



# Developing high performance SME businesses in the Welsh Health Sector

The targeting of business and learning support



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## Foreword from Skills for Health

The importance of Small and Medium Sized Enterprises (SMEs) to the UK's economy is widely acknowledged. Policy makers recognise that a vibrant SME sector is positive for the economy's development as well as contributing to significant growth in employment. Effective training and development has also proven to be key to the development of SMEs as a recent review from NESTA confirms:

*'Firms that train their workers are significantly less likely to close than those that do not... on various measures of the activity, the smaller the firm the less likely it is to be engaged in training and that 36% of UK small firms undertake no training at all'*

This independent report has been commissioned by Skills for Health under the Sector Priorities Fund Pilot programme a European Union funded project within Wales. Skills for Health commissioned Turquoise Thinking to explore not only the skills commonly identified but also how businesses might relate to the services being offered.

Six areas of business and learning support emerged strongly including:

- Promotion/raising the profile of the sector of business
- Ways to grow and improve the business
- Business funding
- Marketing and advertising advice
- Advice on healthcare related legal training requirements
- Kite marks/quality assurance for non-professional roles

Whilst businesses are not homogenous in their outlook, SME healthcare providers are united by their core aim to provide high quality patient care. This message should therefore be the binding ethos of all communications to this community. There are signs that many SMEs are willing to come together to develop responses to their business and learning development needs. Harnessing such collective action is a potentially powerful means of improving skills and business performance in the SME sector. There is potential for many public sector providers of health care to assist in the the development of hubs that concentrated on improving care in local communities.

Skills for Health will work with partners in Wales in order to develop the offer to SME employers.

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<sup>1</sup>NESTA (2009) The vital 6 per cent; How high-growth businesses generate prosperity and jobs <http://www.nesta.org.uk/sites/default/files/vital-six-per-cent.pdf>

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The opinions expressed in this report are independent and are not intended to represent the position or views of NHS Wales, the Welsh Government, or any of its agencies.

# 1. Executive Summary

The key insights gleaned from the research were:

- 3 key groups were identified from the clustering analysis that takes into account differing attitudes, sectors and indicators of success.
- Of the 3 groups identified, it is the 'aspiring business' SME's which provide the greatest opportunity for high performance. They are characterised by: a desire for growth; a high demand for their service; more likely to be <4 years in existence and wish to engage
- Private, and to a greater extent, public sector health SME's are often unwilling to be represented alongside the complimentary sector.
- While there are three distinct groups, the core element that binds all SME's within the Welsh health sector is their interest in their patient's welfare, quality of patient care and providing patient choice. Utilising this within any communication will help overcome negative perceptions of a wider inclusion.

More specifically, the three core groups of businesses that exist within the SME Welsh health sector and their key characteristics and attitudes are shown in figure 1.1.

Cluster 1: the 'aspiring business' SME's were the most prominent group identified. Primarily they comprised private sector SME's that were growth orientated businesses with an ambitious outlook. There was opportunity for this sector to grow in line with demand, as there were no constraints in terms of NHS funding.

Cluster 2: the 'public sector providers' were SME's characterised as succeeding in business, with a high demand for the service sector and a desire for growth. However the core difference in relation to cluster 1 was this group of SME's were constrained in terms of growth by the lack of NHS funding to grow existing levels of NHS contracts. Some of this group are demonstrating a desire for growth by offering private health care options (e.g. Botox and teeth whitening).

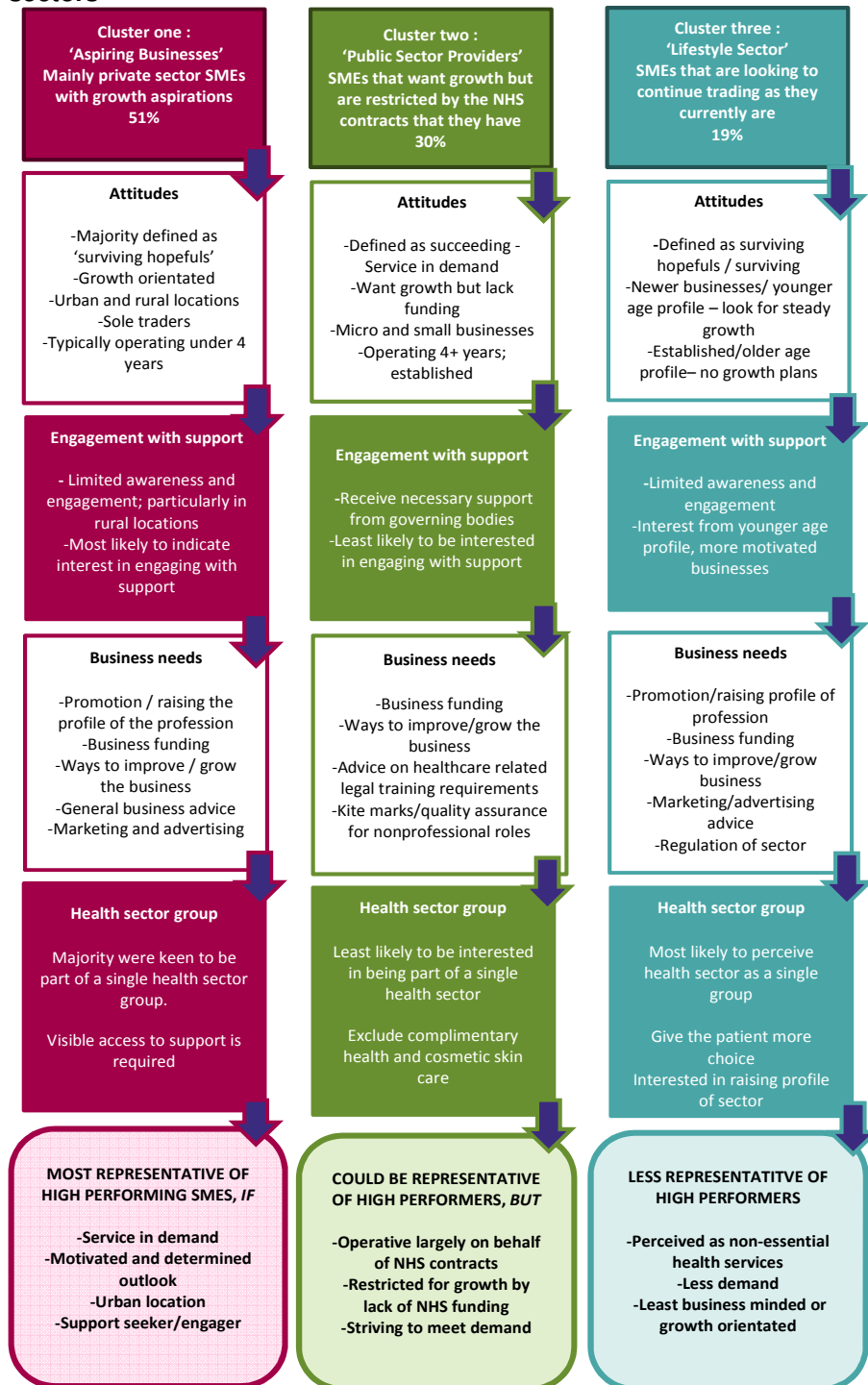
Cluster 3: the 'lifestyle sector' was the smallest group of SME's identified, and was predominantly comprised of SMEs within the complementary sector. Attitudinally, they were less growth orientated with a mind-set of their business fitting around their lifestyle rather than aiming for high success. However, younger lifestyle SME's were also interested in growth.

