national figure of 5.1 percent in the same period. (Regional Trends 2000.) The



DISTRICTS OF
NORTH YORKSHIRE
Richmond
RICHMONDSHIRE
SCARBOROUGH
HAMBLETON
Scarborough
Thirsk
RYEDALE
CRAVEN
HARROGATE
Malton
Skipton
Harrogate
YORK
SELBY
Selby
SCALE
0
16 Kilometres
10 Miles

largest growth was 14.4 percent in Hambleton, although the most densely populated district of Harrogate grew by 9.5 percent. Naturally, population in the (unitary) City of York grew by a smaller amount of 7.2 percent compared to the other, more rural Districts. These figures are listed below.

Table 2.1 Total Population Change Sub-Regions 1981-1998

CRAVEN 8.9%

HAMBLETON 14.4%

HARROGATE 9.5%

RICHMOND 13.5%

RYEDALE 11.0%

SCARBOROUGH 5.7%

SELBY 14.3%

YORK U.A 2.2%

NORTH YORKSHIRE 10.5%

UK 5.1%

(Regional Trends 35,2000)

The evidence is that the workforce will grow at a faster rate than the population. This area has the second largest growth rate among 'first tier authorities' in all three Regions of Northern England, exceeded only by the East Riding, and substantially more than the surrounding traditional industrial areas. Many districts of North Yorkshire have experienced counter-urbanisation, as population has migrated out of the adjoining conurbations into the semi-rural hinterlands (as identified by Champion (1990) and others). The population movements have also been accompanied by the shift of firms, output and jobs from the conurbations and big cities to smaller towns and rural areas (Keeble, 1976; 1980; 1984: Fothergill and Gudgin, 1982: Fothergill *et al*, 1985: Townsend, 1993). From here we will refer to York and North Yorkshire together as North Yorkshire, for reasons of brevity.

Unemployment rates in North Yorkshire were significantly lower in the last decade than those experienced in other parts of the region, being 2.9 percent in July 1998 and 2.3 percent in May 2001. This would broadly suggest less economic hardship and more of a market for various consumer products and services in North Yorkshire compared to most other Northern Regions. The unemployment rates at May 2001 in the districts of North Yorkshire are listed below .

Table 2.2 Unemployment by District (% workforce jobs and claimants). May 2001.

Craven	1.6%
Hambleton	1.5%
Harrogate	1.3%
Richmondshire	1.5%
Ryedale	1.6%
Scarborough	5.2%
Selby	3.0%
North Yorkshire	2.3%

Source: Labour Market Trends May 2001

EMPLOYMENT BACKGROUND

In 1991-1996 all districts had rising employment levels except for the more industrial/coalmining area of Selby, and comparatively remote Richmondshire. Similarly, all of the districts in 1981-91 had rising employment levels (except a very small overall loss in York). There was a large percentage increase in employment level in Hambleton of 46.4 percent, and 28.6 percent in Ryedale. The following table lists the changes in persons employed in September, 1991- 1996, in each district, and indicates the sectors of employment in which there were the most gains and greatest losses (in absolute numbers) over that period .

Table 2.3 Total change in employees by District, 1991-1996 (September)

			Sectors of employment	
District	Change	%	Most gain	Greatest loss
Selby	-7000	-21.3%	K	C,E
Richmondshire	-800	-6.9%	L	N,H
Scarborough	900	2.5%	G	H
York	2000	3.4%	K,L,N	D
Hambleton	2100	7.2%	G	K,M
Harrogate	3700	7.8%	K,G	L,E
Ryedale	4800	19.1%	G,D	F
Craven	3300	19.9%	G,K	J
North Yorkshire	9000	2.4%	G,K,O	C,E

Source:NoMIS

KEY FOR TABLES 2.3, and 2.4, 2.6

A Agriculture, hunting and forestry

B Fishing

C Mining and quarrying

D Manufacturing

E Electricity, gas and water supply

F Construction

G Wholesale/retail trade; repair, etc

H Hotels and restaurants

I Transport, storage and communication

J Financial intermediation

K Real estate, renting, business activities

L Public administration/defence; social security

M Education

N Health and social work

O Other community, social/personal service

The September 1991-96 employment figures for North Yorkshire as a whole show a fall of -1.5 percent in male employment but a large increase of 6.6 percent in female employment, giving an overall rise of 2.4 percent. The main feature of changing employment patterns is the decline in full time employees, and the growth in part time and temporary employment. Both of these trends may give impetus to the creation of small businesses and increased levels of self employment.

North Yorkshire TEC (1996) recognised that employment growth in North Yorkshire had been sufficient to absorb growth in the overall rate of economic activity. Total employment locally was forecast to grow by 9,800 (3.0 percent) between 1996 and 1999; a slightly higher rate than that forecast for either the Region (2.3 percent) or nationally (2.8 percent). The most significant growth between 1996 and 1999 was projected to take place in other business services; hotels and catering; and health & social work.

Over half of all businesses and one third of all employment in the North Yorkshire TEC area are to be found in three broad industrial sectors:' wholesale/retail trade';'real estate, renting, business activities'; and 'hotels and restaurants'.

The majority of the growth of businesses in the late 1980's was in non-manufacturing sectors. Only eight percent of businesses in the county are classified as manufacturing, compared to 11 percent nationally. Manufacturing in North Yorkshire is to some extent concentrated in 'manufacture of food products and beverages' of which there was a fall of over 2000 employees between 1991 and 1996, although there was a similar substantial drop of over 2000 employees in the manufacture of other transport equipment at York, namely railway carriage construction. The largest increases in manufacturing employment were in 'electrical machinery/apparatus', 'publishing and printing ' and ' chemicals and chemical products'. The sum total of 700 manufacturing job losses between September 1991 and September 1996 was not an encouraging background for the local economy, although it may encourage more self employment.

Self employment in North Yorkshire is 20 percent above the national average, and in some parts of the county accounts for 30 percent of the workforce (North Yorkshire TEC). Currently self employment accounts for approximately 16 percent of all jobs in the local economy compared to around 13 percent regionally and nationally (North Yorkshire TEC 1996). The rate of growth of self employment was predicted by North Yorkshire TEC to be approximately 10 percent from

1996 to the year 2005. (This is much lower than the rate of growth during the 1980's.) The importance of self employment, and the creation of small businesses which this implies, could therefore be directly related to the comparative prosperity of the county.

Furthermore,on the basis of the 'types of areas' of which it is composed and their national percentage change in total employees,the general categories which apply to North Yorkshire , namely 'historic cities','mixed' and 'outer rural' environments,are precisely the types of areas which are experiencing rises in employment 1991-6, although 'resorts' have a large loss of employment (Source: analysis of NOMIS data similar to Champion and Townsend (1990:153).) The general categories which apply to North Yorkshire thus paint a more optimistic picture than in the rest of the North of England. More specifically, if the 'types of areas' are examined by manufacturing employment,it appears that North Yorkshire possesses those types of areas where manufacturing is prospering. North Yorkshire thus even goes against the trend for most of the rest of the country. Therefore, the types of areas found in North Yorkshire are statistically more likely to have growing employment levels and a growth in manufacturing employment.

EMPLOYMENT DATA FOR THE CHOSEN HARROGATE AND RYEDALE DISTRICTS.

Employment changes in North Yorkshire overall and in each of the seven districts of North Yorkshire were studied to put the small business growth into context. Only the descriptions of the Harrogate and Ryedale districts are included here, as they were subsequently selected as appropriate example areas of study on the basis of their economic success and numbers of small businesses. The analyses of the other districts are included in the Appendix.

NORTH YORKSHIRE OVERALL

The largest falls in employment in North Yorkshire 1991 - 96 in terms of percentage and absolute number, were in the 'mining and quarrying' sector (-82.0 percent) and 'electricity, gas and water supply' (-57.6 percent). The sectors with most gains in employment were 'wholesale/retail trade; repair', 'real estate' and 'other community, social/personal service'. These figures are in line with national trends in recent decades, with the tertiary and quaternary sectors of employment expanding, and primary and secondary sectors shrinking.

Unemployment in the county has historically been relatively low, but there are pockets of significantly higher than national average unemployment rates in York, Selby and Scarborough. The rate of unemployment in North Yorkshire in May 2001 was 2.3 percent of the workforce. The proportion of long term claimants with managerial or professional experience has increased significantly since 1991, from five percent to 11 percent. This may encourage the setting up of new businesses, if other conditions are favourable.

Employment forecasts for the year 2000 in North Yorkshire predicted the greatest rises in 'other services' followed by 'hotels, catering' and 'retail'(source: NY TEC). They predicted a fall in most other sectors, particularly 'manufacturing'. It therefore appears that larger industrial establishments have been exerting a downward effect on employment, much as in other parts of the country. The buoyancy of the small firms and service sector in maintaining a general expansion of employment is all the more remarkable and more significant.

RYEDALE DISTRICT. The 1991-1998 figures show a 30.8 percent increase in persons employed, and a significant rise in agricultural,real estate and manufacturing employment. Ryedale had the highest rise in employment in absolute numbers for all districts of North Yorkshire. Unemployment in May 2001 was second lowest in North Yorkshire, at 1.6 percent of the workforce. Ryedale has the largest percentage rise in manufacturing employment in North Yorkshire, of 53.3 percent, with particularly large increases in 'fabricated metal products', 'publishing, printing' and 'motor vehicles, trailers'. However, the sector with the most gains apart from manufacturing was 'wholesale/retail trade; repair' in common with most of North Yorkshire, and the greatest losses were in the 'construction' sector. The net gain in employment in Ryedale,1991-1998 was 7812 persons, an increase of 30.8 percent. Ryedale is the most favourable district in terms of employment data.

HARROGATE DISTRICT. The economic situation in the Harrogate district is second in ranking behind the Ryedale district in terms of the level of unemployment and of rises in employment, and Harrogate district has by far the greatest share of small business units in North Yorkshire. Between 1991 and 1998 there was a rise of 11.5 percent in employment, and unemployment continues to be below the county average in the Harrogate district, at 1.3 percent in May 2001. The greatest percentage rise in persons employed 1991-1998 was in the 'agriculture' sector, a gain of 287 percent, or 228 jobs. In terms of actual numbers, there were larger increases of 1706 jobs in the 'retail' sector and 2436 in the 'real estate' sector, visual evidence of which is very obvious in the central business district of Harrogate itself. During the period to which the employment figures apply, a new indoor shopping centre and market hall were opened in the town. The greatest loss of jobs was in the 'electricity' sector, with a fall of 84.1 percent or 1199 persons employed. This was mostly due to the closure of the CEGB in Harrogate. Nevertheless, manufacturing employment rose by 12.3 percent in Harrogate 1991-1998, a net gain of 628 manufacturing jobs, although there were losses spread out between more different sectors than usual in the other districts. The largest loss of 300 jobs was in 'textiles' and there were almost 200 job losses in 'chemicals and chemical products'. To offset this, there were large increases in 'furniture manufacture' (300 jobs) and 'food products and beverages', amongst others.

BUSINESS UNITS

The rates of change in the number of business units in North Yorkshire and the UK can be examined. All units in North Yorkshire between 1987 and 1991 increased by a greater proportion than the UK figure - a rise of 22 percent compared to 16 percent nationally (Source: the Census of Employment September 1996). Of these, the greatest percentage growth by far is the small businesses. The number of small business units in North Yorkshire rose by 24 percent compared to 18 percent nationally. Data are not comparable from 1991 to 1996, but we know that in 1996 North Yorkshire had a large stock of very small businesses with 94 percent of all establishments employing 25 people or less in 1996, and almost half are classified as 'micro', which employ fewer than five persons, accounting for about eight percent of employees in employment. Large employers undeniably still have a disproportionate effect on the local economy and employment. In 1992, large and very large manufacturing businesses accounted for five percent of businesses, 56 percent of employees in employment, but 66 percent of gross output (North Yorkshire TEC). According to Dunsmarketing Database Profile there were 1064 businesses in North Yorkshire employing one to nine employees in 1992, making almost 33 percent of the stock of businesses. For the UK as a whole, such small-sized businesses make up just under 31 percent of the total businesses. North Yorkshire has a higher percentage of one to nine employee businesses than North Humberside, South Yorkshire and West Yorkshire (Source:Dunsmarketing Database Profile).

North Yorkshire has more than the national proportion of small business units (up to ten employees) in nine out of 16 sectors, although by a small amount in all except 'Wholesale/retail trade: repair', and 'Hotels and restaurants' (Table 2.3). The figure is less than the national proportion in only four sectors, although again the numbers are not significantly less, the largest difference being in the number of 'Real estate, renting, business activities', a difference of almost five percent. Thus there are more small business units in North Yorkshire than expected . These are listed in the following table.

Table 2.4 Number of Small Business Units (<10 Employees) G.B and North Yorkshire Census of Employment, September 1996

 # Key as Table 2.3

Sector#	G.B.	% G.B	N.Y	% N.Y	L.Q*
A	7379	0.4	237	0.9	2.25
B	4326	0.2	100	0.3	1.50
C	2702	0.1	49	0.2	2.00
D	141794	8.1	1701	6.6	0.81
E	1196	0.1	39	0.1	1.00
F	179837	10.6	2754	10.6	1.00
G	309342	17.6	7328	28.3	1.61
H	130394	7.4	2859	11.0	1.48
I	82313	4.7	1368	5.3	1.13
J	35978	2.0	431	1.7	0.85
K	416603	23.7	4873	18.8	0.79
L	13282	0.7	188	0.7	1.00
M	17703	1.0	284	1.1	1.10
N	68850	3.9	975	3.8	0.97
O	184632	10.5	2720	10.5	1.00
P	0	0	0	0	1.00
Total	1754807	100.0	25913	100.0	1.00

* Location Quotient Source NoMIS

Analysis of the location quotient figures confirms that North Yorkshire has a concentration of around twice the national average of small business units in the 'agriculture' sector and 'mining and quarrying', almost double the amount of 'wholesale/retail', and a higher than average concentration in all other sectors except for 'manufacturing', 'financial' , 'real estate' and 'health and social work', which were marginally less than the national average.

Within the county the share of small business units is very uneven. Harrogate District has by far the greatest share of small business units, Ryedale has the third largest share. Craven and Richmondshire have a very low percentage share, possibly due to their more remote location, away from major centres of population. Harrogate's pre-eminence in North Yorkshire is again notable. The share of small units by district, September 1996, is as follows:-

Table 2.5 Number of Employer Units by District, September 1996

Employer Units 0-10 employees

District	No.	% of North Yorks.	% Total employees
Craven	2385	9.2%	7.2%
Hambleton	3114	12.0%	11.4%
Harrogate	6179	23.8%	18.9%
Richmondshire	1628	6.3%	4.0%
Ryedale	3148	12.2%	11.0%
Scarborough	3544	13.7%	13.0%
Selby	2812	10.8%	9.4%
York	3103	12.0%	21.7%
Total	25919	100.0%	100.0%

Source: NoMIS

North Yorkshire has a business structure that is skewed more toward micro (one to four employees) and small (five to 24) businesses, than elsewhere in the region. Thus, small businesses are characteristic of North Yorkshire, as all Districts have a greater share of businesses than employees, with the exception of York, which is the centre for larger employers.

The VAT registrations and deregistrations within North Yorkshire reveal contrasts between the Districts. Obviously, not all small businesses are VAT registered as they operate below the VAT threshold, nevertheless the statistics are of value in assessing the level of business activity in the various districts. As with employer data there are discontinuities between 1991 and 1996 which prevent the establishment of trends. However changes occurring during 1996 give a recent indication of changes in activity.

Table 2.6 1996 Net Changes in VAT Registrations by District and Sector.

Sector#	Craven	Hambleton	Harrogate	Richmond	Ryedale	Scarborough	Selby	York
AB	+5	-15	-15	-5	-10	0	-5	0
CE	0	0	0	0	0	0	0	0
D	-10	+5	+10	0	-10	+5	+5	-10
F	-5	-5	+5	+5	-5	-5	+5	-15
G	-15	-15	-40	-5	-15	-20	+15	-15
H	+10	0	+5	-5	0	+5	+15	-10
I	-5	0	+15	0	+10	0	+5	+5
J	0	0	+5	0	0	0	0	+5
K	+25	+10	+120	-5	+35	+25	+60	+20
LO	0	-15	+5	0	+15	-10	+5	+5
MN	-5	0	0	-5	0	-5	+5	-5
All	0	-45	+110	-15	+25	-15	+105	-10
% of GB	0.2%	0.2%	0.4%	0.1%	0.2%	0.2%	0.2%	0.2%

#Key to sectors as Table 2.3 Source: NoMIS

Out of all the North Yorkshire districts, Harrogate has the largest share of the G.B. total of VAT registrations (0.4 percent). Harrogate has almost a quarter of the total VAT Registered firms in North Yorkshire. The number of VAT Registered businesses in Harrogate increased by 110 in 1996. The largest sector of growth by far was 'real estate', up by 120. The largest fall in registrations in Harrogate was in 'wholesale and retail' (a loss of 40). The net increase in VAT registrations does not, however, provide the complete picture regarding small businesses. In Harrogate as in every other district, many small businesses are being established or closing down but they are operating below the VAT 'threshold' figure, thus the VAT registrations may be regarded as the tip of the iceberg. In Ryedale district, there was a net increase in VAT Registrations of 25, the largest increase being 35 firms in 'real estate'. Ryedale has 13.5 percent of North Yorkshire's VAT registered firms, and has a 0.2 percent share of the national figure.

Although comparison of the number of registrations is not possible due to discontinuities, nonetheless the following table suggests that North Yorkshire's share of VAT Registrations has increased from 0.9 percent of the GB total in 1981 to 1.7 percent in 1996. The percentage share of GB VAT Registrations has increased in every District, the percentage shares having doubled (more than doubled in Craven, Harrogate and Selby).

