

Summary findings for intermediaries and local advisors



Why is it so difficult to engage and provide advice to small firms in the construction industry? This study for CITB-ConstructionSkills, based on a survey of 4410 small-medium firms and follow-up interviews with 22 of them, unpacked and explained two intractable barriers to engagement.

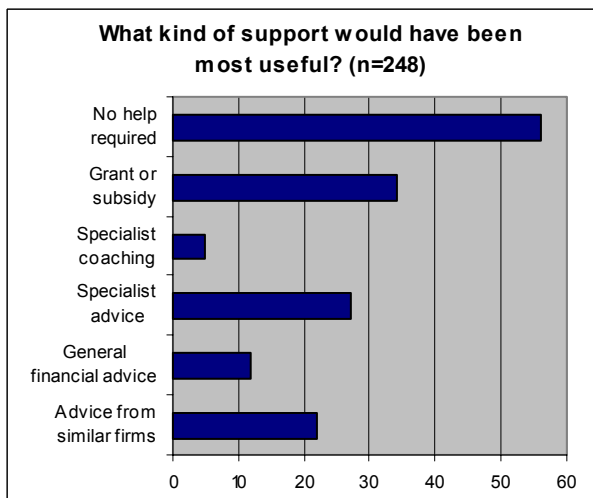
First, the difficulty in making contact at a distance with the owner/managers of small firms regardless of which mechanism - phone, letter, e-mail or website – is used to address them. And second, why even when contact is made with the managers of small firms, they often don't listen to the messages business support organisations are trying to deliver.

- The difficulty in making contact with owner-managers arises from the nature of small construction firms and how they operate. Most owner-managers spend most of the working day away from their office. They are too busy with core business activities to be distracted with non-core tasks, and often cut off from unusual enquiries by secretaries or other gatekeepers.
- Many small firms are pre-disposed to ignore what outside advisers have on offer – they consider themselves self-sufficient, and rely on their own judgement to solve problems. This study shed light on both why it is difficult to contact small firms and why they are pre-disposed to disregard outside advice.
- Among those who are open to outside advice, there is a marked preference for receiving it on site. Nearly two fifths said they prefer to receive support 'by meeting an advisor on business premises'. 'On paper' was the next most popular choice – cited by just over a fifth of the firms. Only a little over a tenth of them want information 'on computer, over the Internet or e-mail', or 'on the telephone'.
- In general, these firms want training on specially targeted issues like finance, tax, legislation and management, as well as construction-specific subjects. They want such training to be specially tailored to their needs, and provided at low cost.
- Construction SMEs can be categorised to help find out which are most likely to seek support when they are making changes to their businesses. It suggested that these firms may be divided into two groups – more or less likely to seek advice.
- Those most likely to seek advice have 2-19 employees and are five or more years old. Typically, they are either builder/contractor limited companies or consultants established as limited companies or partnerships.
- The firms least likely to seek advice have fewer than 2 employees, they are either builder/contractors or consultants, and they have a variety of different ownership structures. Such firms are the hardest to engage, and may not therefore represent the most effective investment of support organisations' time and effort.
- The largest proportion of firms with employees prefer to receive support from an advisor on their premises. However, firms with no employees (sole traders) chose support provided on paper ahead of help from an advisor.
- Most firms appreciate the need to change, and the most common trigger for change is to improve profitability.

Self-sufficiency

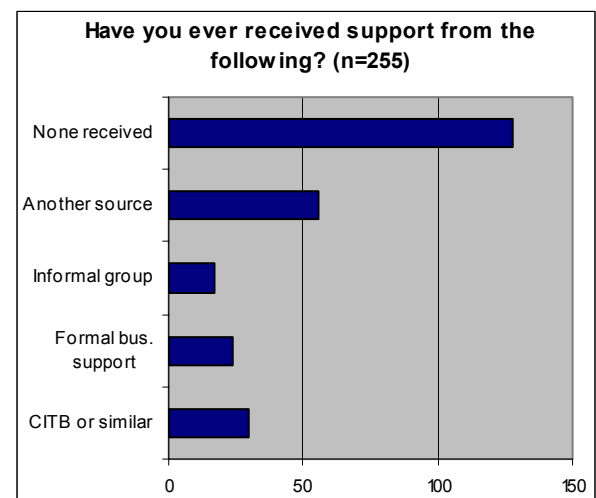
There is a commonly held belief among small-medium construction firms that they can solve problems on their own. This belief is made up of many strands – attitudes, previous experience and personal predispositions. A significant proportion of firms telephoned about the study declined to participate because they didn't think they needed outside help. It is likely that a similar fraction of those who received a survey questionnaire by post decided not to complete and return it for the same reason.

Even among those who did return the questionnaire (which itself indicates openness to outside communication), a fifth said no outside support was required. Most of the firms who returned the questionnaire were survivors: they had survived the early years, when small firms are most vulnerable, and without recourse to outside help. Logically enough, many of them think that they can continue to operate successfully without support from the CITB-CS or similar agencies. Only half of them had ever resorted to external support of any sort.