The unwillingness of many private and public health sector SME's to align themselves with some in the complementary sector is reported to be the lack of 'evidence based' medicine'. A number of SME's in the public service provider sector specifically summed this up by citing the complementary and skin care sector were not based on 'clinical research' and 'not medical in nature'.

However, the fundamental factor that binds all of these different sectors together is the patient, the desire for quality patient care and the desire to offer patient choice. Consequently an emphasis on a patient focussed approach within messaging and communication will be the most likely effective catalyst to bring these sectors together to overcome barriers that might exist towards a single health sector group, and to foster improved relations and communication between the sectors.

Overall, the research also concluded that there was limited engagement with support organisations beyond governing bodies. Support was identified as not being visible or accessible to SME health businesses in Wales, particularly in rural locations. Increasing availability, visibility and access to support for SME health businesses in Wales will be a focal recommendation from this research.

**Figure 1.1 Road maps for the three identified sectors**



## 2. Aspiring health sector SMEs

The most motivated SMEs existed in the private sector; coined 'surviving hopefuls', they were typically sole traders that had seen growth and were looking for future growth. They were more likely to exist in urban locations and would be most interested in engaging with a support group to help themselves. The key business needs identified amongst these SMEs were related to increasing and accessing clientele and in business development; provision and access of support will be important to facilitate the manifestation of high performance SMEs.

Aspiring health sector SMEs were more likely to exist within the private sector. This group accounted for the largest proportion of businesses represented within the Welsh health sector (51%). It included a host of service sectors, the most prevalent were physiotherapy (21%), podiatry (23%), chiropractic (17%), complementary health (11%) optometry (6%) and counselling (6%). Within this sector, the most successful SMEs will be found.

The economic climate had affected all of the sectors; the aspiring health sector had typically seen some level of decline since the economic recession of 2009. The interesting finding was how these businesses were proactively responding to the decline and their positive and determined outlook for the future. This will be the key to identifying high performing SME businesses.

Figure 2.1 shows the factors that were present amongst the aspiring SME sector which point to success. These will be discussed in turn.

**Figure 2.1 Indicators of success amongst aspiring SMEs**





## **Demand for the service sector**

A demand for the sector was one of the key factors identified as fundamental for the business to grow and succeed. Aspiring SMEs had the opportunity for growth in line with demand and were not restricted by NHS funding.

This demand and growth association was most evident amongst private SME chiropody, podiatry and foot health practitioner (FHP) businesses. NHS provision of these services had been reduced due to increased pressure from an ageing population and a rising diabetes rate, therefore the private sector had seen an increase in demand and were more likely to be thriving compared to other private sector SMEs.

This provides evidence to suggest that the private sector has the capability and is in a prime position to take up the strain of other NHS services experiencing pressure, such as physiotherapy and counselling.

If this were to happen, improved communication and relationships between GPs and private sector SMEs in general would be necessary. Currently many SMEs in the private sector claimed that the NHS and private sector did not necessarily work together in terms of signposting to private SMEs or allowing advertising or presence in GP surgeries. When this did happen, it was based on the individual discretion of the surgery.

## **Growth orientated**

Given that a desire for growth of the business was indicative of seeking success, high performing SMEs were more likely to be evident amongst those businesses that were growth orientated. Aspiring SMEs were more likely to have seen growth in the last couple of years (60%) and were looking for further growth of the business (85%).

They were more likely to be proactive in developing the business, and responding to the needs rising from the economic climate, such as start-ups that had taken the opportunity of emerging market gaps, for example:

The research recognised a trend of newer FHPs that had started up in the last couple of years in response to a need. Also there were a few optician businesses in the first few years of operation that were appealing to demographics interested in a personal, yet value for money service; an offering to compete with the large nationals but based on personal service and optical care. They were opening up in lower socioeconomic areas with an attractive offering of free eye tests to all customers - on the proviso that the majority will benefit from free NHS test, affordable frame and lens options and a personal service without time restricted appointment slots or a mass market feel that was attributed to the larger nationals.