Table 2.7 Total VAT Registered Firms in the Districts of North Yorkshire in 1981, 1991 and 1996 and the Percentage Share of GB and North Yorkshire in each District.

District	1981 total	%GB	%NY	1991 total	%GB	%NY	1996 total	%GB	%NY
Craven	2278	.09	10.1	2683	.08	9.9	2695	.20	10.0
Hambleton	3358	.13	14.9	4042	.12	15.0	3950	.25	14.7
Harrogate	4660	.18	20.7	5892	.18	21.9	6010	.39	22.3
Richmond	1786	.07	7.9	2045	.06	7.6	1995	.13	7.4
Ryedale	3021	.12	13.4	3755	.11	13.9	3625	.23	13.5
Scarborough	3338	.13	14.8	3421	.10	12.7	3175	.20	11.8
Selby	2345	.09	10.4	2871	.09	10.7	2980	.19	11.1
York	1774	.07	7.9	2196	.07	8.2	2480	.16	9.2
North Yorks	22560	.09	100.0	26905	.08	100.0	26910	1.70	100.0

Source NoMIS

In terms of their share of North Yorkshire VAT Registrations, Harrogate, Selby and York have slightly increased their share at the expense of Scarborough. The other Districts have retained a similar share between 1991-1996. Harrogate has by far the largest share of VAT Registered firms at each date, and Richmondshire has the lowest percentage share. York has the second lowest share of VAT registered firms in North Yorkshire, although it's share is increasing. The suggestion that North Yorkshire's percentage share of total G.B. VAT registrations has almost doubled (from 0.09 percent in 1981 to 1.7 percent in 1996) is an indication of buoyancy in the region, and as mentioned previously, the general setting in North Yorkshire in terms of employment levels, unemployment, small business units and VAT registrations, is undoubtedly positive. Business VAT registration and deregistration rates available for 1998 underline the importance of the Harrogate District and the relatively healthy situation continuing in most of North Yorkshire.

Table 2.8 Businesses Registered for VAT 1998

	Registration Rates %	Deregistration Rates %	Stock of business end 1998 thousands
Craven	6	6	2.7
Hambleton	6	7	3.9
Harrogate	9	7	6.0
Richmond	6	8	20.0
Ryedale	4	4	3.3
Scarborough	7	8	3.1
Selby	8	7	3.0
York	17	15	2.4
N. Yorkshire	7	7	24.2
UK	11	10	1651.6

Furthermore, the evidence that projected business survival rates are significantly higher for businesses in York and North Yorkshire (84.2 percent surviving 36 months, compared to the UK figure of only 54.5% percent according to North Yorkshire TEC 1996) is another positive factor. Since nearly 70 percent of all businesses served the local area as their main main market (North Yorkshire TEC) the local impact of small business creation must be considerable. (Both of these issues were included in the questionnaire survey conducted as part of the research into small businesses.) However, North Yorkshire TEC suggests that the majority of micro employers are also in high displacement sectors. Their growth is at the expense of growth in other companies within the same sector locally. For example, a kennels or cattery business may be a good illustration of this, serving a limited local market in direct competition with other establishments. Conversely, any tourism-related activities may not be so limited, as they draw in earnings from beyond the region.

SUMMARY

In summary, this chapter shows that the county of North Yorkshire along with York appears to be experiencing steady although variable growth according to various indicators. These include a) Population - with firm evidence of counterurbanisation, b) Employment - with lower levels of unemployment than the rest of the region, growing employment levels, an unusual increase in manufacturing employment and higher than the national average levels of self employment, c) Higher than national average business survival rates, d) A higher proportion of small business units than the national average, and e) An increasing percentage share of GB VAT Registrations. Although the overall picture is relatively positive, there are interesting variations within the county, namely between the Districts.

Selection of Districts for research

To make the subsequent survey of small businesses both manageable and representative, the random selection of businesses was made from two relatively successful Districts based on the economic criteria thus summarised, as opposed to investigating the less successful Districts. Harrogate District was chosen because it is the major district in terms of population, employment and number of firms. Ryedale District was chosen because it has the greatest recorded rise in employment, greatest increase in manufacturing, and the second lowest unemployment rate.

Craven was rejected because although it has low unemployment, it has a small percentage of small business units and zero net change in VAT registrations. It is also geographically the most remote district, and therefore not very representative of the county. Hambleton is atypical in its employment gains and losses, and has unemployment slightly below the county average. Richmond is similarly not typical of North Yorkshire in terms of employment sectors and gains, and it has experienced a reported fall in employment. Scarborough is un-typical of the county in several respects, and has the highest unemployment. Selby was rejected because it has the greatest loss of persons employed and the second highest unemployment, it is not one of the more economically thriving districts, and it is less typical of North Yorkshire because of its mining background. The investigation of small businesses in Selby District would be interesting but the results would probably not be representative of North Yorkshire as a whole. Finally, York District was rejected because its urban characteristics leave it the least buoyant of all the districts, having the largest fall in manufacturing employment, only a small rise in total employment, an increase in unemployment, a net fall in VAT registrations and only a moderate share of small business units compared to other districts. Overall, the two Districts selected were the most prosperous or vibrant, and it is of value to identify the characteristics of small businesses within them .

CHAPTER 3

THE CHARACTERISTICS OF SMALL BUSINESSES IN NORTH YORKSHIRE.

The following descriptions are based entirely upon findings from 60 small businesses (defined as ten or less employees), drawn from a random sample in the Harrogate and Ryedale Districts of North Yorkshire, who agreed to answer a postal questionnaire. This is effectively a snapshot of the businesses in Autumn 1997 to early Spring 1998.

The full methodology used for selecting the sample of businesses is included in Appendix. 2, a brief description is given below.

The final sample for the survey had to meet several criteria, having assumed the aim of representativeness, and the questionnaire itself needed to meet the issues which arose from the pilot questionnaire, as discussed in Appendix 1.

It was decided that the sample of small businesses would not be stratified by sectoral type, but simply represent a broad cross section of businesses. The random sample was thus to be drawn from the whole population as listed in the York Yellow Pages for 1997-8.

A completed sample of a suggested size of 60 was agreed after discussion,and reference in particular to a previous sample of Business Services in Edinburgh by Townsend and Macdonald 1994,where there had been an 80 percent return rate yielding a sample of 40 firms.

It was intended to select the same number and type of businesses from each District in order to obtain a comparable sample. The selection of firms was made by using a published random number table to select page numbers from the York Yellow Pages. The first business classification containing businesses in Harrogate and Ryedale was chosen. The selection of a potential contact in each of the Districts was thus made and each firm was to be telephoned. The same procedure was used for all numbers, in that up to five attempted contacts were made and the responses were all logged. The obvious shortcoming of this selection procedure was that it certainly prejudiced against selecting busy sole proprietors.

Contacts were asked if they would be willing to answer a short postal questionnaire about the characteristics of their business.

In total 76 questionnaires were posted after the approximately 210 telephone contact attempts, eventually yielding 55 completed postal questionnaires by the end of February 1997. Only 19 firms who agreed to answer the questionnaire failed to return it. For practical reasons it was eventually decided to add five questionnaires from the pilot survey to take the total up to 60 and complete the survey because of pressure of time. The response rate to the postal survey had been greater than anticipated, even allowing for the initial telephone contact. The final response rate of 55 replies from the 76 postal questionnaires was 72.4 percent, almost three-quarters successful.

Overall, the aim of sampling a broad cross section was achieved despite there being a slight imbalance of types and numbers between the Districts.

The results of each section of the questionnaires will firstly be summarised in section one, followed by the analysis of the responses to each question and the results of the detailed cross-referencing, in section two. In the next chapter, comparisons are made and parallels drawn with previously published sources.

SECTION ONE

TYPES OF BUSINESSES, PREMISES AND CHARACTERISTICS OF OWNERS

As in the national pattern today, this random survey showed a heavy predominance of service businesses. The types of businesses selected at random displayed no significant clusters of the same classifications. Intentionally, there was no stratification. The largest common classification (SIC 1992) was a group of five out of the 60, which was the broad retail category, within which the types of retailers in the survey varied from sellers of antiques to knitting wool. Other than this cluster there were only one or two of the same classifications. They overall represented a fairly broad cross section of small businesses with a wide variety of functions. (See Table.A. Appendix)

The division of services and manufacturing was comparable to national figures. There were substantially more businesses from the service sector, ranging from architects to osteopaths. The sample ultimately consisted of 54 businesses from the service sector (90 percent) and only six manufacturing businesses (ten percent), less than the figure of 17.8 percent manufacturing in North Yorkshire 1996-1997. (Regional Trends 1998)

The typical business was a retailer of a specialist product, such as antiquarian books or cycles. Home services featured very strongly, for instance decorators, builders, garden designers, but personal services, such as osteopaths, less so. Services to other businesses such as accountants, were not a large sector, although this had been anticipated to be of some significance. The manufacturing businesses were typically light industries including furniture making and printing, and they appeared to be 'niche' type businesses. This probably reflects the fact that the Harrogate and Ryedale Districts, indeed the whole of North Yorkshire, have an absence of heavy manufacturing industries. The various light manufacturing firms of the study area were not linked together as part of a supply chain aligned to certain heavy industries as they might be in other regions .

The types of businesses appear to display some of the social trends in each decade. Businesses established within the last ten years are leisure-related craft businesses including picture framing, and health-related businesses such as acupuncture or health foods; there are IT businesses or services, which are ideal to run from home, and garden services such as garden design for the property-focused 1990's. The type of businesses established in the preceding decade, around twenty years ago, which significantly have survived, include a large amount of specialist retailers, with a few home services such as an electrical contractor. Businesses established 30 to 40 years ago are fewer and more difficult to generalise about, but do include basic home or building-related services such as a painter and decorator, building contractor and glass merchants. They have little in common with the types of newly established businesses.

The types of premises occupied by the small businesses varied, but the characteristic premises were located at home, usually an old building, and they were least likely to be based in new or purpose-built units. Home location was mentioned by a total of 21 of the 60;

purpose-built premises, whether at home or elsewhere, totalled 11 mentions; conversions were mentioned 13 times; new premises only six times and old premises 19 times. (Table 3.1) Combinations for example, home/purpose built were of insignificant numbers. There was thus a marked absence of firms located in purpose built units in industrial estates, which was unfortunate as several small industrial estates do exist in the Districts, but this was a consequence of the random selection. Overall in the sample, there were certain types of small businesses which could easily be operated from home and those which required more space or public access, but as discussed in the later section, not every business was ideally situated.

Table 3.1

Type of Premises	Response
Home	16
Home, purpose built	2
Home, conversion	2
Home, old	1
Purpose built, new	2
Purpose built, old	1
Conversion	8
Conversion, new	1
Conversion, old	2
New	3
Old	15
Total	60

The 'number of years in business' yielded some exceptional longevity. The question could have been misinterpreted as the number of years the business itself had existed, rather than the number of years the respondent had been in that business, as had been intended. The results ranged from two years to 158 years. Overall, the average years in existing business was 18 years and eight months. Excluding the 158 years and 141 years quoted by two respondents, the average number of years in business was fourteen, which was surprisingly long.

The firms which had been in business for the longest duration were a fishing equipment manufacturer in a long established family business (although the current business activity had changed completely in the 1960's and the business had only relocated to the present premises around eight years ago). Similarly, there was a long established toffee shop and manufacturing business, only taken over by the current owner very recently. The least established businesses were all services - a tree surgeon working from home, established two years, set up after leaving an existing job connected with this business, a photographer, also working from home although employed elsewhere(business to be a retirement occupation), a massage and injury therapist located in rented converted premises, set up after leaving employment unconnected to this business, established just over two years,and a fencing contractor working from home, set up after leaving connected employment almost three years ago.

The years at existing location corresponded to years in business in many cases, indicating a more static picture than expected. (The same length was mentioned in 25 cases out of 60.) The years at location ranged from six months up to 73 years , with the next highest being 36 years. Overall the average years at existing location was 12 years and six months which was again a surprisingly high figure. Excluding the anomalous figure of 73,the average was still over 11 years. This question was perhaps less open to misinterpretation , in that the number of years the business had been at that location seemed to be interpreted as 'at that location with the same owner'. The longest time of location was in a case where the business had previously been run by the father of the present owner, which explains the unusual figure of 73 years, whereas in the previous question the length of business undoubtedly exceeded the life span of several of the respondents even though it was meant to mean the length of time that individual had owned the business. Both the lengths of time in business or at the present premises were longer than expected, and suggested a relatively static picture for the businesses surveyed, as opposed to a situation of rapidly changing and dynamic small business activity.

REASONS FOR LOCATION

Reasons for location were very varied and multiple responses were not uncommon. The question needed to be sufficiently open ended to reveal the important reasons, and unfortunately it was not possible to identify the most important factor in a multiple answer. The survey results thus show that for most businesses there is seldom one single clearly identifiable reason for location. (Appedix Fig.A)

Of the 60 responses,'unit close to home' was mentioned the most (over half of the respondents),'Convenient for customers' was the next in importance, mentioned 26 times, 'cost of unit ' was mentioned 24 times; and 'good road or transport links' 16 times.'Close to other businesses' was mentioned only six times, whereas ' other significant reason' was mentioned 17 times.(The multiple answers were of insufficient number to show any pattern.)

Therefore the characteristic reason for choice of location was - being at or near home, benefiting from low overheads and convenience for customers . The least important reason for location was 'close to other businesses'. These results revealed the practical side to business location. Home location was popular, but as discussed in the second part of this chapter, there were misgivings in some cases. In reality, how much choice of location do small businesses have?

The survey conclusively revealed that local or national Government assistance was not received by any of the 60 respondents. Availability of Government assistance was therefore not a factor in the location of small businesses in this sample survey. Several people commented on this :

Business '175' had to fight for planning permission. Harrogate Council told them "You are classed as a light industry (auto-electric repairs) and we do not want you in Harrogate".

Business '48' said there had been quite the opposite to assistance, they were unable to obtain any grants. "I am considered to be living in a privileged area with low unemployment".

Business '510(2)' said that no advice or help was received or freely given. "I do not think they help individuals at all".

Business '58' stated "No, there are very few grants or incentives in North Yorkshire".

This is a very significant issue which raises questions about information on, targeting of, and effectiveness of Government grants to small businesses in the survey area. This also raises questions about the demand and justification for financial assistance in this relatively prosperous area of North Yorkshire. It would be wrong to generalise from this conclusion and apply it to other areas of the region, for example the Less Favoured Area schemes and their relocation grants. It is also very possible that grants which were available towards start-up costs were small (e.g. ten percent of machinery costs per new employee), and were given a number of years ago and have been discounted. A summary of financial and other assistance is included in the Appendix.

In the broader sense, the role of Planning Departments was also seen as part of the range of 'Government' influences upon small businesses, and it was seen as a restrictive factor for some of them.

Insofar that none had Government assistance and most were successful in terms of longevity, this lends credence to the argument that 'start up assistance' leads the 'wrong' type of person into business. The lack of grants was obviously not a deterrent to those firms questioned. Arguably there may, however, have been even more successful new businesses if there were more Government grants and information about assistance.

The reason for the lack of agency intervention could be that the majority of businesses were set up in the last decade or previous to that, and the current practical assistance may not have been available when they set up. There is also the suggestion by a few of the firms that assistance was sought and that they were not eligible, although advice workshops from the TECs were theoretically available for all and are still widely publicised by the new agencies. The overall negative reaction to assistance is surprising, but most of the sample have survived without assistance. (Survival of the fittest?) The lack of advice and other financial assistance may have constrained plans and reduced growth. North Yorkshire County

Council and other related bodies may be too complacent about encouraging industry. On the other hand, if grants and other financial assistance had been more widely available, this could have been a very unsuccessful and costly policy, subsidising no-hopers and causing even more business failures.

QUALIFICATIONS OF OWNERS

It was felt that 'highest qualification held by the respondent' was a valid characteristic for investigation, partly to compare the results with findings from other studies but also partly because it may be considered as a most significant factor in the success of a business. A higher level of qualifications is suggested to be indicative of future business success by Gould and Keeble (1984). The respondents were mostly qualified, with qualifications apparently connected to or useful in their business. Only 19 stated that qualifications were 'not applicable'. Overall, 33 of the 60 respondents had specific higher qualifications, another eight had vocational training. The largest group was 'vocationally qualified'. The level of qualification was high overall. Eleven out of the 60 or 18.3 percent were university graduates (the national figures show that 9.5 percent of the working age population were graduates in 1992). Townroe and Mallalieu (1993) found that over a quarter of founders in their sample had a degree, and they were overall a well educated and well qualified group.

LEVELS OF TECHNOLOGY

The use of technology, and the extent of investment in technology in the small businesses, was investigated. As expected the use of personal computers was widespread, in approximately half of the firms and in a variety of business types. The level of technology in the businesses (other than use of PCs) was also investigated. (Table 3.2) Only ten out of the 60 used 'significant technology', 26 out of 60 used 'moderate technology', while 24 firms used 'little or none'. The most frequent response was therefore 'moderate' usage of technology. The overall picture nonetheless suggests the important role of modern technology in small businesses, since over half of the respondents used significant or moderate levels of technology. However, 'level of technology' was a term open to individual interpretation, the answer was subjective and could possibly have been under emphasised.