Respondents did not express a clear preference for one particular kind of support. The most frequent response was 'no help required': over a fifth of the firms gave this reply.

Three other types of help – 'grant or subsidy', 'specialist advice', and 'advice from similar firms' – were mentioned by about a tenth of the respondents. 'General financial advice' was only half as popular, mentioned by just under a twentieth. Least popular was 'specialist coaching', cited by just under 2%.



Almost half of the small-medium firms that responded had not received outside help in bringing about the changes that they had made. A fifth of them identified the 'another source' category, suggesting wide variety in where they had sought help. Only about one in ten had received support from within the sector from the CITB, a trade association or professional institution. About half as many had received help from a formal business support group outside the sector.

How to spot open firms

The best predictor of whether a small-medium firm in the construction industry is open to outside advice was whether they have used it before. Matched pairing used to select firms for interview indicated that firms with precisely the same structural characteristics (age, size, sub-sector) go one way or the other. Those who have used outside advice are typically predisposed to do so again because they recognise its value.

Those who have not used it before are typically predisposed not to because they do not. This has

clear implications for developing a strategy for how to engage effectively with small-medium firms, at least at the initial stage.

The decision to come forward for support was strongly correlated to the number of managers. Firms with more managers were much more likely to seek support outside the company. (There were very few firms with more than six managers – less than 8%.)

How to deliver advice

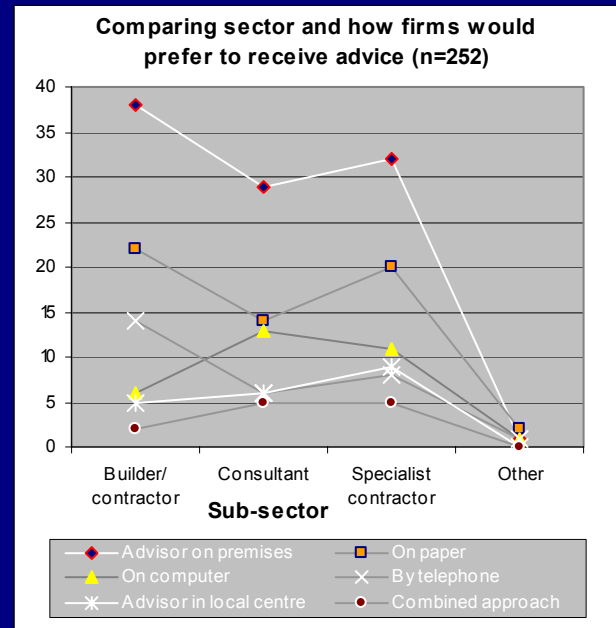
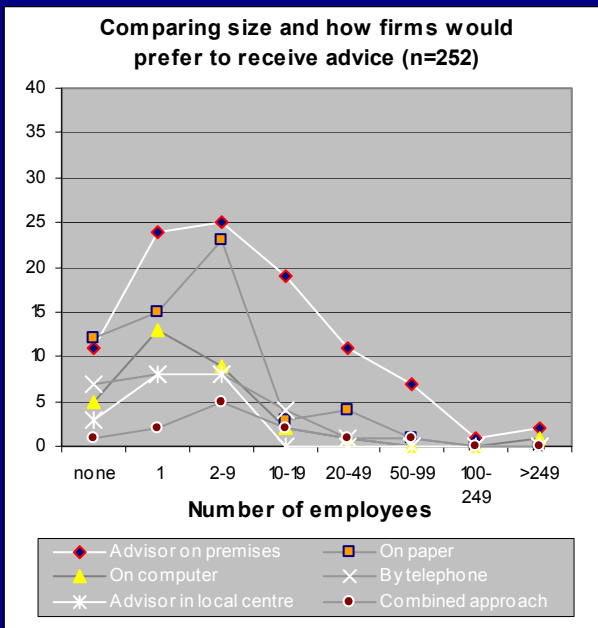
Intuitively, you would expect larger firms to be more open to computer-based delivery of advice. However, firms with one employee actually held the most favourable views towards this form of delivery. Proportionately, nearly twice as many of these firms said they preferred computer-based delivery as did larger firms.

Firms with no employees were more likely than other size bands to prefer telephone-based forms of communication (although this was not borne out by our own attempts to contact very small construction firms by 'phone). Builder/contractors and specialist contractors were significantly more likely to prefer paper-based sources of advice than consultants, who showed

above average interest in computerised delivery of support.

Qualitative responses from a fifth of these firms suggested that those who thought outside help was useful believed that it gave them access to independent expertise, additional experience, or outside funding.

Regarding training, as a composite these firms wanted low cost training, tailored to their needs and offered locally, perhaps as seminar-based sessions. They wanted training on specially targeted issues like finance, tax, legislation and management as well as construction-specific subjects.