While the sector was flush with sole traders currently (55%), some growth orientated businesses were more likely to want to employ staff to develop the business, while others that had room available were housing and renting work space to other self-employed SMEs in the private and complementary health sector, thus increasing revenue and wider promotion of the business through additional footfall. All of these entrepreneurial traits will be indicative of success.

### **Attitude / business outlook**

An ambitious and determined business outlook was most obvious within this group and was a contributing factor for growth. 43% were 'confident' and 53% 'fairly confident' about the future of their business; those in business for one to three years were more likely to state 'confident' (60%).

These SMEs were more likely to demonstrate a desire and pragmatic approach to make the business a success, with the most ambitious wanting to brand their businesses (55%) and eventually gain presence in the rest of the UK.

### **Geography**

SMEs in urban locations were typically more growth orientated and forward thinking. 64% of aspiring SMEs were in an urban location. They were more likely to house their businesses on high streets or in more populated areas so benefited from greater market presence. There was also a higher incidence of private SMEs co-housing; a collection of private health SMEs operating from offices within the sample building, e.g. a site on the Parade in central Cardiff housed physiotherapy, osteopathy, counselling etc. This again afforded increased presence and footfall, but also meant that SMEs were less exposed to the isolation and lack of support associated with private practice. Furthermore those in urban locations appeared to have better links and access to support and training.

Aspiring SMEs in rural areas; most likely North West Wales (6%) and mid Wales (4%) were not performing as well or as confident as those in urban areas. There was often a less ambitious attitude but also a smaller available market pool, less visible presence and heavier reliance on word of mouth for accessing clients. Consequently SMEs in rural locations exhibited fewer indicators for success although some would like to grow.

Where motivated SMEs existed in rural areas, there was a distinct perceived lack of, and access to, training and support. SMEs in rural locations typically had to travel to the Eastern hubs of Wrexham or Cardiff for professional training. Hence there is a need for greater coverage of support within rural parts of Wales.

## Business demographics

Aspiring SMEs encompassed a mix of demographics; 55% had been operating for 10 years or less, with 43% under 45 years old and just a quarter 55+ (23%).

While businesses in the first few years of operation were less likely to represent high performing businesses currently, they will be more likely to become the high performers of the future. Newer businesses were more likely to exhibit motivated attitudes.

Sole proprietors in the 55 plus age demographic were less likely to be representative of high performing SMEs, typically because sole proprietors in this age bracket were more likely to be running the business to fit with their lifestyle; a key characteristic of a lifestyle SME.

Therefore younger age demographics and newer businesses will be key indicators for success.

## Interest in engaging with support

Aspiring SMEs were more likely to be open and interested in engaging with support (66%) to enable growth and development of the business. Interestingly SMEs aged 25 – 54 demonstrated the greatest inclination for engaging with support (75%). This group were more likely to have attempted to seek support; whether that be funding from a local council or business initiative or access to business training and support. This was more obvious amongst SMEs in urban locations.

Overall there was limited awareness of support organisations geared towards helping SMEs observed; 68% were not aware of any in Wales. There were also a number of barriers to engagement evident from the research; of most significance for aspiring SMEs was a lack of visibility and accessibility of support both locally and nationally. However in addition to this there was a lack of understanding of the sort of support health SMEs could benefit from, e.g. coaching.

“I attended personal coaching as a favour to a client’s wife; I did not realise how valuable it would be for me in terms of how I approach my business. It has given me confidence to network and to understand how to use these tools to increase my client base”  
(chiropractor, Southern Wales)

Hence, these barriers to engagement with support will need addressing and breaking down via effective and clear messaging and communication to ensure that they can access the support vital for development.

## **Business needs**

The following business needs were highlighted as being important for aspiring SMEs and the areas where they would be interested in provision of support.

The research asked SMEs how important various aspects were to their business using a 10 point scaled question

From this, mean scores have been derived as seen on the following page.

Promotion / raising the profile of the profession: 8.04<sup>2</sup>

There was a desire to gain increased recognition and understanding of the sector amongst the wider population. There was hope that this would encourage greater uptake of services and boost the image of sectors, e.g. chiropractor and counselling. There was an expectation that being part of a wider Welsh health sector group would facilitate this.

Ways to grow and improve the business: 7.58

There was a need identified amongst newer businesses that had made it through the first year of business and wanted guidance on how to develop. They needed to reflect on what had worked and what hadn't worked so well in the first year in order to progress into and sustain as a high performing SME.


Hence business coaching or mentoring from successful businesses would be valuable for newer SMEs, to provide advice, guidance, and a sounding board to ensure that they are making the correct choices and getting the most from their decisions.

Business funding: 7.29

This was a call for better access to business funding for aspiring SMEs to start up and develop their businesses. This group provide the key to success and have the opportunity to grow in line with demand; however the findings indicated that they tend to be underfinanced. Access to funding is crucial in the start-up phase when the typical route will see them completing a university degree – a financially poor student - with limited access to private funding. They are then usually turned down for a bank loan based on their student and financial status, and struggle to create a successful business plan until they have been in business for some time to test the lie of the land. Consequently they have to search and access small loan amounts from various sources with varying degrees of success or 'beg, borrow and steal' from family and friends.

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<sup>2</sup> Average score based on an importance scale of 1 to 10; 1 equals extremely unimportant and 10 equals extremely important.



Therefore, there is a real need for improved availability and access to funding, whether it's grants or low rate financial options to enable aspiring SMEs to get off the ground.

Marketing and advertising advice: 6.96

This was raised as a business need throughout the private and complementary SME sectors; the majority were unsure of how to effectively advertise and market their business, they tended to think in terms of print or web advertising which was considered to be expensive. A few savvier SMEs marketed themselves by networking and doing talks at GP surgeries and other local groups to access clientele, although it was not a role that was enjoyed. SMEs would benefit from support and training to be able to confidently and effectively market their business and essentially learn how to sell their service.