Table 3.2

Level of Technology		No. of responses
Significant technology		10
Moderate		26
Little or none		24
	Total	60

REASONS FOR FOUNDING

There was a variety of reasons for the origins of businesses and the motivation behind the setting up of the enterprise as listed below -

Table 3.3

Motivation for setting up business		Number
Direct result of redundancy or unemployment in a connected occupation or business		5
Redundancy or unemployment, but unconnected with the previous occupation or business		8
Leaving an existing job connected with this business		13
Leaving an existing job unconnected with this business		10
Retirement		2
Family business		4
Bought business		1
Divorce		1
Personal		12
Other		2
Unanswered		2
	Total	60

Small but significant numbers had set up as a direct result of redundancy or unemployment, slightly less with a connection to their previous employment than with, which was perhaps unexpected and more of a risk to the individual involved. The largest single reason for the origin of small businesses in this survey (thirteen of the 60 firms) was that the business was set up after voluntarily leaving employment in a connected occupation. The second largest reason, almost of equal importance, was that the business was set up again after voluntarily leaving employment but unconnected with the new business. Taken together, these two closely related reasons suggest that for many of the businesses in this sample, the voluntary (planned) leaving of an existing job, not necessarily related to the new business, was the spur.

However, other responses to this question are important. Only two had been set up for retirement reasons, thus the 'greying factor' was not at all significant amongst the firms surveyed. Other writers have suggested that new firm foundations in rural areas were related to retirement in many instances, as discussed in Chapter Four, but this is apparently not true of this sample .

In four cases the motivation behind setting up the enterprise was 'family business',an insignificant factor in terms of numbers, but an important driving force in the small business economy, as they are by definition the longer surviving businesses. One business in the sample was bought as a going concern, which does not directly explain the motivation behind setting up in business,only the fact that they did so. Divorce was cited as the motivation in one instance. Upon reflection ,it may be considered wise to incorporate this with the 'personal' motivation. Indeed, 12 out of the 60 firms had been set up for 'personal' reasons, the second most important answer. The personal motivation or the desire to run one's own business was informally mentioned by Harrogate Business Development Centre and the Federation of Small Businesses as an important factor behind the expansion of small businesses in North Yorkshire. There were also two respondents who cited 'other reasons' as opposed to 'personal'. If the 'divorce', 'personal' and the unspecified 'others' are taken together as a single group with points in common, that group would therefore account for 15 of the 60 ,one quarter of the total firms. However, to reiterate the previous conclusion, the most important motivation behind setting up in business was the voluntary decision to leave an existing occupation, more likely but not necessarily one that was connected with the new business. Individuals had worked for an employer in a related business,identified a market and taken an informed decision to set up in their own business.

FORMAL AND INFORMAL LINKS

One section of the questionnaire focused on various links between businesses themselves and between businesses and the wider community. These questions involved the key research areas of embeddedness and networking. The answers may provide evidence about networking and the degree of embeddedness of the small businesses in these localities.

In terms of formal links, very few of the small businesses were part of a parent company (three of the 60), so they were on the whole a sample of genuinely independent small businesses. None indicated that they were franchises.

Formal sales and purchasing links with local firms are evidence of embeddedness. 24 of the 60 firms had such local supply links, but 33 had not. However, many of the firms could not be expected to have local suppliers due to the very specialised nature of their business e.g. antiquarian booksellers . The printing business supplies, for instance, are generally from the Leeds area since it is a major printing centre. Although North Yorkshire has fewer industrial suppliers as such, the close proximity of West and South Yorkshire and the A1, M1 and M62 would be a major locational advantage for any firms which required regular deliveries.

Firms were asked to indicate what proportion of their customers originated from certain distances, and in particular the percentage of local customers was chosen for more detailed investigation and for the subsequent cross referencing. The percentage of local custom (defined as within a five miles radius)ranged from zero to 100 percent. There was a slight positive skew to the frequency distribution. Most businesses had the largest proportion of their customers from the local area; there were 10 firms with between 90 and 100 percent local custom, and 50 percent or more local custom was claimed by 33 of the 60 firms, and 80 percent or over was claimed by 14 of the 60. The average percentage of local custom was 42 percent.

Table 3.4 Percentage of Local Custom

% Local Custom	No. of Firms	Cumulative Total
0-19.9	15	15
20-39.9	10	25
40-59.9	8	33
60-79.9	13	46
80-100	14	60

These figures suggest that the sample firms had a great reliance upon the local customer base, they were not catering for the national or international market in most cases. This again is an indication of embeddedness.

Informal links and contacts with other local firms, which involve more social connections, such as passing business on, sharing equipment and advice, are a form of networking. Many studies have indicated the importance of local networking to the success of small businesses(Grabher,1985,Patchell,1996 et al). The interpretation of this question perhaps varied, as the very question of informal links may have seemed insignificant or vague to some respondents, but the response was positive. Approximately half of the firms acknowledged informal links, which was slightly more than had formal links.

Firms having links with the local community such as sponsorship of sport, school links or community events in general, totalled around half of the firms surveyed(31 out of 60.) This is undoubtedly a sign of embeddedness,and a type of networking. The forms of community involvement mentioned included school links such as work placements, a cycling club, sponsorship of local sports team and road race, voluntary work, local school art prize and 'business in education'. School links were the most common type of community involvement mentioned. The businesses which had community links appeared to be very altruistic because only 13 of the 31 said that the links had been worthwhile for business. One business answered that 'maybe' the community links had been worthwhile, another said 'hopefully!', another said 'not really - but that wasn't the reason for doing it', another said 'not financially but plenty of goodwill'. Community links are possibly a benefit in the medium or longer term, with consequences in the future, and perhaps they are not immediately apparent.

Membership of local associations or business groups was surprisingly low (14 of the 60). Membership could be an indicator of networking, so these results were not very positive. In a previous study, Curran and Blackburn (1994) found that six out of ten owner managers were members of an association. The comparatively low level of membership in the North Yorkshire survey may have reflected a bias in the sample towards those businesses inclined against membership, as some business classifications may be less likely by their very nature to belong to associations. Also, as mentioned in the following section, the shorter established businesses were surprisingly less inclined to be members.

The positive respondents to the previous question also had to indicate whether the membership had been worthwhile for business, for instance if membership had encouraged more customers and publicity for the firm, or any other tangible benefit. Of the 14 respondents who belonged to a local group, 11 said membership was worthwhile. Therefore membership is apparently very desirable for them, and proof of the benefits of networking. The large number of firms who are not members would be well advised to reconsider. Conversely, the positive reaction could be self justification of the decision to join. It is obviously difficult to assess whether the business would be more or less successful without membership.

Respondents who perceived membership to be worthwhile to their business would also be more likely to continue as members.

Both informal and formal links together seemed to be a strong feature of the small businesses surveyed. The results suggest a degree of embeddedness and networking, yet not an overwhelming amount .

SECTION TWO

In the second section of the chapter I shall consider how some of the factors and findings previously described relate to the others. For instance, are the types of premises related to the level of technology? Are the levels of owners' qualifications related to the years in business?

The text is constructed after exhaustive cross tabulation of each variable with all of the other variables, the results of which were analysed systematically using the STATA data analysis program. (Consequently most pairs of variables not discussed in this section were determined by the STATA PROGRAM as being either not correlated, the values were too low to make a meaningful conclusion or there was no logical relationship between the factors concerned.)

THE RELATIONSHIP BETWEEN BUSINESSES' LOCATION AND OTHER FACTORS.

Various business locations had drawbacks. Three of the 16 home based firms found home location a drawback, an equal number found parking a disadvantage, although four home based firms stated there was no disadvantage in their home location. Overall, ten firms complained that they were remote in some way but this showed no discernible correlation with type of premises. The largest group stating that there were no disadvantages in their location were in old premises, which was unexpected.

The different advantages of location identified by the respondents did not meaningfully relate to the other factors except with some of the levels of qualifications of the owners. Those who stated that qualifications were 'not applicable' to their business had a strong bias towards customer requirements, as did the vocationally trained, in that they mostly stated that being convenient for customers was an advantage of their location. The vocationally qualified stressed the advantages of home location (such as being available for customers out of hours).

Membership of local groups was deemed necessary by some to combat the isolation of operating from home, although the vast majority of home based businesses (12 of the 16) were not members at all.

Half of the home based firms had supply links with local firms and half did not. The home based firms were the largest group with local supply links, whereas the firms in old premises were the largest group having no links with local suppliers, i.e. they operated on a more national basis. The fact that a substantial amount of small business is operated in the local area, not directly generating income from beyond the district or regional boundaries, is discouraging for the local economy.

Some types of premises were associated with personal computer (PC) use more than others. Surprisingly, less than half of the home based firms used a PC, whereas firms based in converted premises were often users and those based in old premises were also much more likely to use PCs. However, the type of premises is probably not the determining factor, the type of business and other factors are likely to be more significant.

The type of premises and level of technology beyond PC use did not appear to have a meaningful association. It was anticipated that perhaps businesses in new or purpose built premises would use more technology than the others, but the responses were completely spread.

Personal computer use and level of technology was one of the least surprising correlations. Nine out of ten businesses with significant levels of technology used a PC in their business administration. Those with a moderate level were again very likely to use a PC (21 out of 26). However, those firms who used little or no technology in their business were unlikely to use a PC (only four out of 24). These variables have a strong positive association, as would be expected. Individuals prepared to invest in high technology would certainly use a PC for general administration. Perhaps it is more surprising that so few of the low technology firms use a PC.

Years at present location and PC use display no simple relationship. A higher proportion of newer businesses (16 out of 22) use a PC, less than half in the middle values, but then again a high proportion of the longer established firms. The result for the newly established firms is perhaps understandable in that PCs have become far more affordable and commonplace in the home and business during the last decade, so presumably most new businesses see a personal computer as essential equipment. The high amount of PCs in the longer established firms is more surprising. They may be more innovative or it may be in the nature of the types of business found in the longer established firms and the moderately established firms. Furthermore, there is some relationship between the years at present location and levels of technology. (Table 3.5) The longer based firms have less technology (three of the eight have little or no technology) and none of the longer based firms use significant levels of technology. This implies that a newer firm could be more inclined to invest in technology, particularly if the owners are younger and more aware of technology. Unfortunately there is no information about the age of business owners in this survey. The longer based firms have established themselves with less use of technology and could be resistant to change.

Table 3.5 Years at location and level of technology

		Significant	Moderate	Little or No	Total
Years	1-6	7	9	6	22
at	7-13	2	6	9	17
location	14-22	1	6	6	13
(quartiles)	23-73	0	5	3	8

Finally, the years at present location did not associate with the levels of qualification, the qualifications alone are thus not a determinant of success.

FORMAL AND INFORMAL LINKS AND THEIR ASSOCIATION WITH OTHER FACTORS.

The questionnaire results were particularly analysed to find evidence of any relationship between the extent of formal or informal links and business characteristics. There was certainly some relationship between the type of premises and the extent of community links. The businesses based at home had strong links with the local community, although the majority of businesses had no links. Firms in old premises had the strongest links of all. Half of the 'conversions' had local links. Firms in new premises had no links. The two groups of business owners who seemed to have made more of a commitment to their locality than others were thus based at home or located in older type premises. If a business is run from home, for instance, the owners naturally have more of a stake in the community and more contact with their neighbours, and they may have lived in the area for a longer time than the business has operated.

There was, however, no apparent relationship between years of location and the extent of community links.

Those firms with community links originated from businesses set up after leaving connected employment in most cases,but a significant number originated from unconnected employment, so overall the two factors were not related. Similarly, but more surprising, those firms having local sales and supply links were equally likely to have community links than not. It was anticipated that these two factors would be strongly correlated.

Evidence of networking was suggested by some relationship between the factors of informal links and membership of business groups. Most business owners in the survey were not members of a local group, but of the 14 who are members, a very high proportion (ten of them) reported informal links with local firms. If they stated no informal links with local firms,group membership was low. This was similar to the conclusion regarding membership and local sales and supply. Thus the types who join local business groups and associations are in favour of networking with others, either formally or informally, presumably to their mutual benefit.

Firms which had community links were more likely to have informal links with local firms (18 of the 26 who had community links had informal networks). (Table 3.7)

The majority of firms which had community links were not, however, members of a local group or association, in common with most firms. There was no relationship between the few firms who stated group membership was worthwhile and those with community links. These two characteristics would at first appear to have much in common, but this survey did not reveal any relationship.

Membership of local business associations and years at present location were related, although the conclusions cannot be firm as the majority of owners are not members of local groups. The smallest proportion of local group/association membership is amongst those with the least years at the present location (only three of the 22 newly based firms), and the proportion increases to three out of eight of the longest based firms. There is therefore some increase in membership as firms are longer established but the values involved are very low. The newly established businesses may not have time nor the funds to involve themselves with group membership .

There is a strong relationship between membership and finding the membership worthwhile. Of those who were members of local groups (14 out of 60), the vast majority of 11 said it was worthwhile. Naturally, they were highly likely to justify their decision and to continue to be members if it was commercially worthwhile.

Firms which had links with the local community tended to have slightly higher percentages of local customers. These two factors are related although a fairly weak pattern is shown.

Table 3.6
Percentage of local customers and links with the local community

		Community links e.g. sponsorship of events			
		YES	NO	UNANS	TOTAL
Percentage	0-25%	6	13	1	20
of	26-50%	7	5	0	12
Local	51-75%	6	6	2	14
Customers	76-100%	7	7	0	14
	Total	26	31	3	60

Most firms with a high percentage of local customers ,for example above 50 percent, have local community links. This is an indicator of embeddedness. Firms dependent on local customers naturally wish to enhance their reputation and advertise themselves by contributing to some local community events. There is a question of cause and effect, in that had the firms decided to invest in community links (such as sponsoring a local team) before or after their high percentage of local customers was evident? Presumably the relationship works both ways, because local community involvement will raise the business profile.

If the respondents considered that community links were worthwhile in some way, they were more likely to be vocationally qualified and far less likely to be A'Level or university qualified. This suggests a direct relationship between certain businesses based on vocational skills and their level of community involvement, and perhaps these are the very types of businesses which can benefit most from local involvement.

Cross reference between community links and levels of qualification suggested some interesting but weak patterns. A large amount of the vocationally qualified and university educated had community links, which suggests a certain business outlook. Those with no community links were more likely to state qualifications 'n/a' or be vocationally trained, although some of the university educated had no community links. There is no definite relationship between community links and levels of qualifications, but indications that the more highly qualified respondents are predisposed to making wider community linkages.

In connection with this, business origins were mostly not related to the owner/managers level of qualifications, with the notable exception of firms originating from leaving an existing job connected with the new business. They were predominantly vocationally qualified. These individuals had used their high level of skills, for example carpentry, to set up in business independently. All other values were low, and the university qualified were spread across all business origins.

There was a definite association between firms which had community links and those which had informal links with other firms. (Table 3.7)

Table 3.7 Informal links with other firms and community links.

		Community links eg sponsorship of events			
		YES	NO	UNANS.	TOTAL
Informal	YES	18	13	0	31
Links	NO	8	18	0	26
with	UNANS	0	0	3	3
Local Firms	TOTAL	26	31	3	60

If respondents answered positively to community links they were more likely to also have informal links with local firms (18 out of 26). If they answered no to community links, they were likely to have no informal links. The former businesses were strong networkers, with firm foundations in the locality. As in the previous point, those who went on to say that membership was commercially worthwhile were statistically so few that no conclusions could be made.

The relationship between years at current location and the extent of local sales and supply links initially appears weak, but if the number of years at location are grouped into quartiles,this shows that the medium term established firms tend to have fewer formal links with local businesses, and both the newer and older firms have more local sales and supply links. This pattern may have arisen because those based for a shorter time are more inclined to look locally at first, or simply those types of businesses may have been as a group more suited to local sales and supplies. The longer established firms have had more time to cultivate local sales and suppliers, or again, they may have been types of businesses which are based upon local sales and supplies. It is difficult to suggest why local sales and supplies are uncharacteristic of the medium term established firms. It is evident that the number of years at their present location is not the most important determining factor as to the extent of local sales and supply links. Probably the nature of the business is a strong determinant.

There is a weak but interesting pattern of years at location and informal links with local firms. Overall, slightly over half of the firms at all ages have informal links with other local businesses, so the factor is of some importance but it is not strongly related to the length of time at present locations. Viewed in quartiles, the figures appear to indicate that the shorter the time at present location, the greater the informal links. In the longer established firms, only half claim to have informal links, which could indicate less reliance upon networking as a firm matures and a greater degree of self sufficiency.

Table 3.8 Years at location and informal links with local firms

		Informal links			
		YES	NO	Unanswered	TOTAL
Years	1-6	14	6	2	22
at	7-13	6	11	0	17
Location	14-22	7	5	1	13
(quartiles)	23-73	4	4	0	8
	TOTAL	31	26	3	60

The origins of business of those who had sales and supply links with local firms, were varied, but a third of them originated from leaving an existing job connected to their business, which indicates that they possibly kept up former contacts. The largest group with no links were businesses set up for personal reasons (ten of the 12 such firms stated no formal local links). This again possibly relates to the types of businesses and not their origin.

Firms which originated from an existing job connected to the new business had a high amount of informal links with other businesses (eight out of the 13). The other categories of firm origin had insignificant response levels.

There was a positive relationship between those firms with local formal sales and supplies and those having informal links with local firms.(Table 3.9) Those with local sales and supply links predominantly also had informal links with other local firms, such as passing on customers and sharing equipment or advice. These two characteristics seemed to coincide, and suggest a high amount of networking. Indeed the boundary between formal and informal links may be blurred. Of those businesses stating no local sales and supply links, slightly more also had no informal links, but the association was not as strong.

Table 3.9 Sales and supply links with local firms

		and informal links with local firms			
Sales		YES	NO	UNANS	TOTAL
and supply	YES	17	7	0	24
links	NO	14	19	0	33
with local	UNANS.	0	0	3	3
firms	TOTAL	31	26	3	60

There was a tendency for those with local business links to be members of a local business group, as probably in their regular local contacts they are more likely to be aware of other members of groups/associations in similar businesses to themselves.