What advice do they want?

Most firms (78%) that had made use of advice in the past said it was either 'useful' or 'very useful'. However, the most useful sources of past advice came from outside the business support community: from accountants, banks or solicitors. Almost two-thirds of respondents who had received such support found it 'very useful'. (Nearly twice as many as the next highest rated source of advice.)

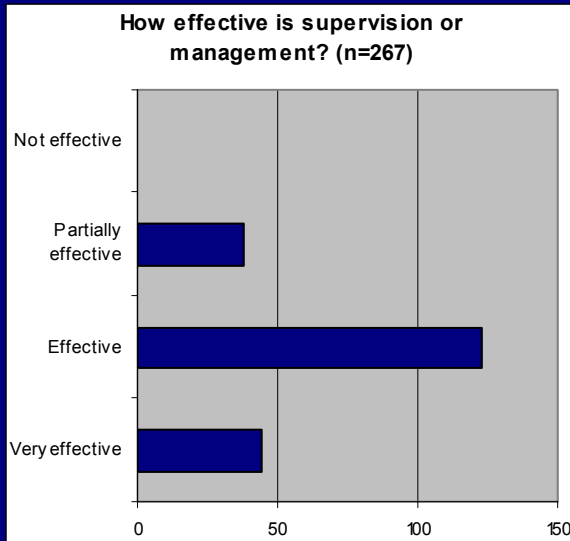
Respondents did not favour assistance from similar peers in networks. Only 7% of them had taken advice in this way in the past, and only 8% chose similar firms as their preferred source of advice in the future.

Sole traders and firms with up to two employees appeared to be more open to learning from networks than larger firms. Those with more than two employees were three times as likely to prefer advice on a specific question from a specialist than from similar peers.

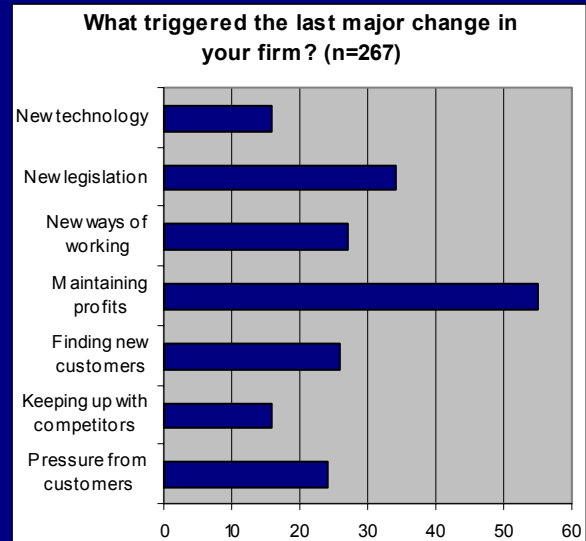
This suggests that intermediaries and local advisers should try to build subject experts into their advice programmes aimed at firms with more than two employees. Experience of working in a small business in the same sector appears to be less important.

How they manage change

Most firms saw themselves as facing wide ranging problems, and they appreciated the need to change, but typically saw their own capacity to manage change as effective. None at all said it was ineffective. This helps to explain why only half of the firms had sought help from outside to improve business management.



The most commonly cited trigger for a change initiative was maintaining or raising profits. Other important triggers were new legislation, pressure from customers, finding new customers and new ways of working. Keeping up with competitors and new technology appeared to be less important as prompts for change.



Recommendations

Those working directly with SMEs in intermediaries and business support organisations should understand that some firms are unlikely to ever take advantage of outside advice. If a firm has rejected repeated invitations to come forward for help in the past, your time would almost certainly be invested more profitably with other more open firms.

- Form partnerships with banks, accountants, solicitors and other trusted SME advisors.
- Use the prospect of maintaining profits or new legislation as bait to draw in SMEs.

- Front end your advisory services with help on finance and legislation which is desirable to SMEs.
- Provide advice on firms' premises in preference to information on paper, via computer or the telephone.
- It is widely recognised that business support organisations are poor at analysing the outcomes of their services. Carry out rigorous impact assessments, and use the findings to promote the benefits to firms you wish to help.

About the study

A representative sample of 4410 firms were canvassed in a postal survey, using a specially commissioned sample from Experian's database of 127,000 construction firms.

1257 of the firms were phoned in advance, the questionnaire was posted on four construction websites, and 116 firms were sent the survey by e-mail.

Overall, the corrected response rate was 9.2%. Respondents were a reasonable match for the

composition of all UK small-medium construction firms in terms of size and sub-sector.

Further information

is available from Ian Cooper, Eclipse Research Consultants (icooper@dircon.co.uk) or Jason Palmer, CAR (jason@carltd.com). A more detailed report is available on the CITB-ConstructionSkills website: www.citb.co.uk