With regards the preferred framework for offering support, the research identified that there was highest preference for the following support and delivery mechanisms amongst aspiring SMEs (78%).

- Mentoring
- Marketing and advertising
- Local town groups
- Including all private SME businesses

## 2.1 Conclusions

The research has provided insight into the success indicators for high performing aspiring health sector SMEs. The following questions can be applied to SMEs to identify whether they are aspiring or not. Positive responses to all would suggest that they were indicative of a high performing SME.

- Are you experiencing demand for your business?
- Are you interested in growing your business?
- Are you interested in engaging with support to better facilitate growth and development?
- Has the business been operating for four years or less?
- Does your business predominantly see private patients?

## **Collective activity**

One area of the research was to explore the level interest in the idea of collective activity amongst SME health providers in order to better address business and skills needs within the sector.

The majority of aspiring SMEs would be keen to be part of this collective activity (94%). Half of this cluster would be happy to be represented in alongside all other health providers to this aim (51%). However a third had reservations regarding the complementary health sector being represented (33%) and half would not be happy for cosmetic skin care to be part of such collective action (49%).

### 3. Public service providers (NHS) sector SMEs

Public service providers (PSPs) were SMEs that typically operated within NHS contracts; GPs, NHS dentists and some opticians. There was typically a demand for the service; consequently these SMEs were termed as 'succeeding'.

They had seen growth and would like to chase further growth and development of the business in the form of expanding premises and taking on more staff to meet demand. However PSPs were restricted by the NHS contracts that they had and lack of NHS funding to secure larger contracts. These SMEs were more likely to be micro and small established businesses operating at least 4 years.

While there was interest in being represented as part of a health sector group, PSPs were less interested in engaging with support in general and had less need for external business and development support.

Public service providers (PSPs) accounted for 30% of the sample, made up of GPs (16%), dentists (68%) and opticians (10%). They were more likely to be perceived as thriving due to a high and increasing demand for NHS services since the recession.

Figure 3.1 shows the success indicators that were present among PSP SMEs in green and also those that were lacking in grey. The figure shows that PSPs had demand for the sector and the correct attitude for success, but lacked funding opportunity, were more established and had less interest in engaging with support.

**Figure 3.1 Indicators of success within PSP SMEs**



### **Demand for the service sector**

There was a demand for PSP services which was an identifier of a high performing SME. Those offering NHS services gained all or a large proportion of their patient base from NHS contracts.

However in contrast to the private sector SMEs that had opportunity to grow to meet demand, PSPs were restricted by lack of funding to grow and develop the business.

This scenario was most obvious in the case of GPs as they typically worked solely on NHS contracts.

Dentists had the option of taking private patients; however those that had a majority NHS patient base preferred the stability provided by the contracts they worked on. They often had long waiting lists of those wanting to register as an NHS patient, whilst it was more difficult to enlist private patients on to the books.

Opticians operated slightly differently in that they were not restricted by NHS contracts and as such could be classed as an aspiring health SME or lifestyle sector SME dependent on attitudinal and profile factors present.



## **Growth orientated**

PSPs were typically looking for growth of the business (48%), however as stated above GPs and NHS dentists were often constrained by lack of funding (29%). As a result PSPs were more likely to state that they had remained the same in the last couple of years (42%), although over a third had experienced growth (39%).

Aspiring SMEs had on average witnessed 20% extra growth compared to PSPs and were significantly more likely to be looking for further growth.

## **Attitude / business outlook**

The majority of GPs and dentists within the PSP sector had an ambitious mind set which had afforded them both growth and success of the business. They were often the SMEs most likely to have employed staff.

Furthermore there were examples where GPs and dentists offered private services and capitalised on this, with some dentists offering Botox and whitening services. This is probably a key identifier for this group in terms of striving for high performance i.e. the desire to offer some private health services.

However there was a slightly lower level of confidence exhibited by this group compared to aspiring SMEs; the largest proportion were fairly confident about the future (58%) rather than confident (29%).

Therefore, if they were not limited by lack of funding then they would likely be indicative of high performing SMEs. However additional funding was considered unlikely in the near future amongst this group.

## **Geography**

The proportion of urban to rural PSP SMEs within the sample was 60:40, however location differences were less obvious within the PSP sector than the aspiring SME sector because they offered services available on the NHS and these services are in demand across Wales. This was even more the case since the recession, as people's health was perceived as deteriorating in some demographics.

PSPs in urban locations were more likely to have greater opportunities to gain revenue if offering private health services. This was also the case for higher socioeconomic areas as there was more wealth for private services such as teeth whitening or straightening services.

## **Business demographics**

The PSP group was typically more established with the majority of the sample operating for 10 years plus (84%). Furthermore they were more likely to be micro (68%) and small (32%) businesses.

As such PSPs would seem to have much to offer in the way of wisdom and knowledge for building a successful business despite being limited for growth.

However they were more likely to have reached a zenith in terms of business operation and performance within current funding parameters. As such the more established and older PSP profile (61% aged 45+) was less indicative of developing into a high performing SME, when compared to the younger more motivated profile of the aspiring health sector SME.

## **Interest in engaging with support**

PSPs typically had less interest and need to engage with support organisations geared to helping the business (52%) because they did not need to increase their patient base and received the support they needed from their governing bodies. They were less likely to perceive SME business support to be of relevance.

However they were interested in recognised qualifications and kite marks for nonprofessional staff such as receptionists where they currently perceived a gap in development training.


Furthermore, while PSPs did not require much in the way of support to develop and help their businesses, they could be in a position to provide support in the form of business mentoring to aspiring SMEs given their successful position. While this idea was not fully explored within the research, anecdotal evidence indicated that there was a general business mentor programme running in Wales. Thus, this could be a potential area for organisations to cultivate.

## **Business needs**

Business needs within this group differed to that required by aspiring SMEs, understandably given their different positions in the market. The following needs were indicated as the most important for PSPs.