The vocationally qualified were the largest group who had local sales and supply links, presumably sourcing their materials in the locality and selling their products (or services) locally.

Surprisingly, the qualifications 'not-applicable' group were the largest group who had no local sales and supply links. This could probably be explained by the nature of the businesses in the sample. However, the more highly qualified business owners were also more likely to have no local sales and supply links. The nature of their businesses could again be the determining factor, or their broader outlook could predispose them to have further reaching sales and supplies.

CONCLUSIONS

EVIDENCE OF NETWORKING.

About half of the firms in the survey acknowledged informal links such as sharing advice and equipment .

Formal networking in the shape of membership of business organisations was surprisingly low but it was considered to be worthwhile by the majority of members.

The extent of informal links was related to business origin. Informal links were most likely to be associated with firms originating from an existing job connected to the new business.

EVIDENCE AGAINST NETWORKING

The years at location and informal links with other firms had a negative relationship in that the longer established firms were less likely to have informal links.

EVIDENCE OF EMBEDDEDNESS IN THE LOCAL COMMUNITY.

Community links such as sponsorship of events and school links were mentioned by half of the firms, although it was also indicated that few such links were explicitly worthwhile for the business. There was a relationship between community links and the type of business premises, community links being associated with home and older premises. Firms with community links have a slightly higher percentage of local customers.

Just under half of the businesses had formal sales and purchasing links in the local area. The years at current location and extent of local sales and supplies have some relationship. The least likely to have local business links are the medium established, and the most likely are both the newer or older established firms.

There was some connection between community links and levels of qualification and those who considered community links to be worthwhile were most likely to be vocationally qualified.

Different levels of qualifications were also associated with local sales and supplies in that the vocationally qualified tended to have local sales and supplies and the non-qualified did not.

The average time at existing location was over 11 years.

EVIDENCE NOT SUPPORTING THE IDEA OF EMBEDDEDNESS IN LOCAL COMMUNITY

There was no relationship between years at location and community links.

Community links were not strongly related to business origins or with firms having local formal sales and supply links.

There was no relationship between firms who were members of a group and those having community links.

EVIDENCE OF NETWORKING AND EMBEDDEDNESS

Firms with community links were more likely to have informal links with local firms.

Firms having informal links with others were strongly associated with those having local formal sales and supplies.

There was a relationship between membership of a local group and local sales and supply links.

Membership of group and years at present location have a positive association.

The evidence suggests that both networking and embeddedness are characteristics of most of the small businesses surveyed, but they are subtle and complex, and often interrelated. Networking through sub-contracting with large businesses (corporate networking) was not found to be an important feature, but networking through local sales and supplies was a common theme, along with a significant amount of informal networking and community links. These last two features are an integral part of the small business machine. Evidence of embeddedness was, if anything, more prominent. There was a sense of small businesses being embedded in the local area, which was partly quantifiable by the length of present locations (although this may not be entirely representative by the nature of the small sample size), and partly suggested by the local sales and supply links and community links.

Therefore, the types of small businesses are diverse but they do not operate in isolation. They are a mode of business driven by complex social interactions in the local area overlying rational economic transactions.

The following case study of one of the small businesses exemplifies the typical embedded and networking businesses found in the survey.

BUSINESS CONTACTS DIARY - WEEK IN AUGUST.

Peppercorn Press is a small printing business in Harrogate, run by the sole proprietor. The business was set up approximately eight years ago after previous employment in a related business, and at the time of the survey were in their third set of rented premises, an old stableyard conversion on the perimeter of the town centre, chosen for it's low cost and convenience to home and customers. The owner had estimated that around 95 percent of their business (customers) was from the immediate local area of the town and up to a five mile radius, with the remaining five percent from the rest of North Yorkshire. In terms of business networks, on the questionnaire they had identified formal sales and purchasing links with local firms, also informal links with local firms, they were not a member of any local business association, and they had links with the local community in the form of sponsorship of road races and printing for a local conservation charity, amongst others. By keeping a business diary of all contacts in a week from August 3rd to August 9th 1999, the amount and type of contacts could be analysed to ascertain the degree of local embededdness and networking.

Over a period of five working days there were a total of 59 business-related transactions or contacts, an average of almost 12 per day in a nine hour working day.Of the 59 contacts,23 were over the telephone and 36 were personal callers .39 contacts were incoming to the business and 20 were outgoing to customers or suppliers.

An analysis of the types of contacts - formal or informal can be made - 'formal' indicating a straightforward business transaction with an order or supply (a 'closed circuit' type of interaction),or 'informal' indicating a contact with some form of reciprocal relationship, with friendship involved, not necessarily a financial transaction. Significantly there was some type of informal contact every day, a total of 13 out of 59 (22 percent of the contacts), the majority of which involved the exchange of technical advice and borrowing of supplies or equipment from other printers, which is mutually beneficial, although business orders could sometimes be involved - artwork and typesetting was produced for another printer and a typesetter was used, both on a casual basis, providing such services as and when needed, which could not be produced ' in- house'. The daily contact with a small group of other printing businesses, with their different skills and specialisms, was a valued form of networking.

Business which clearly originated from informal contacts, for instance, a business order to supply the landlord of the premises, is of course a formal order but the existing acquaintance, familiarity and convenience explained their choice of supplier - an informal connection. Another order from a regular customer in the week had formal and informal aspects involving community links - namely a local conservation group for which the job is done at a discounted rate, complimentary membership is given, and the job is delivered to the customer by a taxi firm which is also a customer of the business. Another order for raffle tickets, for charity fundraising, was given a discount in return for some advertising in their magazine, again demonstrating community links. The goodwill hopefully engendered by such business could generate repeat orders or new customers. Both of these examples in one typical week's business demonstrate a fairly high degree of embeddedness. The business diary certainly indicates the existence of a 'fuzzy' boundary between formal and informal businees transactions and the symbiotic nature of the small business community.

The proportion of local business is a measure of embeddedness and possibly networking. The overwhelming majority of business contacts was local, within the town of Harrogate or five mile radius. In total, 48 outof 59 transactions (over 80 percent) were classified as local, five were from elsewhere in North Yorkshire, but only up to about 20 miles away, four were from West Yorkshire/ Leeds from effectively the same distance, making a total of 9 or around 15 percent from the region, and only two contacts that week were from elsewhere in the UK, with none from Europe and the rest of the world. (During a typical year there are possibly one or two foreign orders via local contacts, which is entirely insignificant.) The business concerned has a weekly local newspaper advertisement along with two entries in the local Yellow Pages, with no national advertising.

Although it was not always specifically determined where the orders in that week had originated, they did identify one known recommendation from an existing customer, one new customer from the newspaper advertisement, and stated that many others were repeat orders, which is very significant in terms of networking and local embeddedness.

Of the customers or enquiries which could be classified, it was evident that the vast majority were themselves small businesses, often new businesses needing printing and signs, and they were mostly classified as services as identified in the small business survey. Typical 1990's services predominated, such as marketing, IT Training, massage therapy and picture framing, and there were garden-related services such as a landscape gardening business, tree surgeon, and home services represented by a tiler. Wholesale and retail were represented only by a plant and flower wholesaler and a leather shop; others were a garage, farmer, wood-machinist and drystone waller.

CHAPTER 4

COMPARISONS AND PARALLELS

The following text is a comparison of the North Yorkshire sample survey results discussed previously with published writings on the growth, importance and other characteristics of small businesses, particularly small businesses in rural areas. There are general comparisons with other regional or national studies, and parallels are made which reveal the underlying patterns.

One of the most fundamental issues in the study of small businesses is surely the motivation or reasons behind their creation. Their origins can be attributed to national economic factors together with a multitude of individual personal reasons. It may be hypothesised that in general, periods of recession and increasing unemployment stimulate entrepreneurship, forcing people into setting up their own business. This trend was evident in the 1980's recession (Atkin, Binks and Vale 1983). However, research in East Anglia by Gould and Keeble (1984) indicated that recession-induced firm foundation is not as characteristic of rural regions. Since the growth of businesses was not encouraged by recession in East Anglia, it may be that North Yorkshire, being a predominantly rural region shows similar characteristics.

In the case of North Yorkshire, how many of the firm foundations in the sample of 60 small businesses could be attributed to actual or feared redundancy and unemployment? It was necessary to consider the date the business was started (calculated from the years in business) together with the reason or motivation for their establishment, to determine whether or not the businesses had been set up as a direct consequence of economic recession.

Firstly, 13 of the firms had set up as a direct consequence of unemployment, but almost twice that number (23) had set up after voluntarily leaving existing employment. The remainder had mostly been established for personal reasons, not overtly attributed to unemployment or redundancy, and perhaps revealing a confidence in the economy. If respondents had explained their personal reasons for setting up in business, they invariably mentioned wanting to be their own boss. Overall, these responses do not appear to have the negative, recession induced characteristics one would expect, in fact quite the opposite. This appears to agree generally with the East Anglian research. Thus,unemployment and redundancy (and by inference, economic recession) were not the major factors motivating the setting up of small businesses in this sample.

However, did the date of foundation bear any relationship to the reason for setting up of the businesess? Those businesses which were set up as a result of unemployment or redundancy had been established between four years and 20 years. The dates and numbers of firms set up for these reasons were - 1993(two), 1992, 1990, 1989, 1987(two), 1984, 1982(three), 1980 and 1977. There is a distinct cluster in the early 1980's at the time when the country was emerging out of recession into the spiralling property boom and the era of Thatcherism, when entrepreneurship was actively promoted. There is another cluster in the late 1980's and early 1990's when the country was in, then emerging from the recession. The mid-1980's recession is not however, in this sample, significantly marked by unemployed/

redundant business foundations. According to the dates of foundation, the people who were unemployed or made redundant were not immediate victims at the time of recession, but those made unemployed when the economy was coming out of recession, and they obviously felt enough confidence in the economy to start up in business. However, since the numbers of businesses set up after unemployment or redundancy in this sample are very small, these conclusions may have no overall significance, the dates may not meaningfully coincide with economic growth and the emergence out of recession, although they do show some pattern. The suggestion in the East Anglian study that economic recession does not stimulate a surge in new firm foundations is therefore also generally true for the North Yorkshire sample. It must, however, be noted that the firms sampled were not a 'pure' sample of all firms established at the time of recession, they were the survivors currently in business. Economic recession may have stimulated small business growth at the time, but the firms established could have ceased business since then and fail to be represented in the survey. The results can only suggest that the existing firms in the sample were not recession induced, and this implies that firms established outside or at the end of recessions have more chance of success in terms of longevity.

Townroe and Mallalieu (1993) found that about one third of businesses were a 'spin out' from previous employment. The proportion was found to be exactly the same in the North Yorkshire sample (18 out of 60 set up in a business directly connected to their previous employment).The authors also found that surprisingly few (between three and five percent) were set up after early retirement, which was also true of North Yorkshire (only two of the 60,or three percent).

In Chapter 1, several writers had stressed the importance of networking and embeddedness to businesses (including Lohr 1982, Granovetter 1985, Morgan 1992, Curran and Blackburn 1994). In the North Yorkshire survey , evidence of networking and embeddedness was specifically sought by questioning whether firms had formal sales and purchasing links with local firms, if they had informal links and contacts with local firms (eg. passing business on, sharing equipment, advice), if they were members of local associations, business groups or similar bodies, whether such membership was worthwhile for business, and whether they had developed any local community links such as sponsorship of sport/teams,school links and work placements, and if they had, whether it had been worthwhile for business. The percentage of local customers (classified as Town/Local within approximately a five mile radius) was also taken as an indicator of the extent of embeddedness in particular. Unfortunately, the financial rewards of networking and embeddedness could only be very generally indicated, although a few firms commented upon the business benefits from membership of local business associations and a few firms commented upon the lack of direct financial benefit from community links. Precisely how much of the business success could be attributed to networking and embeddedness could not be ascertained, but the presence, extent and some indication of the importance of networks and embeddedness could certainly be established. Overall, the responses to these questions indicated the importance of networking and embeddedness, but the success of the policy could only be indicated by the longevity of the firms.

The results were both for and against networking and embeddedness. Less than half of the firms questioned had sales and supply links with local firms (24 of the 60),but this is still nevertheless a substantial amount. Without these significantly embedded firms, the local economy would suffer. Indeed,those firms which rely heavily upon local sales and supplies may be unable to relocate anywhere away from their local market. Thus there are signs that many of the businesses are embedded in the locality, as previous writers suggest, but inertia is another factor which is closely related to embeddednesss. Once established and operating in a certain locality, a business would be very difficult to uproot, and the average time businesses in this sample had been located in their current premises was twelve years and six months. Thus it can be concluded that the amount of local sales and supply links suggests a high degree of embeddedness and possibly inertia.

The percentage of local customers may be a more direct indicator of embeddedness. Some businesses had few local customers, indicating little embeddedness, but the average amount was 42 percent. Most businesses had the largest proportion of their customers from the local area, and eleven of the 60 had between 90 percent and 100 percent local customers. These figures suggest that in general the sample firms show the characteristics of local embeddedness identified in other studies. In a case study of 728 businesses in the Fens, Williams(1996) found that the service sector establishments were more oriented to local markets than were manufacturing establishments; the former were less export-oriented, although certainly not all local. Williams found that over a third of manufacturing establishments in the Fens had more than half of their customers in the locality, within a 20 mile radius, whereas around one third of service-sector establishments had more than half outside the same locality, around 15 percent of services selling none of their output locally. He also found that consumer-service firms and producer-service establishments were more likely to source their inputs locally compared to manufacturing establishments. Although the numbers of service and manufacturing businesses in the North Yorkshire sample are not large enough to provide real conclusions about the relative embeddedness of the two sectors, the strong links with local customers and local suppliers support the idea of embeddedness and suggest that they make a very real contribution to the local economy. Similarly, in certain respects, the findings of Townsend and Macdonald(1994) pointed to the importance of the local market. In their study of 39 business service firms in Edinburgh, 80 percent of activity was undertaken for the Scottish market and firms expected their future expansion to be predominantly local or within Scotland.

Again, around half of the firms surveyed had informal links with local firms (31 of the 60). This is not only an indicator of embeddedness, but more importantly, a significant indicator of the extent of informal networking amongst firms. Over half of the businesses owners recognised that they had important contacts with other local firms, presumably similar firms to their own, to whom they looked for help and advice. This agrees with the comments by Granovetter (1973;1985), and Curran and Storey (1993). The evidence suggests that businesses cannot be run in isolation, and half of the small businesses surveyed openly acknowledged the links. Ock Park(1996) called this the paradoxical combination of co-operation and competition between firms. In the subsequent case study, the extent of networking in a small service was significant but much of it had occurred very haphazardly and was not immediately obvious until it was recorded systematically. (It may even be that the firms in the survey which did not acknowledge informal links had in actual fact some connections that were not immediately obvious or were not considered relevant. Networking and embeddedness are very difficult to quantify.)

Membership of local business associations would be a sign of networking. The business owners who joined a group or association probably anticipated at least meeting with other individuals in a similar situation to themselves, and may have hoped to further their business by making useful contacts up and down the supply chain. Indirect advertising and possibly extra custom could be obtained by being a member. In fact, most writers consider that the public and semi-public institutions supporting firms, eg. trade or business associations, chambers of industry and commerce, are a vital part of the small firm network.

Overall, the level of group membership in the sample was very low. Only 14 of the 60 owner/managers were members, indicating a low level of this type of networking. Interestingly, 11 of the 14 members said that membership was worthwhile to their business. This suggests that the networking within groups and associations was very successful.

In comparison to previous research, the level of group membership was therefore low. Curran and Blackburn(1994) found that four out of ten owner-managers did not belong to a local or national body. In this survey, almost eight out of ten were not members.

The presence of community links may also provide evidence of both networking and embeddedness. This type of social networking was identified in Leominster by Yarwood (1996) in that over half of companies on the industrial estate surveyed offered sponsorship for local activities, thereby investing in the community. Most studies have stressed the economic type of networking, that of formal and informal connections between firms, but on the evidence in North Yorkshire, networking is not only business to business. Patchell(1996:481) stated that "a region's economic prosperity depends on the interaction of its residents", *but these residents may be in the business community or in schools and sport*. (My italics.)

Of the 60 small businesses questioned, 31 mentioned that they had some form of community links. Therefore, in terms of predominantly informal community links, the firms surveyed in North Yorkshire displayed a high amount of embeddedness, with a commitment to various community projects in their locality. The businesses are also taking part in networking which arises when the wider community becomes more aware of the business. This agrees with the comments made in earlier research.

The types of small businesses found in this survey can be compared to other studies. It has been stated that the economic climate of the last two decades has seen the manufacturing sector stagnate and the service sector expand. The service sector may account for a significant proportion of new (rural) businesses. This was certainly true of the sample in North Yorkshire. There were 54 services out of the total of 60 small businesses, slightly more than the average for North Yorkshire as a whole and more than the national average. Furthermore, the preponderance of specialist services or manufacturing of niche products agrees with the conclusions of Curran and Storey (1993). However, Yarwood (1996) found that 59 percent of the firms in an industrial estate in Leominster were classified as manufacturing, although his was not exclusively a study of small businesses.

Ock Park (1996) defines nine types of industrial region based on their network patterns of local and non-local customers, and local and non-local suppliers. In terms of defining the type of industrial region which North Yorkshire has become, based on the survey evidence, the area is not, for instance, a 'satellite' or a 'pioneering high-tech' industrial district, it is nearest to what Ock Park would define as an 'advanced hub and spoke' industrial district (type six of the nine possible), characterised as having extensive strong local supplies and customers, extensive strong non-local supplies, and weak non-local customers.

The locations of small businesses in the survey, in terms of the areas they occupy and the premises they are found in, agrees with the current trends. Martin (1994) found that new industrial spaces have taken over, with growth occuring in rural and semi-rural areas at the expense of the traditional locations; businesses have been forced to become more flexible. The shift of firms, output and jobs from the conurbations and big cities to the smaller towns and rural areas has been identified by many authors (Keeble 1976;1980;1984: Fothergill and Gudgin 1982: Fothergill et al 1985: Townsend 1993).

CHAPTER 5

FINAL CONCLUSIONS

It has been established that North Yorkshire is an example of a relatively prosperous and attractive area, within which small businesses in rural and semi-rural locations are finding their niche. The businesses surveyed provided evidence of their vital role in the local economy, despite some parts of this being difficult to quantify. Their role and success is, however, firmly connected to formal and informal networking and a high degree of embeddedness.

The theoretical discussions underlined a growing interest during the 1980's and 1990's, of studies considering the importance and role of small firms, and their embeddedness and networking characteristics, which prompted this investigation. The findings of this survey relate to the published literature in several key ways.

The main points of agreement were :-

The business foundations were not related to economic recession and unemployment as identified by Atkin, Binks and Vale (1983) although the findings concurred with the conclusion of Gould and Keeble (1984), that recession-induced firm foundation is not characteristic of rural regions.

One third of the business foundations were a 'spin out' from previous employment and three percent of business foundations were connected to retirement as found by Townroe and Mallalieu (1993).

Forty percent of businesses had local sales and supply links, and most firms were quite long established with a high dependence upon local custom, supporting the ideas of several authors (Granovetter *et al*) about embeddedness and Williams (1996) about local custom.

Over half of the firms had informal links with local firms which suggests a high level of informal networking, characteristics identified by Curran and Storey (1993) and others.

Social networking, through community links, which would encourage both embeddedness and networking was found to be at a similar high level to that identified by Yarwood (1996).

The levels of technology, in a very broad sense, were higher than previous studies had suggested (Ilbery *et al*. 1995). This may be associated with the degree of 'urbanity' in North Yorkshire, as suggested by Harrison *et al*. (1996).

The level of education of the owners was high overall, in agreement with the findings of Townroe and Mallalieu (1993).

The broad classifications of businesses in the North Yorkshire survey correspond with those identified nationally and in other regional studies (including Curran and Storey 1993).

The main points of disagreement were :-

In comparison to research by Curran and Blackburn (1994), the level of group membership was low.

There was little or no acknowledgement of the role of agencies, contrary to suggestions of their importance by some authors (such as Yarwood 1996).

The locational disadvantages identified in the survey do not correspond with those identified by Keeble *et al*. (1992) and Yarwood

(1996). They tended to be specific local preoccupations rather than general issues such as skill shortages.

Sub contracting was insignificant to the sample firms, although there were sales and supply links with local firms (some evidence of outsourcing), in contrast to the findings of Morgan (1992) and Yarwood (1996).

The role of agencies in theory and practice was an interesting feature of the North Yorkshire survey. None of the firms in the sample acknowledged any government or agency assistance, in an era of the supposedly widespread promotion of small firms. However, there are undoubtedly several sources of advice within the area and small grants are available, as summarised in Appendix 3, but these are mostly for new set-ups.

It can thus be concluded that the choices of location, types of businesses and motivation for establishing a small business were not governed by outside agencies in this sample survey, (despite some evidence from the respondents that assistance would have been a desirable ingredient). These findings contrast with the theories and writings which assume that outside agencies are important. In practice there was little evidence of outside assistance in this research. Some writers argue that more policies are needed (Curran *et al.* 1996) and that policies need to be focused on all types of small businesses, for instance not just manufacturing (Williams 1996).

Whether such policies would be useful in North Yorkshire is a debatable issue.

Aspects which could have been investigated further were the evidence of financial successs and employment creation, and the interpretation of 'rural' in the survey could have been more precise in that it was more a study of firms outside a major urban environment than firms in truly remote-rural locations. Furthermore, the central aim was not to deal with the causes of rural industrialisation, rather the characteristics and evidence for it in North Yorkshire, although causes were touched upon in the business origin sections. More specific details about the motivation behind small business foundation would have been valuable, but personal and financial details were not to be investigated for the purposes of this study.

The role and success of small businesses in North Yorkshire have been examined. Small businesses make a vital contribution to both the identity and the economy of North Yorkshire.

APPENDIX Table A Table of Questionnaire Results

	S.I.C.	Premtype	Yearloc	Yearbus	Reason	Adv	Disadv	Orig	Parent	Linkloc	Inflink	Membs	Worth	Comlink	Comwth	PC Loc	PC	Tech	High qual
1	52.24	5	26	26	5	1	8	3	2	1	2	1	1	1	1	75	1	2	3
2	52.50	5	7	10	1,3,5	3	2	5	2	2	2	2	2	2	2	28	2	2	1
3	36.14	1,2	14	14.56	1	3	7	1	2	1	1	2	2	2	2	20	1	2	2
4	01.41	1	2	2	1,2	1	7	3	2	1	1	2	2	1	2	50	1	1	3
5	52.2	5	10	17	5	3	6	2	2	2	1	2	2	1	2	60	1	3	5
6	50.40	5	20	20	1,3,4,5	1	7	2	3	3	3	3	3	3	3	70	2	2	1
7	36.63/2	2	8.5	141	1,6	9	8	9	2	2	2	2	2	2	2	0	1	2	1
8	63.30/1	5	13	13	5	3	4	9	2	2	2	2	2	1	1	89	1	2	2
9	52.2	4	3.75	3.75	2,5,6	6	4	11	2	2	1	2	2	2	2	50	2	3	2
10	45.44	1	27	40	5	3	8	9	2	2	2	2	2	2	2	100	1	3	3
11	45.33	1	10	10	5	8	8	1	2	1	1	1	1	1	1	100	2	3	3
12	45.25	5	4.75	13	1,2,4	5	1	9	2	2	1	1	2	2	2	70	1	2	2
13	52.47	3	21.5	21.5	2,6	8	5	4	2	2	2	2	2	1	1	3	1	1	5
14	63.30/1	5	11	11	5	3	5	6	2	1	2	2	2	2	2	60	2	2	2
15	74.84	3	13.3	9	4,5,6	8	3	3	1	2	1	2	2	1	2	5	1	1	5
16	62.20/1	3	4.6	8	1,4	7	10	2	3	3	3	3	3	3	3	10	1	1	4
17	52.46	1	13	13	4,5	3	2	2	2	1	1	1	1	1	2	90	2	3	1
18	52.48/2	3	4	4	2,5,6	4	7	3	3	3	3	3	3	3	3	70	1	1	3
19	52.48/3	4	20	20	3,4,5	3	7	9	1	1	2	1	1	2	2	60	1	2	5
20	45.45	1	16	15	1,2	6	4	2	2	2	1	2	2	2	2	10	2	2	1
21	52.50	3	13	13	1	3	8	4	2	2	2	2	2	2	2	5	2	3	5
22	52.50	1	22	22	6	8	2	4	2	2	2	2	2	1	2	25	2	3	1
23	52.48/3	5	15	15	1,2	5	5	2	2	2	2	2	2	1	1	35	2	3	3
24	36.14	2	15	15	1,2	2	4	1	2	1	1	2	2	1	1	30	2	3	3
25	72.20	1	9	4	2,6	1	1	1	2	2	2	2	2	2	2	0	1	1	5
26	85.14	3	2.25	2.25	2,5,6	3	3	4	2	2	1	2	2	2	2	90	1	2	2
27	45.21	5	10	10	1,6	1	8	6	2	2	1	2	2	1	2	90	2	3	1
28	01.42	1,2	10	10	1,6	7	4	8	2	1	2	2	2	2	2	60	2	3	1
29	85.14	1	9.5	4.75	6	1	3	9	2	2	2	2	2	1	2	70	2	3	3
30	85.14	2,4	0.5	3	1,2,4,5	3	8	4	2	2	1	2	2	1	1	50	2	3	3
31	74.2	5	8	14	1,2	4	8	3	2	2	1	1	2	1	2	90	1	2	5
32	52.50	5	4	17	6	6	9	10	2	2	2	2	2	2	2	25	1	2	5
33	74.2	1,3	2	10	1,5	6	1	1	2	2	1	2	2	1	2	40	1	2	1
34	74.14	5	4	4.5	1,2	1	5	2	2	1	1	1	1	2	2	2	1	2	5
35	36.14	1	18	18	1,2,5	1	8	9	2	1	1	1	1	2	2	10	2	3	4
36	25.23/2	2	8	11	1,2,4,5	5	7	3	1	2	2	2	2	2	2	20	1	2	3
37	01.42	4	5.16	5.16	1,5	1	1	4	2	2	2	2	2	2	2	80	1	1	1

APPENDIX Table A Table of Questionnaire Results (continued)

	S.I.C.	Premtype	Yearloc	Yearbus	Reason	Adv	Disadv	Orig	Parent	Linkloc	Inflink	Membs	Worth	Comlink	Comwth	PC Loc	PC	Tech	High qual
38	58.48/3	5	3	3	1	6	8	3	2	1	1	2	2	1	1	15	1	1	3
39	52.46	5	14	30	4,5	9	10	9	2	2	1	1	1	2	2	70	2	3	1
40	52.48/3	5	3.83	3.83	1,2,3,4,5,6	2	4	2	2	2	2	1	2	1	1	15	1	1	2
41	52.48/3	2	2.16	3.5	2	3	2	4	2	1	2	2	2	2	2	40	2	3	1
42	52.46	3	26.33	70	3,4	3	5	4	2	1	1	2	2	1	1	33	1	2	1
43	50.40	2	3	3	1,2,4	4	4	4	2	1	1	2	2	1	1	20	1	2	3
44	50.20	3,5	22	28	2	4	4	3	2	1	1	2	2	1	1	55	1	2	3
45	52.41	3,4	10	10	4,5,6	3	2	4	2	2	2	1	1	2	2	80	2	3	1
46	45.21	3	30	40	2	6	3	9	2	2	2	2	2	1	2	50	1	2	4
47	45.31	1	15	25	1	5	2	3	2	2	2	2	2	2	2	75	2	3	3
48	52.24	2,5	73	158	1	8	8	11	2	1	1	1	1	2	2	30	1	2	1
49	37.10	1	23	51	1,6	1	8	6	2	1	1	2	2	2	2	100	1	2	3
50	74.81	1	2	2	1	6	1	5	2	1	1	2	2	1	2	60	1	2	3
51	50.20	2	3	9	4,6	7	7	9	2	2	1	2	2	2	2	10	1	2	1
52	52.6	1	18	13	1,5	1	1	10	2	2	1	1	2	1	1	90	1	2	1
53	37.10	1	36	34	1,4,5	6	10	6	2	1	2	2	2	2	2	15	3	3	3
54	01.41	1	5.33	2.83	1	1	10	3	2	1	1	2	2	2	2	10	1	3	2
55	01.41	1	4.4	5.33	6	2	4	9	2	2	2	2	1	2	2	1	2	1	5
56	22.22	3,5	4	6	1,2,5	6	7	3	2	1	1	2	2	1	2	95	2	2	5
57	55.52	2,4	2	7	1,2,4	1	8	3	2	1	2	2	2	2	2	50	1	3	3
58	45.42	1,5	10	3	5	3	10	9	2	2	2	2	2	2	2	100	2	3	1
59	74.12	1,3	30	20	2	1	4	7	2	2	1	1	1	2	2	80	2	3	3
60	71.32	2	6	11	2,3	3	2	3	2	1	1	2	2	1	2	70	3	3	1

Key to Table A

S.I.C. - Standard Industrial Classification 1992

Premtype - Type of premises

Yearloc - Years at present location

Yearbus - Years in business

Reason - Reason for choice of location

Adv - Advantage of location

Disadv - Disadvantages of location

Orig - Reason for setting up in business

Parent - Official links with parent company

Linkloc - Sales and purchasing links with local firms

Inflink - Informal links with local firms

Membs - Membership of local associations

Worth - Membership worthwhile for business

Comlink - Links with local community

Comwth - Links worthwhile for business

PCLoc - Percentage of local customers

PC - Use of Personal Computer in business

Tech - Level of technology

High qual - Level of qualifications

APPENDIX. 1. **REPORT OF PILOT QUESTIONNAIRE**

OBJECTIVES - To draw a sample of 20 small businesses from North Yorkshire and to pilot a questionnaire. To test the suitability and practicality of the questionnaire. To obtain responses to key questions which may or may not provide a basis for further research.

INITIAL APPROACHES - A start was made with an informal non-random sample of five small businesses in the Harrogate District which were run by acquaintances who were willing to answer my pilot questionnaire. The first questionnaire was conducted by telephone to ascertain the time needed, with a view to solely conducting telephone interviews. However, this took a total of ten minutes therefore the idea was rejected due to a) the cost to myself of conducting 20 interviews in this way at peak times of day, and, perhaps more significantly, b) the time cost to the small businesses, which would be a major disincentive and likely to result in more refusals. An interview even of only ten to 15 minutes would probably be very inconvenient to a typical small business.

I subsequently carried out four more questionnaires by personal interview, which took two to five minutes each.

RANDOM SAMPLE - I used a published random numbers table to select 20 of two, three or four digit numbers which were to correspond to page numbers in the YORK 1997/8 Yellow Pages, which approximately covers the districts of Hambleton, Harrogate, Ryedale, Scarborough, Selby and York. The districts of Craven and Richmond were therefore not represented in the pilot survey. The choice of Yellow Pages was deemed to be as objective as possible compared to the various business directories, since the latter are selective in their coverage and difficult or expensive to obtain. To check the coverage of the Yellow Pages, a field visit to Oakdale Park small industrial units in Harrogate and the area in the vicinity of Follifoot and Sicklinghall villages was carried out, in which all the visible services and businesses were recorded. Each business was looked up in the Yellow Pages and the exercise proved 100% successful as each business had an entry. The check suggested the Yellow Pages coverage could be very reliable and presumably up to date, as the new edition had been distributed that very month.

The main disadvantages of using the Yellow Pages were the inclusion of all public and private bodies, large and small, when only small businesses with ten or fewer employees were intended to be surveyed, and secondly the possibility of duplication if businesses had chosen to be listed under different headings. Business location addresses also had to be checked to verify if they were actually within the relevant district boundary. New small businesses which had set up within the last six months or so were automatically excluded due to the time lag involved in publication, and businesses which had recently ceased trading were still included. Alternatives which were considered included the membership list of the local Federation of Small Businesses, which were not freely published due to the Data Protection Act, but even had they or similar lists been available, they were too limited in their coverage.

Upon selecting each page number from the Yellow Pages, I then selected the first appropriate business on that page, i.e excluding any large national company, eg. Building Societies, or any other obviously non-eligible category, such as Local Authorities or Hospitals, in which case the next heading on the page was used or, when not relevant, the next random page number. The business name and telephone number were noted. The numbers were contacted in order of selection between 2pm and 4pm on Monday 3rd March 1997. The response from each contact attempt was noted. Since I required 15 small businesses who would agree to complete a postal questionnaire, when the first 20 selected random numbers had been used and insufficient positive responses had been obtained, I repeated the procedure for a further 20 random numbers to select more businesses. The responses of each random number selection are set out in detail in Table 1.

Each business successfully contacted was requested to take part in the pilot survey. If they agreed I then ascertained whether they were a small business employing fewer than ten people. Only one contact was rejected for this reason. I eventually obtained 15 positive responses, who were duly sent a copy of the pilot questionnaire and a reply envelope.

RESULTS OF RANDOM SAMPLE DRAWING (TELEPHONE ENQIRY)

40 selected numbers

11 Not Applicable - national company or other large businesses.

10 No Reply - either telephone not answered, Answerphone machine or I was requested to telephone back at another time. ALL SUCH REPLIES WERE INITIALLY REJECTED, SEE LATER NOTE.

4 Refusals

15 Agreed to complete the questionnaire.

10 OUT OF THE ABOVE 15 EVENTUALLY RETURNED. IE. A TWO THIRDS SUCCESS RATE.

Including the previous surveys by interview, I therefore received a total of 15 completed questionnaires which were to be analysed both in terms of their quality of responses to individual questions and their content

EVALUATION OF METHODS

In the sample drawing for the pilot questionnaires, I did not at first persist with either Answerphone replies, engaged tones or no answer, except after using my first list of random numbers I returned to the businesses which had been engaged or not answered, and did in fact use them if they subsequently replied. I am aware that in the actual sample drawing it is necessary to be systematic about all contacts in order to give all firms an equal and fair chance of selection, and it is vital to use the same procedure for all. The pilot sample drawing was less fair than it should have been, and was open to bias in the rejection of those firms who could not answer the telephone at one particular time.

IMPROVEMENTS AND CHANGES TO QUESTIONNAIRE

For reference, an example of a completed pilot questionnaire is included at the end of this section.

Question A1 was slightly ambiguous but yielded satisfactory responses, particularly since each copy of the questionnaire was marked with the code of the page number (Yellow Pages) for identification purposes. This numbering proved to be essential to identify some of the businesses and keep a tally on replies, and the method was to be retained for the actual survey. Harrogate District firms were to be labelled with the page number and the suffix 1, whilst Ryedale were to have the suffix 2. The businesses were eventually to be allocated their SIC sectoral classification.

Question A2 required a slight alteration to add letters to the choices of 'Type of Premises', which aids the analysis of the results.

Question A3 concerning the longevity of the business appeared to be successful in the pilot. More importantly, there was some overlap evident in questions A 4 and 5 regarding the reasons for and advantages of location.