Ways to grow and improve the business: 7.93

PSPs indicated interest in approaches to grow and improve the business; although hindered for growth, there was often an ambitious and proactive business attitude present within PSPs meaning that they were open to opportunities for growth and further success.



Adding to this was a threat to independent dentists from an increasing trend for corporate run dentists who often had better resource to attract and win large NHS contracts, thus leaving the independent dentists struggling to access further funding.

Therefore support will be of benefit to dentistry SMEs in order to contend against the larger corporate businesses.

Business funding: 7.45

Unsurprisingly access to funding was a big need for PSPs; this was a key limitation for growth and development to be able to meet increased demand on the sector. They were likely to have tried to access further NHS funding to increase contracts but the majority opinion was that there was limited opportunity in the current economic climate.

However, one area that may buck the trend was within dentistry, where growth may be attained by new contracts due out in the future, following current piloting.

Advice on healthcare related legal training requirements: 7.61

This was more applicable to PSPs because they were significantly more likely to employ staff compared to aspiring and lifestyle sector SMEs.

However this will become more relevant to the other sectors if they seek growth of the business by taking on staff.

Kite marks / quality assurance for nonprofessional roles: 7

This was a core skill gap identified within this group; nonprofessional roles such as receptionists could not currently access recognised training which was considered important for staff motivation and retention and also ensuring a standard of skill within the role.

It was also considered to be important that nonprofessional staff had recognised training should they want to develop their career and move on to other positions. This was particularly relevant when most of the other roles within PSPs had to undertake formal training that led to a recognised qualification.

## 3.1 Conclusions

Overall PSPs contain some, but not all of the marks attributed to high performing SMEs. They do have:

- Demand for the service
- An ambitious mind set
- Growth orientated
- May offer some additional 'private health' services


But the areas where they lack act as key limitations for growth:

- Established businesses (over four years)
- Limited interest in engaging with support
- Lack of NHS funding considered vital for growth

Thinking back to the identifier questions for success, the majority of PSPs will only be able to answer yes to the first two questions. In contrast aspiring SMEs were more likely to state yes to all five questions.

- Are you experiencing demand for your business?
- Are you interested in growing your business?
- Are you interested in engaging with support to better facilitate growth and development?
- Has the business been operating for four years or less?
- Does your business/practice see both private and NHS patients?
- Would you consider offering your patients any additional private health services?

From a business support perspective there was less willingness from PSPs to be associated with the private and complementary SMEs sectors. Almost a fifth of PSPs did not want to be seen as part of a Welsh health sector group (16%) because they did not perceive it to be relevant to their business or effective use of their time. While three quarters of PSPs separated the health sector into three or more sectors (74%) for the main reason that they considered them to be different specialisms or fields.



An important finding related to the concept of collective activity with other SME health providers in order to tackle business and skills needs. Amongst those that would consider involvement in such collective activity, almost half would not be happy for physiotherapy, podiatry / chiropody, chiropractor, counselling and cosmetic skin care to be represented. This rose to close to two thirds when considering complementary health SMEs.

“I would distinguish between Public health (NHS) care services so Dentistry, GPs, Optometry, Podiatry, Chiropody, Pharmacy, whatever comes under the banner of Public health (NHS) care and the sort of slightly ‘lunatic fringe’; Complementary Medicine. But you know Acupuncture, Hypnotherapy, I believe in that, I do it myself, but the rest, I’m not so sure about” (Dentist, Southern Wales)

A suggestion that may engage PSPs and encourage them to work together with other sectors to share knowledge and insights would be to focus on the shared interest amongst the sectors; the desire for patient welfare and quality of patient care.

But, more than this, could the PSPs be positioned as ‘established experts’ in building successful SME businesses in providing primary health care services? Or could they act as a hub/link to the wider Welsh Health Sector? And a question which has not been tested is... would they want to act as a link/hub?

## 4. Lifestyle sector SMEs

Lifestyle SMEs represented the smallest proportion of the sample and were motivated by designing their business to fit around their lifestyle. They were more likely to exist in the complementary SME sector; examples included hypnotherapy, acupuncture, holistic massage, aromatherapy and homeopathy. But the presence of other characteristics including later life stage and prevalence of rural location revealed that some private sector SMEs were also represented within this group. Lifestyle sector SMEs were less likely to have responded proactively to the decline experienced in the recession; two slightly different mind sets were evident:

Some were content with their business and had seen decline but were not interested in growth; typically older life stage.

Others had experienced a decline and would like growth but were less business minded in general and offered non-essential health services in rural locations.

There was interest in engaging with a health sector group amongst the younger more motivated complementary sector SMEs to raise the profile of the sector so as to be taken more seriously by the healthcare sector. They believed that they were in a unique position to allow greater choice for patients by offering treatment alternatives to drugs that could provide long term cost savings and relieve the chronic pressure on NHS services. However PSPs voiced reservations about the lack of evidence based research around the efficacy of complementary medicine.

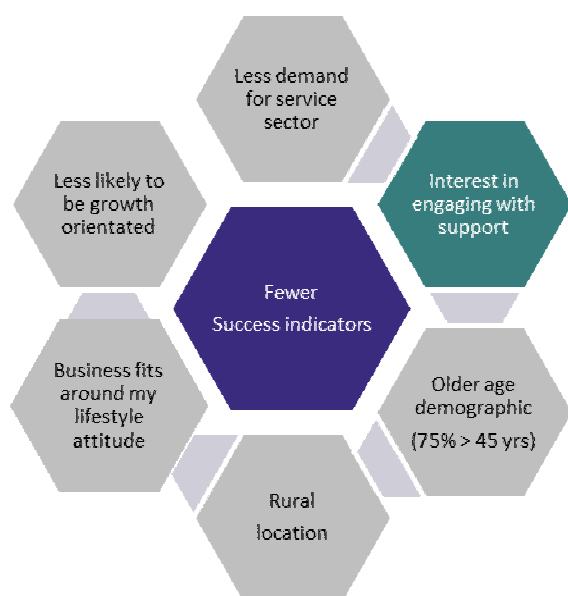
Lifestyle sector SMEs accounted for 19% of the sample and were more likely to be found amongst complementary medicine SMEs (80%), but also had minority representation from osteopathy (10%), counselling (5%) and chiropractory SMEs (5%). The majority of businesses were sole proprietors (65%).