Section B, which focused on the origins or motivation behind the businesses, yielded clear responses, some of which were expanded upon by the respondents. This supplied the hoped for mixed sample of firms which were set up after redundancy, unemployment or leaving existing employment and allowed for 'others' to avoid leading questions, and the full range of possible responses were used. However, I had omitted to ask specific questions on Government assistance or grants, or other locational assistance, which I would definitely include in the actual survey.

Section C, concerning business networks and links, was successfully completed and was apparently not confusing to the respondents, although some chose to answer in more detail than the simple positive or negative, which was to prove interesting. I considered expanding these questions to more 'open 'response instead of 'closed', but the brevity of the questionnaire was a major limitation, and if respondents chose to expand upon this section, particularly question C6, there was the space to do so.

The answers in section D (Customers) were perhaps vague or had been difficult to answer (such as the percentages of customers from certain distances), but nevertheless the questions were worth retaining. I considered that question D1 about advertising was perhaps not leading to any particularly useful conclusions. Finally, sections E and F appeared to be straightforward, but inevitably open to individual interpretation to a certain extent, regarding training and qualifications or the level of technology.

Therefore, I decided to keep question A4 but to change A5 slightly to 'expand upon' the reasons for location. Question A6 concerning the disadvantages of location would be retained. I would add a question about Government or Agency Assistance in this section. I would omit the question on advertising and this would also avoid an overloading of questions. The overall length of less than three sides of questions, with the layout of side-headings, was to be retained, but attention was to be paid to the layout to avoid the splitting of questions over two pages, so that all options were in view.

[ACTUAL EXAMPLE]

QUESTIONNAIRE. 593 2

THE CHARACTERISTICS OF SMALL BUSINESSES IN NORTH YORKSHIRE-

HARROGATE AND RYEDALE DISTRICTS.

(01.41)

A. LOCATION.

1. Type of business (product or service). GARDEN DESIGN.

2. Type of premises - (Please tick which applies)

a) Home. ✓

b) Purpose-built unit.

c) Conversion.

d) New.

e) Old.

3. a) Number of years and months at this location. 4 YRS 5 MTHS

b) Number of years in existing business. 5 YRS 4 MTHS

4. **Reasons for location.** (Please tick any which apply.)

a) Unit close to home.

b) Cost of unit / Financial incentive.

c) Close to other businesses.

d) Good road/transport links.

e) Convenient for customers.

f) Other significant reason. ✓

5. Please expand upon your main reason (or reasons) for choice of location. Eg. What are the **advantages** of your business location, if any?

ATTRACTIVE LOCATION.

6. Disadvantages of this location? DISTANCE TO TRAVEL TO CLIENTS

7. Has your choice of location been influenced by LOCAL OR NATIONAL GOVERNMENT ASSISTANCE, ADVICE or GRANTS , etc?

NO

B. ORIGINS.

Please will you indicate how you started in this business:-

a) Set up as a direct result of REDUNDANCY OR UNEMPLOYMENT in *a connected occupation or business.*

b) Set up after REDUNDANCY/UNEMPLOYMENT but *unconnected with the previous occupation.*

c) Set up after LEAVING AN EXISTING JOB and *connected with this former occupation or business.*

d) Set up after LEAVING AN EXISTING JOB, but *unconnected with it.*

e) OTHER REASON. QUALIFIED FROM COLLEGE SET UP IMMEDIATELY.

C. BUSINESS NETWORKS.

Does your firm have links with other firms? These may be a formal part of business or more 'informal' and flexible. (Please tick or cross the following statements):-

1. Do you have official links with a 'parent' company? NO

2. Do you have sales and purchasing links with local firms , eg. manufacture or supply of components, transport, business services? NO

3. Do you have informal links and contacts with local firms , eg. pass business on, share equipment, advice? NO

4. Membership of LOCAL Associations, Business groups or bodies? NO

5. Has this been worthwhile for business? YES

6. Any links with LOCAL COMMUNITY, eg. Sponsorship of sport/teams, School links, Work placements? NO

7. Has this been worthwhile for business?

D. CUSTOMERS.

1. Please indicate the approximate percentages of your customers by location:-

a) Town/Local (about 5 miles radius). 1

b) Rest of North Yorkshire. 5

c) Rest of Yorkshire, including W. Yorks. 10

d) Rest of UK. 40

e) Rest of Europe. NIL

f) Rest of World. NIL

TOTAL 100% ?

:. TECHNOLOGY.

.. Do you use a PC to help run general business administration? NO.

:. Would you say the level of technology in your business was:- MINIMUM.

ı) Significant investment in up to date equipment/technology.

›) Moderate " " " " " " " " " "

:) Little or no " " " " " " " " " "

'.OWNER OR PARTNER'S QUALIFICATIONS.

Please tick which apply:-

ı) N/A.

›) Vocational Training or Courses attended.

:) Vocational Qualifications or College.

l) A Levels.

:) University. ✓

NAME OF PERSON COMPLETING THIS QUESTIONNAIRE C HESSHAM

'HANKYOU FOR YOUR ASSISTANCE.

CONCLUSIONS FROM PILOT QUESTIONNAIRE.

Many of the following observations and conclusions from the Pilot Survey are in agreement with existing studies of small business location and characteristics. However,the number of businesses surveyed is small, as necessary in a pilot survey. The primary reason for conducting the pilot survey was to test the questions and response to the questions, as discussed in the relevant section. The following provide extracts of a report written at the time.

Section A concerned the types of business. Those which responded provided a broad cross-section of manufacturing and service industries; nine were in the manufacturing category (SIC 1992 classification) and six were services. This contrasts with the published statistics from the Census of Employment 1993, of 16.1 percent manufacturing employees in York and North Yorkshire (North Yorkshire TEC). (Thus there were more manufacturing businesses than expected, and of the service businesses, the small sample did not accurately reflect the preponderance of Business Services in the region as a whole.) The respondents in the service sector ranged from accountancy to catering, but such a small sample size was likely to be quite unrepresentative. In their 1993 study, Townroe and Mallalieu found that most new firm foundations in the countryside were manufacturing, but my sample encompassed rural and urban situations.

The types of premises also varied widely. Four were businesses based at home (including two of the manufacturers), and an equal number were in purpose built units. Six were based in old converted units and only one was in a new purpose built unit. The advantages of their chosen locations are described in Question A5, and discussed later, but one conclusion from these answers, could be that local or national incentives for small businesses should include fewer bureaucratic restrictions on setting up businesses at home or converting premises for small businesses, because those are the ideal locations for many small businesses. Whether this is attractive or workable is arguable, as there are obvious limitations.

The average years at these locations was 7.1, a figure higher than anticipated. These are statistically successful businesses in terms of survival times. The average years for the Manufacturing businesses was 5.5, and for the Services was 9.4. The small sample size allowed the long duration of a couple of firms to distort the results. Similarly, the total years in business was, on average, over ten, ranging from three to '20 plus'years.

Respondents could choose more than one 'reason for location' in Question A4, and naturally these tended to overlap with the subsequent question on the advantages of location. The 'cost of the unit' was the most common reply, by nine of the fifteen businesses. Next in significance was the 'proximity to home', then 'convenience for customers'. 'Proximity to other businesses' and 'good transport links' were not important, mentioned by only one business respectively.(These are often the major locational factors in traditional industrial location studies, from Alfred Weber on.)

The advantages of location, for the sample of businesses involved in the pilot survey, were overwhelmingly cost and convenience; a location near to home, to cut down on travel yet one convenient for customers, was particularly favourable. Three respondents stated 'no obvious advantage', suggesting inertia. The majority of businesses were mindful of their location for customers as well as themselves, and in the 'disadvantages' section stated that parking for customers was a problem. Two businesses said that there was little passing trade at their location, although five of the 15 had no problem with their location. (One marketing company in York said that the problem of their location was not being in London.)

If the location of business was at home, three of the four said there was no disadvantage, and the fourth commented on the lack of passing trade, but this was an accountancy business.

Section B concerned the origins of the selected small businesses. The most important motivation for setting up in business was 'after leaving an existing job, connected with this occupation or business' (NOT REDUNDANCY), stated by six of the owners. After this, there were equal responses for answers a, b and d, and three 'other reason'.This reinforces the comments from Townroe and Mallalieu (1993) 'Founding a new business in the countryside' that about one third of businesses were a 'spin out' from previous employment and that a surprisingly small amount (between three and five percent) were caused by early retirement. They also concluded that the motivation behind setting up in business was to 'achieve independence' for nearly a third of their sample. A representative from Harrogate Business Development Centre (ex.Enterprise Agency) said that the motivation behind most new business owners was to be their own boss. Such small business entrepreneurs gain a working knowledge of a business from the inside, then reach a stage where they feel able to leave employment and set up on their own, which they anticipate will not be as much of a step into the unknown as it would otherwise be. More of the Manufacturing businesses were apparently motivated by this reason in the pilot survey.

However, overall the motivations for setting up in business were very mixed, and the sample size was too small to see any significant pattern.

Section C focused upon Business Networks, formal and informal. I believe this section is very significant in helping to explain the growth and the role of small businesses in the local economy. Local embeddedness was identified as of increasing significance by Lohr (1982), Granovetter (1985), Cooke and Morgan (1991), Curran and Blackburn (1994), Todtling (1994),and others,(as referred to in Chapter One.) Local embeddedness may indeed be an observable consequence of successful businesses, but my research may suggest that it is in fact a prerequisite for a successful business.

Not one business surveyed was a subsidiary of a large company, or a franchise or branch. Morgan (1992) suggested that this was a major factor in the growth of small businesses. The sample of businesses may have been biased against this.

Most firms(ten out of fifteen) had sales or purchasing links with other local firms. The firms with a more national market(for example air conditioning and office furniture suppliers) tended not to have local suppliers. Nine businesses had informal links and contacts with local firms, two firms had no formal links, but did have informal, and vice versa. The majority of businesses had both, suggesting that they are both requirements or that one is naturally linked with the other.

Membership of local associations or business groups was not widespread. Of the fifteen businesses,four were members of such bodies. Curran and Blackburn (1994) found that four out of ten owner-managers were members of no outside body/association, and most writers consider that public and semi-public institutions supporting firms,are a vital part of the small firm network. It may be interesting to follow up this contradiction in the real survey, if similar negative results are forthcoming. Of the four respondents who were members of a business association or similar, two thought it worthwhile for business and two did not. Also, two of the above members did not state that they had 'informal links' with local firms in the previous question, although this is presumably one of the reasons for joining local business associations.

Question 6,concerning community links, had a quite poor response, only seven of the fifteen firms had developed some form of involvement with the local community beyond commercial links. However, some answers to the follow up question - has this been worthwhile for business? - were interesting. Although four said it was not commercially worthwhile, there was the suggestion that this was worthwhile in another way, an 'invisible benefit' perhaps. The marketing company volunteered the statement that " it was good for the soul". The fact that many small businesses, almost half in this small survey, do have community links is encouraging and interesting in terms of local embeddedness. Large companies may have many community links too, but they could be less personal and less of a commitment than that of the involvement of a local firm with local causes. Although community involvement was usually not commercially worthwhile, possibly the benefits had not had chance to work through, and they are obviously very difficult to quantify.

Of those businesses which had 'informal links and contacts with local firms', there was a correlation with the 'community links' response.ie. five firms had answered positively to both questions three and six.

Any positive responses to question two onwards in Section C would indicate embededdness. Having counted the positive replies, thirty four out of a total of ninety possible, this showed only thirty percent signs of embededdness in the sample of firms.

Section C included mode of advertising and locations of customers. The most frequent answer to type of advertising was 'other' - 'Yellow Pages', which was perhaps to be expected. Apart from this response, many businesses chose 'none/word of mouth', and underlined 'word of mouth'. That was also evidence of local embededdness. Newspaper advertising was the third most common method. None of the firms questioned used radio or poster/ billboards. The manufacturing businesses were more likely to use newspapers than word of mouth.

The approximate percentages of customers by location again revealed varied results, but if the percentage of 'Town/ Local' is analysed separately, this highlights the local dependence of most businesses. The manufacturing businesses ranged from zero percent local to one hundred percent, the services ranged from five percent to eighty percent (one not answered);the average for manufacturers was sixty percent local customers ,and for services the average was only thirty six percent local customers.' Europe and the Rest of the World' accounted for considerably less, it was insignificant for these particular businesses, and the 'Rest of the UK'ranged from zero percent to eighty three percent (Marketing business),but was mostly zero percent. As mentioned in the questionnaire evaluation, this particular question was difficult to answer precisely by most firms and the percent figures are crude, though revealing the basic pattern. In the actual survey this question will require some closer analysis.

Section E concerned the level of technology. Of the fifteen businesses, nine used a PC to help with administration, but only four had a 'high level of investment' in technology. 'Moderate' investment in technology was made by seven firms, and four had 'little or no investment' in technology. This links to the conclusion by Massey *et al*(1992) that even in science parks in the North of England, small firms were characteristically less 'scientific', and with Ilbery *et al* (1995)that small independent businesses in Europe made very limited use of 'telematics',thus small rural businesses are unlikely to be at the forefront of technology.

Finally, Section F concerned the level of qualifications of the business owners. Again, this seemed to agree quite strongly with Townroe and Mallalieu (1993) that over a quarter of founders had a degree, and they were overall a well educated and well qualified group. Although five respondents stated 'not applicable' in this survey, the other ten had vocational qualifications, A' Levels or university . None had a lower level than vocational training. Indeed, three of the fifteen were University graduates. The higher levels of qualifications are suggested to be indicative of future business success by Gould and Keeble (1984). These sample results are too small in number to firmly back up this conclusion, but they do suggest some link.

The pilot survey results highlighted some of the important themes for the actual survey.

PILOT SURVEY RESPONDENTS.

MANUFACTURING SECTOR.

CODE	SIC(92)Classification.	LOCATION
4	20.51	The Science Village, Claro Road, Harrogate.
3	22.22	The Depot, Claro Road, Harrogate.
1	22.22	The Science Village, Claro Road, Harrogate.
5	22.22	The Science Village, Claro Road, Harrogate.
95	29.12/1	Unit 11, Becklands Close, Boroughbridge.
35	29.23	Dauby Lane, Elvington, York.
662	36.12	92b, The Village, Stockton on the Forest, York.
336	45.42	14 Grantly Close, Harrogate.
2	55.52	Spa Court, Spa Lane, Starbeck, Harrogate.

SERVICE SECTOR.

134	52.27	20 Hookstone Road, Harrogate.
88	51.54	Manor Rise, Amotherby, Malton.
516	51.6	Unit 2 , 21 North Street, Ripon.
549	67.20	4, Bedurn Bank, Ripon.
25	74.12	34, Dringthorpe Road, Dringhouses, York.
314	74.14	The Shambles, York.

APPENDIX.2 **METHODOLOGY OF FINAL SURVEY**

The methodology for the survey of 60 small businesses in North Yorkshire is outlined in Chapter 3, but the following is a full account of the procedure.

The final sample for the survey had to meet several criteria, having assumed the aim of representativeness, and the questionnaire itself needed to meet the issues which arose from the pilot questionnaire, as discussed in Appendix 1.

It was decided that the sample of small businesses would not be stratified by sectoral type, but simply represent a broad cross section of businesses. The random sample was thus to be drawn from the whole population as listed in the York Yellow Pages for 1997-8. This listing was chosen in the knowledge that entry for all business users was automatic, so the list should be as complete as possible. Obviously it had the drawbacks of inclusion of all large businesses and organisations, as well as some companies with headquarters from outside the study area, while some businesses have duplicate entries of which survey procedures must be aware.

The criteria for random selection as used in the pilot was to be strictly adhered to. Using the current edition of the York area Yellow Pages, a completed sample of a suggested size of 60 was agreed after discussion, and reference in particular to a previous sample of Business Services in Edinburgh by Townsend and Macdonald 1994, where there had been an 80 percent return rate yielding a sample of 40 firms.

It was intended to select the same number and type of businesses from each District in order to obtain a comparable sample. The selection of firms was made by using a published random number table to select page numbers of up to four digits, which were tabulated in order of selection, then the appropriate pages were located and the first eligible business classification (heading) was chosen. It was necessary to check that the list included a possible contact from both the Harrogate District and Ryedale District. Thus many classifications proved too small for these purposes, having perhaps only ten listings and not including firms from the smaller business population of the Ryedale District.

Page numbers were immediately rejected if the business classification was obviously inappropriate, in the cases of large national companies or public services, or if the page was occupied by one large advertisement. The next page number on the random number list was then consulted. Similarly, if the page had been selected before and there were no further suitable classifications, it was rejected. It was not intended to select more than one firm from each classification, in order to obtain as broad a spread of results as possible. If the classification was rejected on the grounds of appropriateness or size, then the next classification heading on that page was used.

A record of all page numbers selected was kept, indicating whether they were rejected or used. In total, 85 randomly selected pages were rejected, either to avoid duplication or through their obvious unsuitability.

The selection of a potential contact in each of the Districts was thus made and each firm was to be telephoned. The same procedure was used for all numbers, in that up to five attempted contacts were made and the responses were all logged. If an answerphone was reached on four attempts, no more were made, but if the line was engaged, not answered or I was requested to call back, a fifth and final attempt was made. Calls were made at a variety of times in the working day and on different days between November 1996 and January 1997. (The fairly long time span is accounted for by the requirement to wait for the return of postal questionnaires and the expectation of perhaps a 40 percent response rate, so fresh selections of random numbers had to be made at intervals. Also part of the survey corresponded with the Christmas and New Year breaks, which was not very useful.)

After four or five unsuccessful attempts at telephone contact, including answerphones (since it was not deemed good practice to require firms to answer my messages), the contact would be eliminated from the list and the next eligible firm in the classification would be contacted in the same way. However, on at least one occasion the contact very kindly returned my call through the '1471' system.