The majority had experienced decline since the economic recession and were less likely than aspiring SMEs to have been proactive in responding to the decline.

As such they were more likely to be perceived as surviving and less representative of high performing SMEs; the reasons for which will be discussed below.

Figure 4.1 illustrates that lifestyle sector SMEs present fewer of the indicators for success. Those shown in blue are positive indicators for success, while those in grey are lacking.

**Figure 4.1 Indicators of success within lifestyle sector SMEs**



### **Demand for the service sector**

Lifestyle sector SMEs experienced lower demand for their services compared with PSP and aspiring health SMEs. This was largely accounted for by the finding that complementary sector SMEs were more likely to be represented within this group (80%); these services were more likely to be perceived as nonessential health services and hence were amongst the first to suffer during a recession.

### **Growth**

Lifestyle sector SMEs were less likely to have seen growth of their business in the last two years (50%) and were more likely to have seen a reduction compared to aspiring SMEs (40% versus 17%).

Thinking about future growth; while 65% were looking for growth, there were a significantly higher proportion of those that were looking to maintain current levels of trading (30%) compared to the aspiring sector SMEs (11%).

Overall lifestyle sector SMEs appeared less growth orientated as a group, although there were degrees of variation within this depending on other factors, such as life stage, size of client base and location. The more motivated SMEs amongst the group were seeking steady growth.

## Attitude / business outlook

This group were more likely to be perceived as surviving and slightly more likely than the other groups to state that business was currently tough (30%).

Surprisingly there was a high level of confidence for the future observed within this group (60% 'confident' and 30% 'fairly confident'); however the depth findings revealed that they tended to be less responsive than aspiring SMEs who were proactively seeking growth.

As indicated there were two profile and attitudes represented amongst the lifestyle sector.

- The first were more established businesses, (80% > over 10 years) with an older age demographic (55+) that had experienced a decline since the recession but were happy with their business and would only be interested in a few more clients. Therefore they were not growth orientated and not representative of high performance.

"A few more clients would be okay but I have grandchildren and elderly parents so they are my priority now" Complementary sole trader, North West Wales

- The second profile had a higher number of younger businesses (< 6 years) and had a younger age demographic (< 55). These businesses were more likely to be interested in growing and becoming a success. However these SMEs were often less business minded and motivated by a passion to help people rather than making money. Similarly this group are not indicative of high performance.

Overall when comparing aspiring and lifestyle SMEs there are key differences in both attitudes for growth and success, as well as demand for the sector that clearly demonstrate the former presents the indicators for success while the lifestyle SMEs do not.


## Geography

There was a higher representation of lifestyle sector SMEs in Northern and Mid Wales (40%) compared to aspiring SMEs (18%).

Lifestyle sector SMEs existed in both urban (50%) and rural (35%) areas; however they more prevalent in rural locations compared to aspiring SMEs (23%). Those in rural locations tended to have less opportunity for growth due to a smaller pool of potential clients and often larger lower socioeconomic areas.

Furthermore SMEs in rural areas were more likely to experience greater isolation in engaging with regular support from peers due to the expansive geographical areas covered.





However towns and villages in rural areas often were perceived as having strong community links and many established businesses maintained via word of mouth only.

Therefore these hubs could be utilised to offer local support and networking opportunities to assist more motivated lifestyle SMEs to grow and develop.

### **Business demographics**

As mentioned, lifestyle SMEs comprised an older age demographic with 45% aged 55 +, which was higher than that of PSPs within the comparable demographic (23%) and significantly higher than aspiring SMEs (19%).

Furthermore there was a high proportion of sole trader business (65%) and prevalence for females (80%), which combined with an older age profile were less indicative of a high performing SME.

### **Interest in engaging with support**

Over half of this group were interested in engaging with support (55%); this was more likely to be the younger age demographics interested in success (80%) compared to those aged over 55 (33%).

Interestingly lifestyle SMEs in rural locations were more interested in engaging with support compared to those in urban areas (71% versus 50%). This is most likely to be due to the finding that there was limited access to support in rural areas currently and highlights the importance of ensuring that all regions of Wales benefit from access to support in order to grow and develop their businesses.

Other barriers to engaging with support included understanding and relevance; many lifestyle SMEs did not perceive SME support or training to be relevant to their specific business. Consequently there may be a need for SME support aimed specifically at the health care sector or a shift in language to be more inclusive of health sector SMEs.

Those less interested in growing were typically not interested in engaging with support, while those that were looking for growth and success appeared to have limited access to support locally, but would like to engage.

**“Regional support is important, don’t just offer support based in Southern Wales” complementary SME, North West Wales**

### **Business needs**

The business needs of lifestyle SMEs were similar to those of aspiring SMEs but were more likely to exist amongst the younger and more motivated businesses within this group. The following were considered the most important.

Promotion / raising the profile of the profession: 8.15

This was a key need voiced within lifestyle SMEs and was more relevant to those in complementary health businesses. These SMEs wanted better recognition of their professions both within the healthcare sector and the wider population. There was a feeling that the value of their services were often misunderstood or underestimated, subsequently an improved understanding of the different services available and how they could help people was sought.