The obvious shortcoming of this selection procedure was that it certainly prejudiced against selecting busy sole proprietors, especially against those with answerphones, and although the times and days were varied overall, the timings may not have been "fair" to all concerned, but overcoming this was not practical.

The next filter mechanism in the sample was to ascertain whether the business had less than ten employees. Surprisingly this was not the cause for rejection in any case in the survey, since obviously large concerns had been eliminated in the initial selection, indeed many contacts stressed that they were sole proprietors.

Contacts were asked if they would be willing to answer a short postal questionnaire about the characteristics of their business. Many people questioned the purpose and scope of the survey, but were overwhelmingly positive in their response. Firms who refused to answer the questionnaire typically explained that they had no time, and at least one explanation/refusal was because they had no time to fill in questionnaires, being a sole proprietor. To facilitate the easy return of the questionnaire, a stamped addressed envelope was included in addition to a covering letter. Inevitably, not all those who quite readily agreed to fill in the questionnaire eventually returned them, but the purpose of the initial telephone contact was to reduce the large proportion of refusals which would certainly have arisen if firms had been randomly selected then sent questionnaires 'cold'. The eventual very high return rate mentioned later appeared to confirm this decision.

Records were kept of dates on which firms had been sent questionnaires, when the replies were received, if any, then after approximately three weeks the non-returners were telephoned again. Some firms subsequently sent the replies back immediately, having been too busy before; some explained that they had lost the questionnaire, but would reply to a new one, although both firms which offered to do this failed to reply a second time, and at least one respondent refused to complete the questionnaire at this stage. Of the firms reminded, the eventual reply rate was again very high and worth pursuing, but not a total success.

In total 76 questionnaires were posted after the approximately 210 telephone contact attempts, eventually yielding 55 completed postal questionnaires by the end of February 1997. Only 19 firms who agreed to answer the questionnaire failed to return it. For practical reasons it was eventually decided to add five questionnaires from the pilot survey to take the total up to 60 and complete the survey because of pressure of time. The response rate to the postal survey had been greater than anticipated, even allowing for the initial telephone contact. The final response rate of 55 replies from the 76 postal questionnaires was 72.4 percent, almost three-quarters successful.

As in the Pilot Survey, the businesses were allocated a page number code with a suffix indicating the District, as the business names were of no value in the study. Contacts were assured of this confidentiality in the covering letter.

Due to the timing of replies and the need to remind some 13 of them after three weeks, the strictly equal and parallel sampling of Harrogate and Ryedale firms was difficult to achieve. Although there had initially been a firm in each classification selected from each District, the final replies did not yield pairs of firms in all categories, only 15 of the pairs (30 of the 55 replies) were complete. For example, although there eventually was not a builder from each District, there was a cabinet maker. In the postal survey, 28 completed replies were sent from the Harrogate district and 27 from Ryedale, but another five questionnaires from the Harrogate district were added to the total.

Overall, the aim of sampling a broad cross-section was achieved despite there being a slight imbalance of types and numbers between the Districts. In some ways the sample was biased towards the types of businesses found in the Harrogate District and biased against several types of firms that were only found in the Ryedale District but not represented in Harrogate. If the type of business was very unusual and did not appear in both Harrogate and Ryedale it was automatically excluded.These firms would no doubt have been interesting, but perhaps they would have been unrepresentative of small businesses in general.

The exact types and characteristics of the 60 sample firms are expanded upon in Chapter Three.

Other practical limitations of the techniques used include the possible misinterpretation of certain questions by the respondents, particularly length of time in business,as discussed in the relevant chapter.Owing to the time span of the research, the longevity of the firms is also slightly arguable, some questionnaires being answered five or six months apart. Some of the other answers will inevitably be subjective, inaccurate or not filled in at all,but failing the use of a more time-consuming personal interview (where queries could be followed up or clarified), this is a drawback in any survey.

In addition, one may ideally have wanted to ask more and longer questions, but the postal questionnaire had to be as succinct as possible. Further questions could have been counter-productive, taking too much time to answer, and perhaps seen as intrusive. Data on indicators of performance, such as whether the business was profitable, or whether output or employment was expected to rise, could have given a valuable insight into the financial successes or otherwise of the firms, but such questions had been rejected in preliminary planning. Such factors were not intended to be the focus of research compared to other characteristics, especially locational characteristics and evidence of networking and embeddedness.

Finally, a far greater quantity of questionnaires would have been ideal, but the practicalities of time and cost were the major limitation.

EXAMPLE OF FINAL VERSION OF QUESTIONNAIRE.

THE CHARACTERISTICS OF SMALL BUSINESSES IN NORTH YORKSHIRE-

HARROGATE AND RYEDALE DISTRICTS

A. LOCATION.

1. Type of business (product or service). ____________________

2. Type of premises - (Please tick which applies)

   a) Home.

   b) Purpose-built unit.

   c) Conversion.

   d) New.

   e) Old.

3. a) Number of years and months at this location. __________

   b) Number of years in existing business. __________

4. **Reasons for location**. (Please tick any which apply.)

   a) Unit close to home.

   b) Cost of unit / Financial incentive.

   c) Close to other businesses.

   d) Good road/transport links.

   e) Convenient for customers.

   f) Other significant reason.

5. Please expand upon your main reason (or reasons) for choice of location. Eg. What are the **advantages** of your business location, if any?

____

____

6. Disadvantages of this location? ____________________

7. Has your choice of location been influenced by LOCAL OR NATIONAL GOVERNMENT ASSISTANCE, ADVICE or GRANTS , etc?

B. ORIGINS.

Please will you indicate how you started in this business:-

a) Set up as a direct result of REDUNDANCY OR UNEMPLOYMENT in *a connected occupation or business.*

b) Set up after REDUNDANCY/UNEMPLOYMENT but *unconnected with the previous occupation.*

c) Set up after LEAVING AN EXISTING JOB and *connected with this former occupation or business.*

d) Set up after LEAVING AN EXISTING JOB, but *unconnected with it.*

e) OTHER REASON.

C. BUSINESS NETWORKS.

Does your firm have <u>links with other firms?</u> These may be a formal part of business or more 'informal' and flexible. (Please tick or cross the following statements):-

1. Do you have official links with a 'parent' company?

2. Do you have sales and purchasing links with local firms ,eg. manufacture or

supply of components, transport, business services?

3. Do you have informal links and contacts with local firms , eg. pass business on, share equipment, advice?

4. Membership of LOCAL Associations, Business groups or bodies?

5. Has this been worthwhile for business?

6. Any links with LOCAL COMMUNITY, eg. Sponsorship of sport/teams, School links, Work placements?

7. Has this been worthwhile for business?

D. CUSTOMERS.

1. Please indicate the approximate percentages of your customers by location:-

a) Town/Local (about 5 miles radius). __________

b) Rest of North Yorkshire. __________

c) Rest of Yorkshire, including W. Yorks. __________

d) Rest of UK. __________

e) Rest of Europe. __________

f) Rest of World. __________

TOTAL 100%

E. TECHNOLOGY.

1. Do you use a PC to help run general business administration?

2. Would you say the level of technology in your business was:-

a) Significant investment in up to date equipment/technology.

b) Moderate " " " " " " " " " " " " .

c) Little or no " " " " " " " " " " " " .

F. OWNER OR PARTNER'S QUALIFICATIONS.

Please tick which apply:-

a) N/A.

b) Vocational Training or Courses attended.

c) Vocational Qualifications or College.

d) A Levels.

e) University.

NAME OF PERSON COMPLETING THIS QUESTIONNAIRE ______________________

THANKYOU FOR YOUR ASSISTANCE.

APPENDIX 3

Advice and assistance for small businesses in North Yorkshire

As the economic indicators described previously would suggest, North Yorkshire as a whole is not identified as a region with major economic problems requiring significant assistance. There are three broad exceptions, in which it could be argued that economic assistance is desirable,or indeed a necessity. Parts of some Districts, such as the Selby area, are in the areas hit hard by coal mining closures; some Districts contain more remote hill farming environments, such as the Yorkshire Dales or Skipton areas, and have suffered from serious declines in farm incomes; and parts of the coastal areas such as Scarborough are in need of regeneration.

Prior to this research on the characteristics of small businesses, various official bodies and local associations were approached to ascertain the types of assistance which were available to new small businesses, or small businesses in general, in North Yorkshire. This was making the assumption that advice and assistance played a significant part in the setting up of a small business. One limitation to this search exercise was that the advice and/or assistance sources, in particular financial assistance, would in reality be specific to a particular type of business, such as a small manufacturing firm, and would not apply to many services including retailing. This exercise therefore could not precisely simulate the setting up experience of an actual new business, but it gave an overview of the information which a new business in general could expect to receive, assuming that they were making initial enquiries with a view to starting a business. In the subsequent survey, business owners were asked if any form of financial assistance or advice was received.

There are two basic scenarios. Firstly, the situation might be that of a new small business willing to set up anywhere within North Yorkshire, either because they were moving into the area (perhaps out of a nearby conurbation) or because they were flexible enough at the outset to consider location anywhere in North Yorkshire, if the financial incentives were greater in one location compared to another. The second scenario might be that of a prospective small business owner who is already resident in a particular area, and through family reasons, cost reasons, or simply inertia, would be tied to a specific District or town. In that case the financial incentives would almost be incidental, but they might be crucial on the margin and play a part in the decision making process (whether it is viable to set up in business or not).

In the second scenario, assuming that the small business owner or potential owner is already resident in a particular district of North Yorkshire, and there are practical limits to their location for social or cost reasons, what incentives are specifically available in the two Districts selected for this thesis,of Harrogate and Ryedale?

a) HARROGATE DISTRICT

Agency or Government Sources of Financial Assistance :-

DTI Small Firms Loan Guarantee Scheme and SMART scheme.

Prince's Youth Business Trust Grants or Loans.

Rural Development Commission (in the wards of Pateley Bridge, Mashamshire and Kirkby Malzeard which are designated as RDAs).

Sources of Advice :-

Harrogate Business Development Centre Ltd.

The Economic Development Officer, Harrogate Borough Council.

North Yorkshire Training and Enterprise Council.E.g. 'Backing Winners'.

Realistically,unless the enterprise is of a specific type in one of the RDAs or one qualifies for the backing of the Prince's Youth Business Trust, there is little or no official financial incentive to set up a new small business in the Harrogate District. There is, however, ample advice and a well established support network.

(However, since completion of this research , there has been the publication of a resource guide outlining the support which is available to businesses in Harrogate District. Supported by Nat West Bank and the European Regional Development Fund, the Resource Guide provides information to small and medium sized businesses on a "who does what" basis. This should save time and effort.

b) RYEDALE DISTRICT

Agency or Government Sources of Financial assistance :-

DTI Small Firms Loan Guarantee Scheme and SMART scheme.

Ryedale District Council Grant of up to £350 towards the cost of equipment for eligible new businesses only.

Prince's Youth Business Trust Grants and Loans.

Rural Development Commission (in the wards of Amotherby, Ampleforth, Dales, Ebberston,Helmsley, Hovingham, Kirby Misperton, Kirkbymoorside, Pickering and Thornton Dale which are designated as RDAs).

Sources of Advice :-

The Economic Development Officer, Ryedale District Council.

North Yorkshire Training and Enterprise Council.

There are more sources of financial incentives in Ryedale, and more of the District qualifies for assistance under the former Rural Development Commission, although the types of small businesses which could receive help are very restricted. There is only marginally more official financial incentive to set up a small business in the Ryedale District rather than the Harrogate District. As in Harrogate, there are apparently many sources of advice and support for new and small businesses.

CONCLUSION

These enquiries suggest that Agency or Government incentives, financial or otherwise, are not a major factor for firms choosing to set up in North Yorkshire, and the evidence from the survey of small firms in Harrogate and Ryedale appears to agree with this. The enquiries also suggest that the sources of information need even more rationalising, as there is some duplication.

The areas which receive more financial aid, such as the very south eastern areas of Selby District or the Whitby, Scarborough and Filey areas, would theoretically be the most advantageous places to set up in business, other things being equal. However, these areas are by definition the least prosperous or thriving , consequently the least favourable locations otherwise for a new small business. There may be a limited market for the product or service, and each new business would merely be taking a smaller share of the market. The financial assistance would have to be substantial to attract new businesses into these areas, and this is obviously not officially deemed worthwhile in terms of job creation and market potential, although any financial help would at least be better than nothing for an individual willing to take the risk of starting a business .

SOURCES OF INFORMATION FOR SMALL BUSINESSES IN NORTH YORKSHIRE.

It was not immediately obvious where to start looking for information. The starting point for gathering information would depend upon the individual. I contacted the Economic Development Officer of North Yorkshire County Council and the Economic Development departments in each of the seven Districts and City of York. The local press occasionally carries advertisements for small business clubs, the Chamber of Commerce and courses or events run by Enterprise Agencies or North Yorkshire TEC (although some of these sources were mentioned by the previous contacts), so the local press, along with the telephone directory, was another line of enquiry. I also requested information from Leeds City Council for purposes of comparison. What was obvious was that full or 'perfect knowledge' was not realistic, given the numerous potential sources of information and the fact that a small business owner would very likely be under pressure of time. The sources of information seemed to be duplicated and somewhat confusing at the outset. It may be argued that the process of finding out information could deter people from proceeding any further, and the survey findings discussed in Chapter Three partly bear this out.

The following points are a summary of the initial advice given by all of the sources of information. In addition to information on the type of assistance or advice these bodies provided, I also made general enquiries such as whether they could provide me with any lists of members.

Initial Advice

The various official bodies and associations were easy to contact and invariably willing to offer information over the telephone. A spokesperson from the Federation of Small Businesses suggested that the main reason for setting up in business was the lack of jobs in manufacturing in the last 20 years, due to lack of investment by the Government and foreign competition. Also, in North Yorkshire in particular, the rural areas are seen as attractive and favourable locations for setting up new businesses. Many of their members were in the field of IT, high technology, export and import companies, serving the comparatively wealthy population - "feeding on prosperity". Apparently, within postcode areas HG1 to HG4 there are 1750 millionaires.

The Business Development Centre stated that normally about 30 percent of new businesses survive 18 months, but 70 percent make it to eighteen months with their advice. The Business Development Centre suggest that the 'enterprise mentality' has grown and is feeding upon itself in North Yorkshire. (Evidence of networking.) They suggested that many people see self employment as a real alternative - there is now less job security and there are less obvious advantages in working for someone else. The trend in the 1990's has been towards a more flexible workforce, and small businesses are an intrinsic part of this phenomenon.

Business Link advised that grants are complicated depending on certain narrow criteria, and more specific information was not possible unless the type of business and proposed location was known.

North Yorkshire County Council sent an extensive Information Pack and suggested that their Sites and Premises Data Base was available as a follow-up. They offer a wide range of business units in rural North Yorkshire for rent, and sent a summary of financial support available from various bodies. The majority of these are specific to a certain geographical area or apply to businesses which create new employment. They do not apply to most businesses in the service sector. An excellent summary of the different sources of assistance available in North Yorkshire was sent.

In York, as with the other Districts, there is general support and an advisory service including a premises file and relocation service, but York gives the impression that there is a more extensive range of assistance available to businesses in the York area. Perhaps the most significant incentive in York ,which differs from the rest of North Yorkshire, is the assistance for high-technology firms. This includes the joint marketing of a science park with the University, financial support from the council for the York Innovation Centre and the Bioscience York initiative. Another aspect which seems to be unique to York is support for tourism -related employment.

In common with the other areas, York is not an Assisted Area or Enterprise Zone, but they stated that "the Council will be pleased to talk to potential inward investors about financial assistance." However, this appeared to be biased more towards large businesses.

In the adjoining City of Leeds,there are no grants available for relocation of businesses to the City itself, only support, thus no financial incentive for small businesses in Harrogate or elsewhere in North Yorkshire to relocate to Leeds. Leeds Development Agency sent a package of information including details of Business Development Schemes in priority inner city areas, targeted towards businesses which have been trading for at least one year, based in or employing people in one of the Leeds Priority Development Areas. During the late 1990's Leeds has experienced a business renaissance, particularly in the office sector, and a palpable air of growth and renewal is present in the city. The attractions of Leeds are quite the opposite to those of North Yorkshire, Leeds being perceived as cosmopolitan, urban, new and fast moving. The two areas may have perceived or real prosperity in common, but Leeds appears to offer a diametrically opposite type of environment to the semi-rural North Yorkshire, it does not appear to be in competition for the same types of businesses, nor to offer grants in the same way that selected parts of North Yorkshire do so .

Incentives available to a small business willing to locate freely within the County.

What incentives are available and where?

The overall hierarchy of assistance spans the European Community, Regional Assistance and that of Local Authorities, down to various other bodies or agencies.

The North Yorkshire European Community Office (NYECO) supplies advice only, but for all businesses irrespective of size and sector. For instance, advice on existing and planned EU directives would certainly be useful for many new or existing small businesses. NYECO are located within Business Link offices.

National Government financial support takes the form of DTI Small Firms Loan Guarantee Scheme, designed to help small firms with viable business proposals who are unable to obtain conventional finance. Under the scheme, the Government provides a guarantee to banks against default by the borrower. For start ups and small firms established less than two years, the guarantee is 70 percent on a maximum loan size of £100,000, and simplified administration procedures apply to small loans up to £30,000. This incentive thus has no geographical limitations. The scheme is principally organised through High Street Banks. In reality, the small business adviser or equivalent,in whichever bank the business owner deals with , is likely to be the first point of contact for assistance and advice for many new small businesses.

The Ministry of Agriculture, Fisheries and Food (MAFF) is a potential source of advice on rural enterprise, in particular advice on farm diversification and MAFF Grant Schemes, but these are restricted to farm-related projects, thus new small businesses in other sectors are not eligible.

National Government taxation policies in the Spring Budget of 1999 gave little or no additional benefits to the self employed. According to a report in the Daily Telegraph(March 1999) the Federation of Small Businesses says the Chancellor, keen to portray himself as pro-entrepreneurs, "missed the target". Spokesman Stephen Alambritis said: "the real entrepreneure are the self employed who cannot hide behind limited liability companies, people who invest their homes and savings in their enterprises; the wealth creators of tomorrow. " Limited companies that make only £10,000 a year profit will be taxed at ten percent, wheras a small businessman will pay income tax at 22 or 40 percent. On a positive note, from April 2000, the weekly Class 2 National Insurance Contributions went down from its current £6.35 a week to £2, a yearly saving of £226.20. Class 4 National Insurance Contributions, based on profits, rose by one percent and the applicable band widened to apply to profits between £4,420 and £27,820 (previously £7,310 to £25,220) thus cancelling out the benefits of lower Class 2 Contributions. Thus, only small businesses making profits under £4,420 will really gain. Self employed considering forming a company could find it advantageous as they would benefit from changes in Corporation tax. A new low rate of ten percent on the first £10,000 profit applies from April 2001, with the rate increasing on a sliding scale up to the normal 20 percent rate by profits of £50,000. (Source Daily Telegraph March 10th 1999)

North Yorkshire Training and Enterprise Council (NYTEC) is responsible for almost all of Central Government spending on training and enterprise in North Yorkshire. They offer business services and training to encourage and support business start-ups, and existing companies, through the offices of the former Enterprise Agencies in each District. A great deal of the advice appears to be for small to medium sized enterprises to work towards national standards, such as NVQs, which seems to be rather ambitious for sole traders. However, one highly relevant scheme for new small businesses is the 'Backing Winners' scheme .This scheme is promoted for new or existing businesses that have been trading for less than three years, and to individuals intending to set up in business. It includes help in putting forward a business plan, training in business management and the provision of information about grants. If an individual was proposing to start up a small business and had contacted their local District Economic Development Department or local Enterprise Agency, they should automatically be directed towards NYTEC and this scheme.

At the Regional level, technology and innovation are encouraged in firms with fewer than 50 employees in the annual SMART competition, where entrants with the best commercially viable ideas are awarded up to £45,000 towards the first year's development costs. Other high technology schemes cater for much larger firms .

Geographically-Variable Assistance from the EU and UK Government

Another Central Government Agency, which operates in defined areas of North Yorkshire, was the Rural Development Commission, which targets its financial assistance and advice towards the designated Rural Development Areas (continued from 1999 by the Regional Development Agency). Within the county, approximately 40 percent of the area is classified as Rural Development Area, representing those rural areas with greatest economic and social need. These areas comprise most of Richmondshire, Craven, three wards in the west of the Harrogate District, two wards in Hambleton and most of Ryedale and Scarborough Districts. The Commission offers grants and loans to businesses located in rural areas or towns with a population normally less than 10,000, but they must employ between three and 25 workers, which precludes the majority of new small businesses. Its Business Support Programme similarly targets firms employing five to 20 people, and the ACCORD project is aimed at larger business initiatives. The scheme does not appear to be particularly useful for new small businesses unless they fit the employment and locational criteria, and has been merged into the Regional Development Agency.

Regional assistance is available in the DTI-designated Assisted Areas, which in North Yorkshire cover only parts of the Travel-to-work Areas in the Stokesley, Whitby, Sherburn-in-Elmet and Whitley Bridge areas. Of these areas, Stokesley qualifies for the full range of Regional Initiatives, which means that Regional Investment Grants are available in addition to Regional Selective Assistance and Regional Innovation Grants. New businesses or existing firms employing fewer than 25 people can apply for an Investment Grant of 15 percent of the cost of plant and equipment and other fixed assets up to a maximum grant of £15,000.

Regional Selective Assistance is available in all the Assisted areas, taking the form of a discretionary grant, but the grant is not applicable to service activities which serve only a local market, effectively precluding a significant proportion of small businesses. Finally, Regional Innovation Grants of up to 50 percent of project costs are available in the Assisted Areas. Companies employing fewer than 50 employees are eligible, and the maximum grant is £25,000. The prospect of such grants , particularly in the Stokesley area, should be a distinct attraction for a new small business .

Due to the specific economic difficulties in former coalmining areas, the European Coal and Steel Community can provide Job Creation Loans in parts of Selby District, the main settlements being Sherburn - in -Elmet, South Milford, Monk Fryston, Eggborough and Whitley

Bridge. The scheme offers loans of £15,000 and above to firms undertaking job-creation investments which involve expenditure on fixed assets and create a minimum of two new jobs, so unfortunately this precludes many new small businesses with sole proprietor and no employees. However, the rules are changing in Europe and application for 5b money had to be lodged by the end of 1999.

Local Authority Assistance

At the Local Government level,since April 1998 it has been possible for North Yorkshire County Council to offer rate relief to a range of rural businesses. Under the scheme, a sole general store and/or post office (which is on the authority's rural settlement list) is automatically entitled to a 50 percent mandatory relief if the business has a rateable value of £5,000 or less. By Spring 1999, the first applications for rate relief had been processed and as a result 68 rural businesses within Harrogate District alone have received rate relief totalling over £31,000. The intention is to help rural communities by sustaining rural shops and post offices which supply essential services and provide a focal point for village life. (Source Harrogate District News)

North Yorkshire's Local Authorities offer a wide range of information and advice through their Economic Development Departments, and with the exception of Hambleton, Harrogate and Selby, they offer actual financial aid. The North Yorkshire County Council Small Business Grant Scheme offers up to £2,000 to assist in capital expenditure on machinery/equipment or alterations to buildings which result in job creation. Each job created, up to the fourth, attracts a grant of £500. The Small Business Grant applies to most forms of manufacturing businesses, wholesale and distribution and some service industries, including tourism businesses. The eligible businesses appear to be loosely defined , and 'individual cases will be treated on their merits', including the extent of the market area served. Thus, again,not every new small business is eligible.

Craven District Council has its own specific Small Enterprise Grant Scheme.Businesses which are starting up in, expanding in or relocating to Craven, with the creation of new permanent full-time employment, can receive a grant of £500 per new job up to a maximum of £2,500. Eligible businesses must be primary, manufacturing, wholesale distribution, an industrial service or a tourism related project with no more than ten employees.

Richmondshire District Council offers an Industrial Aid Scheme and a Rural Aid Scheme. Both schemes provide grants up to a maximum of £1,500. The Industrial Aid Scheme provides grants and interest free loans to a maximum of £3,000 to firms which are setting up, or proposing significant expansion, in manufacturing service or tourism-related sectors. The Rural Aid Scheme applies to projects in rural areas of Richmondshire which do not fall within the scope of the Industrial Scheme.

Scarborough Borough Council in partnership with NYTEC offers assistance to encourage the formation of new enterprises and stimulate the growth of established small and medium sized businesses moving into the area. There are two discretionary grant schemes , the Business Start-Up Grant and the Business Expansion Grant, the first being of most relevance to new small businesses. The Business Start-Up scheme targets new businesses less than 18 months old, which can be in the manufacturing sector or most service sector industries. Retailing is excluded except where it can be demonstrated that the business provides an essential local service in a rural area. A further qualification is that preference is given to businesses accepted under NYTEC's 'Backing Winners' programme or the Prince's Youth Business Trust. Although the maximum amount of grant assistance is £1,000 and rate relief grant is also available, there appear to be quite a few hurdles to overcome in order to qualify, and the typical new small business owner may not have the time or inclination to investigate every avenue.

Ryedale District Council offer a grant of up to £350 towards the cost of equipment for eligible new businesses.

Within each District are private limited companies, formerly known as Enterprise Agencies, which are independent organisations funded by private companies, national and local government, and which work closely with other advisory agencies and training providers. Their function is primarily to give advice and training, and in theory they should be the automatic first port of call for any entrepreneurs seeking advice on grants and loans for starting or expanding a business. The Harrogate Business Development Centre, for instance , advertise their services in the local press, and frequently run free courses on starting up a new business. The former Enterprise Agencies do not give any direct financial assistance. As mentioned previously, small businesses would be steered towards NYTEC as part of the service. Besides operating as a source of information, these agencies offer something which national and local government bodies do not, namely a social function where small business owners can meet on one of their courses. This may encourage networking. It could, however, be possible that new small business owners would be detered or confused by the change-over from 'Enterprise Agencies' to the new private companies.

From April 1996, Business Link North Yorkshire has existed to provide a single point of contact - the Business Information Service, for firms throughout the county who employ between three and 200 staff. Business Link is part of a national network but is locally based in Huntington, York. It consists of a partnership between five organisations (NYTEC, North Yorkshire County Council, York and North Yorkshire Chamber of Commerce, the former Rural Development Commission and the Department of Trade and Industry). Once again, they offer advice, information and training, but as mentioned above, they tend to cater for the slightly larger small businesses or more established firms, not business start-ups.

Finally, another source of financial and other assistance which caters for new small businesses anywhere in the County is the Prince's Youth Business Trust. This is a charitable trust specifically for 18 to 29 year olds (30 for people with disabilities), who are currently unemployed and wish to start or expand a business. Grants and loans are available .

CONCLUSION

Assuming that a potential small business owner intended to set up anywhere in North Yorkshire, the preceding inventory of the various sources of information and finance would be a starting point. The individual circumstances of the business owner would naturally determine which sources were appropriate, such as his/her age, length of time in business and sector of business. The whole process could be speedy if one was fortunate to make the initial contact with the appropriate body, or it could be a rather hit-and-miss affair.

Ideally, I would conclude that the small business owner should contact the Economic Development Officer of North Yorkshire County Council if they were open- minded about location in any district, or alternatively the local Business Development Centre(formerly the Enterprise Agencies), or the Economic Development Officer of each local authority. However, there are eight districts, including York, in North Yorkshire, so potentially this means 16 different contacts would be necessary to find out about the incentives in each area. Bodies such as Business Link would be an ideal contact if the business were to employ three or more people, but there did not appear to be a simple one-stop source of information for sole traders. It may be wise in those circumstances for them to simply seek advice from a small business adviser in a High Street Bank.

Appendix. 4 OTHER DISTRICTS EMPLOYMENT AND VAT REGISTRATION

Other Districts - Employment Changes.

CRAVEN. The 1991-1996 persons employed in the Craven District show a large increase of 19.9 percent overall, with a small rise in manufacturing employment of 9.5 percent or 400 persons. Within the manufacturing sector there were significant job increases in 'chemicals' and 'fabricated metals', but major job losses in 'machinery and equipment' and 'pulp, paper products'. Employment was expected to increase by 1.5 percent following a rapid fall in unemployment. Unemployment in Craven was very low at 1.7 percent in July 1998, the lowest in North Yorkshire, although it was 1.6% in May 2000, the third from lowest. The largest gains in employment, in absolute numbers, were in 'wholesale/retail trade; repair' and 'financial intermediation', in line with most other Districts, even in this more remote and rural area.

HAMBLETON. The number of employees increased by 7.2 percent between 1991 and 1996. Manufacturing employment in Hambleton increased by 2.2 percent overall, although there were significant losses in 'pulp and paper products', 'machinery and equipment' and 'motor vehicles, trailers'. Overall, the sector with the most gain in employment, in absolute numbers, was 'wholesale/retail trade; repair, etc', and the sectors with the greatest employment losses were 'real estate' and 'education'. The former sector is more typically a growing employer in other districts. Unemployment was 2.1 percent in Hambleton in July 1998, slightly below the average North Yorkshire figure, and fell to 1.5% by May 2000.

RICHMOND. The 1991-1996 figures show a marked fall in total employment (6.9 percent) and manufacturing employment (down by 14.0 percent,a loss of 100 jobs). Most manufacturing losses are concentrated in the manufacture of 'food products and beverages'. The sector with most employment gain overall was 'public administration/defence' which is, however, not a typical category within the small business economy. The greatest overall losses were in 'health and social work', again not a sector characteristic of small businessess, and 'hotels and restaurants', which most usually are. Unemployment in Richmond is comparatively low, at 1.5 percent in May 2001. The proximity of Army and Royal Air Force bases undoubtedly has a great impact upon employment levels and sectors in this District.

SCARBOROUGH.The 1991-1996 employment figures show an overall increase of 2.5 percent with a rise of 11.0 percent ,or 600 jobs, in manufacturing employment. There were large increases of over 200 jobs in 'pulp and paper products', 'machinery and equipment' and 'electrical machinery, apparatus'. The development of Industrial Estates around Scarborough and Filey is evident. The rate of unemployment in certain wards is significantly higher than the national average, which is typical of a seasonal holiday resort area. The overall unemployment rate for Scarborough in May 2001 was 5.2 percent, the highest in North Yorkshire. The sector with the most gain in employment, 1991-96, was 'wholesale/retail trade; repair' as shopping indeed became a commonly acknowledged 'leisure activity' in the 1990's, and Scarborough itself was following the trends of other towns and holiday resorts by offering more shopping opportunities to the visitors. Unfortunately, the sector with the greatest loss was 'hotels and restaurants', as Scarborough struggles to compete with foreign holiday resorts and holiday patterns shift from the traditional one or two week stay to short breaks.

SELBY. This is a less typical North Yorkshire area. The total 1991 -1996 reduction in persons employed was no less than 21.3 percent. Selby had an unemployment rate of 5.1 percent in July 1998, therefore higher rates than North Yorkshire in general, second only to Scarborough, although by May 2001 the rate had fallen to 3.0 percent. It has the county average of long term unemployed. Much of this is due to mining adjustment, as manufacturing employment in the Selby District decreased by only 2.3 percent or 100 jobs, with substantial losses in 'food products and beverages'(the major manufacturing employer) and also in the 'other transport equipment' sector. There was rising employment in 'fabricated metal products' and 'chemicals and chemical products' and other very small increases in various manufacturing sectors. The sector with the highest gain in employment overall was 'real estate', in common with most of North Yorkshire, and the greatest losses, apart from 'mining and quarrying' were in 'electricity, gas and water supply'. The individuals who lost their jobs in mining and manufacturing would appear to make up the higher than average unemployment figures, or they may have found alternative manufacturing employment in the sectors which expanded slightly; it is probably less likely that many such employees would have easily found employment in the 'real estate' sector.

YORK. Between 1991 - 1996 employment rose by 3.4 percent, although

York had the largest fall in manufacturing employment in the whole of North Yorkshire, of 24.2 percent, a loss of almost 3000 jobs. The 'manufacturing' sector had the greatest loss in absolute numbers of all the employment sectors in York. These losses were heavily concentrated in the manufacture of 'other transport equipment (railways) and' food products' and 'beverages' (confectionery). However, there were rises in the other manufacturing sectors of 'office machinery and computers' and 'machinery and equipment' which may herald the growth of more 'hi-tech' firms in York. The most gains in employment in absolute numbers were in 'real estate', 'public administration/defence' and 'health and social work', the first being very typical of North Yorkshire and possibly involving some but not many small businesses, and the latter two are typical of an administration centre such as the City of York which recently gained unitary status, but they are not sectors where small businesses are directly involved.

The rate of unemployment for York, in July 1998, was 3.2 percent, higher than the North Yorkshire average. York was the only area in the county which experienced an overall increase in unemployment in the last year, and long term unemployment only fell by less than one percent. This District is therefore the least buoyant in terms of employment, with higher unemployment than Selby.

Other Districts - VAT Registrations and Deregistrations.

SELBY. Selby district has 11.1 percent of the North Yorkshire total VAT Registrations and 0.2 percent of the national figure. It had a substantial growth of 105 registrations, composed mostly of the 'real estate' sector, as in Harrogate. There were modest rises in most other sectors and losses in only one sector 'agriculture' .

CRAVEN. There was a zero net change in VAT registrations in this district, although a modest rise of 25 in the 'real estate' sector, and many small losses in other sectors, the greatest being -15 in 'wholesale/retail' which follows the general pattern in North Yorkshire. Craven has a 10.0 percent share of the North Yorkshire total and a 0.2 percent share of the national figure.

RICHMONDSHIRE. Richmond experienced very few changes, increasing in only one sector, 'construction' by five units.Richmond only has 7.4 percent of the total VAT registrations in North Yorkshire, and a 0.1 percent share of the national figure.

SCARBOROUGH. Scarborough experienced slightly greater fluctuations. The largest gain of 25 firms was in 'real estate' and the largest fall of 20 firms was in the 'wholesale retail sector', which follows the trend in other districts. Scarborough has 11.8 percent of North Yorkshire's VAT Registered firms and 0.2 percent of the national total.

YORK.There was a net fall of ten VAT registered firms, although as in other districts there was a noticeable rise of 20 units in the 'real estate sector'. There was a net loss of 15 firms in both the 'wholesale /retail' and 'construction' sectors. York has only 9.2 percent of the total North Yorkshire VAT Registrations and a 0.2 percent share of the national figure. This once again confirms that York is amongst the less prosperous of the Districts.

HAMBLETON. In 1996 Hambleton had the greatest fall in net VAT Registrations of all the districts, decreasing by 45 units, not a considerable amount in number or percentage terms, but with losses of 15 firms in each of 'agriculture', 'wholesale/retail' and 'public administration'. Gains of ten units in 'real estate' were small but in line with the rest of North Yorkshire. Small changes were experienced over a spread of several sectors. Hambleton has almost 15.0 percent of the total North Yorkshire VAT Registrations, second only to Harrogate, and has 0.2 percent of the GB total.

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