“There is a need for a better understanding of what therapists offer and how they can help people, as well as guidelines of what is a good practitioner”  
complementary SMEs, North East Wales

Ways to grow and improve the business: 7.47

Similar to aspiring SMEs, those more motivated lifestyle SMEs would benefit from support to help them grow and develop their business. As mentioned they were less likely to be business minded and those in rural locations currently had poor access to such support. Hence this is a real need felt amongst those younger demographics within rural locations.

Any support offered will have to be clearly targeted at this audience in order for them to perceive it to be relevant and aimed at their businesses.

Business funding: 6.75

Again similar to aspiring SMEs there was interest amongst this group in accessing funding to help start-up their businesses and better awareness of the possible channels from which they could try and access. Overall the lifestyle sector SMEs were probably looking for lower levels of funding.

Kite marks / quality assurance for non-professional roles: 6.6

This need was more pertinent to complementary sector SMEs. There was a call from those more motivated amongst the group for regulation of the complementary sector. Respondents were also interested in the possible introduction of quality assurance for this group.

Currently it was perceived that the public had little information to go on or understanding to discern between the levels of training that complementary SMEs possessed and which were more skilled or trained.

This was considered to be a potential barrier to growth of individual SMEs and damaging to the image of the complementary sector as a whole.

Marketing and advertising advice: 6.4

Lifestyle SMEs were not keen on the marketing side of their business and instead often relied on word of mouth to access clientele. They were often wary of the rules surrounding advertising and were not aware of other low cost methods of attracting business.

To this end they were more likely to be unaware of the benefits of marketing and how it could be of value to their business. An example of a useful offering of support was found in North East Wales where in response to a perceived need, a hypnotherapist had started up a second arm to her business, offering business mentoring to therapists with the aim of supporting complementary therapists to develop into thriving businesses. The support mechanisms included networking and gatherings, workshops and courses, talks and mentoring.

This approach of targeting complementary and alternative SMEs exclusively would appear to be the most productive way to engage them with support.

“Therapists don’t appreciate the value of marketing or networking and shy away from the words. I tell them that they need to be able to express what they offer and define their niche confidently in a 40 second spiel”  
hypnotherapist and business coach, North East Wales

## 4.1 Conclusions

The research has established that lifestyle sector SMEs were less likely to exhibit the indicators for success considered vital for high performing SMEs in general. However amongst the younger demographic there may be the potential for identifying SMEs interested in growth and success that were willing to engage.

- A desire to grow
- A younger demographic
- A desire for wider recognition

Positive responses to the following may be indicators of high performing SME’s in this group and therefore most likely to participate in business development practices.

- Are you looking to grow your business?
- Has your business been operating for less than four years?
- Are you interested in seeing greater recognition for your profession?

A key limitation for this group was a lack of support filtering through to motivated SMEs, particularly in rural locations. This will need to be addressed before any high performing SMEs amongst them can realise their potential.

The majority of lifestyle SMEs were willing to be seen as part of a Welsh health sector group (95%) and were more likely to be happy for all professions to be represented. Consequently this group present less of a challenge in terms of trying to foster improved communication and engagement between the three sectors uncovered in the research.

## 5. The Welsh health sector group

An area of interest within the research was the concept of how SMEs might undertake collective action to address their business and skills needs. One possible means could be aligning themselves to a health sector group(s) designed to assist with these areas. What the collective research tells us about a Welsh health sector group is:

- SMEs were most likely to segment the overall sector into at least three core groups (67%); NHS or public health providers, private health services and complementary health services, for the key reason that they were all different specialisms or approaches.
- Unsurprisingly the complementary sector SMEs were more likely than the other sectors to view the health sector as a single group (30%) or two different groups (15%).
- The majority of SMEs in all sectors would be interested in being part of a wider Welsh health sector group (91%).
- However almost a fifth of PSPs were not interested in being part of such a group (16%).
- Amongst PSPs that were interested, they were less willing to be grouped with providers in the complementary health sector. At least half of the total sample had reservations about the cosmetic skin care sector. This was due to a lack of scientific, evidence based medicine, surrounding complimentary medicine.
- While there was disparity noted amongst the three groups with regards being represented as a single health group, the fundamental factor that binds the sectors together is a desire for patient care, welfare and choice.
- Consequently, communication directed at the sectors should start to include a focus on the patient and patient care as the common thread that pulls each of the sectors together.

This approach should foster improved communication and engagement, as well as hopefully working to start to overcome the barriers that are currently holding back the model of a single Welsh health sector group.

# 6. Conclusions and recommendations

## 6.1 Conclusions

The research uncovered three different groups of businesses amongst the Welsh SME health sector. The group coined 'aspiring health SMEs' hold the main characteristics that would pre-dispose them to growing their businesses and develop the skills of those who work within them.

The research recognised the key indicators of success and established a set of key questions to enable high performing SMEs to be identified. Largely, these indicators hold true for each of the Clusters that have been identified.

The indicators are:

- A desire for growth
- A demand for the service
- An interest in engaging with support
- Business in existence for less than four years and probably a younger demographic
- Predominantly (have some) private business versus NHS.

The key questions that will need to be asked to identify these indicators are:

- Are you experiencing demand for your business?
- Are you interested in growing your business?
- Are you interested in engaging with support to better facilitate growth and development?
- Has the business been operating for four years or less?
- Does your business predominantly see private patients? Or, Would you consider offering additional private health services?

The key services that the high performing businesses commonly need are.

- Promotion/raising the profile of the sector
- Ways to grow and improve the business
- Business funding
- Marketing and advertising advice
- Advice on healthcare related legal training requirements
- Kite marks/quality assurance for nonprofessional roles

Aspiring SMEs are the group most likely to exhibit the identifiers for high performing SMEs.

PSPs had some of the identifiers for success but were constrained by lack of funding to increase NHS contract levels, hence were restricted for the growth vital for a high performing SME. However, some high performing PSPs are offering additional private health options (e.g. Botox and teeth whitening).

Lifestyle SMEs were attitudinally less primed for success and growth. Consequently they were unlikely to be identified as indicative of a high performing SME. Again, it is the younger, more dynamic Lifestyle SME's in this group who are looking for growth/success.

A key finding was the apparent disparity amongst the three sectors to be represented as a single health care sector, in particular from the PSP sector. However central to each sector was the motivation and satisfaction derived from quality of patient care and welfare. This will be an important focus in bringing the sectors together and for overcoming barriers that currently face the concept of a single health sector group.


A clear finding was that rural locations within Wales; South West Wales, Mid West Wales and North West Wales had poorer access to support in general. This is a barrier to engagement and high performance amongst aspiring SMEs. Hence localised support in these areas is a genuine need.

## **6.2 Recommendations**

Policy makers have long recognised the importance of Small and Medium Sized enterprises to a thriving economy. At the same time providing business and learning support for these companies can be difficult as many businesses can be regarded as hard to reach. There are many reasons for this. One is simply time, in the case of many businesses there will be one person responsible for an entire range of services. The person who may carry out the service may also in effect be the one in charge of marketing, sales and premises. Also there may be a level of anxiety amongst smaller enterprises in making cash investments as they have limited budgets.

It is recommended to consider approaching the idea of a single health sector from the premise of a patient centred model, driving focus on quality of patient care, welfare and choice. This may need to be refined as we have seen some SMEs are unwilling to be associated with others in other 'sectors'.

Communication will be key to bringing these three groups together under their shared common interest. As such, it will be important to make it about 'the patient' to encourage engagement from all sectors and the PSP SMEs in particular that currently stand to gain less from engaging.



Subsequent to this it is worth considering the role of PSPs as 'established experts' to benefit from their knowledge of building successful SMEs and to try and engage them with the aspiring and lifestyle sectors. If this group were willing they should be considered as a hub/link to the wider 'patient centric' healthcare model i.e. where can the patient access the other options? Such sponsorship would also fit into their ethos of providing good quality patient care,

Within the framework of support put in place, it would be prudent to safeguard against duplication of any existing support offerings for the Welsh SME health sector. Therefore it would be important to work with existing support organisations to act as a signpost facility to such bodies.

There are two key areas within communication regarding support to develop. Firstly there is a need for greater access and visibility of support amongst SMEs.

Local town groups were the preferred access route for the majority of private and complementary sector SMEs. This is a sensible approach to capture the rural areas.

However to ensure standardisation of support across the Welsh health sector, a central operating hub for signposting and accessing support would be helpful. The benefits include:

- It was established that many business needs were universal and applicable to SME health businesses across the board
- SMEs can access information from a single point; be it a website or physical space. This increases ease of access so long as made visible, while also trying to ensure standardisation of support and materials across the sectors where relevant
- This approach will still allow for diverse and flexible delivery mechanisms

There will be a real need to ensure that support is accessible in rural and urban areas, in all regions of Wales.

Secondly clear messages within communication will be necessary to increase engagement from private and complementary sector SMEs. The following areas will need to be addressed within communication

- Audience: who is the support aimed at;
- Relevance: what is the support; is the support relevant for my business
- Benefits: what are the tangible benefits for the business, e.g. accessing clientele
- Access: how and where can the support be accessed
- What are the responsibilities of the SME: time, cost, etc.

## 7. Appendix

### 7.1 Objectives

The key research objective was identified as:

“To enable better engagement in business and learning support by SME’s in the Welsh health sector, to aid improvement of their businesses and their training and development”

Associated research objectives included:

- To explore and gain a better understanding of current and future business and skills needs amongst SME health employers in Wales
- To establish what factors were influencing business needs
- To gain an understanding of motivations as a business and what types of learning and support businesses required
- To understand learning and development requirements
- Exploration of propensity to engage in business and skills development activities
- To establish current engagement with learning and support available to health organisations in Wales
- To identify the gaps in the support available
- To explore and test different approaches health sector SMEs might find useful to inspire and inform productive change for their organisations e.g. ACORN health, plus other concepts
- To provide SfH and the Welsh Government with information on products and services that will help SME’s with differing motivations to achieve their business goals and objectives

### 7.2 Methodology

In order to meet the research objectives a three phase dual methodology was utilised.

#### 7.2.1 Initial qualitative depth interviews

The qualitative interviews aimed to explore and highlight key issues specific to SME health businesses in Wales.

- 25 in-depth interviews were conducted during April 2013
- Mix of face to face and tele-depths
- With SME health businesses



- Representation from across Wales was achieved, aiming for a mix of rural and urban locations
- Interviews lasted approximately 60 minutes

### **7.2.2 Quantitative interviews**

The quantitative interviews measured the prevalence and extent of the issues specific to SME health businesses in Wales on a larger scale

- Computer Aided Telephone Interviews (CATI)
- 104 interviews were conducted with SME health businesses in Wales in May and June 2013
- Interviews lasted approximately 15 minutes
- A list was purchased representing the geographical regions within Wales, businesses of different sizes and the different business types the survey was targeting
- No strict quotas were imposed, however Turquoise aimed to achieve representation across the footprint within the sample, the size of the businesses and their location
- All interviews were conducted with the individual within the company who was responsible for decisions regarding business needs, development and support (including learning and skills)
- Cluster analysis was used to define particular needs of specific segments of the market

### **7.2.3 Final qualitative depth interviews**

The qualitative interviews aimed to investigate in greater detail the outcomes from the previous phases; to understand what methods of support delivery would be most effective.

- 17 in-depth interviews were conducted during July 2013
- Mix of face to face and tele-depths
- With SME health businesses
- Representation from across Wales was achieved, aiming for a mix of rural and urban locations
- Sample drawn from the quantitative sample
- Interviews lasted approximately 60 minutes
- Conjoint analysis was used to understand the preferred support framework.

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