Supporting Rural Businesses: A Case Study of the S J Noble Trust in Argyll and the Islands

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Executive Summary

- The aim of this project was to evaluate the impact of the S J Noble Trust’s grants and loans on recipient businesses, and on the wider socio-economic development of the Argyll and the Islands area. The Trust was set up in 2004 and provides grants and loans to local businesses.

- There is an existing body of research on rural businesses’ access to public sector financial (and other) support which suggests that they are less likely to access such support than urban businesses. This is due to a range of factors, including a lack of awareness of the support provision available, distance from support providers, inappropriateness of the support delivery mechanisms, and a perception (at least) that public sector providers are more focused on larger, high growth businesses rather than microbusinesses and sole traders which might have more modest growth ambitions. The S J Noble Trust offers a different ‘model’ of financial support for businesses, through the provision of small-scale grants and/or loans and ongoing advice.

- 11 phone interviews were carried out with businesses that had received a grant and/or loan from the Trust. The interview notes were analysed by the research team, and the key themes were identified. These form the structure of the findings section of this briefing.

- The interviewed businesses were all micro businesses or sole traders, and operated across a variety of sectors, including tourism, food and drink and construction. None of the businesses had received more than £10,000 from the Trust, and indeed most had received much smaller sums. In most cases, the money was used to purchase/lease a new building or piece of equipment.

- The key findings were:
  - All interviewees found the application process personal and straightforward but robust. A great deal of value was placed on the ongoing advice and support provided by the Trust throughout the application process as well as once the grant/loan had been received.
  - Some of the businesses that had received a grant/loan from the Trust had also approached other support providers (including banks, Highlands and Islands Enterprise, Business

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1 This work has been funded through the RPC’s Underpinning Capacity Policy Funds as part of a broader theme of work on rural enterprise. For more information on the theme please contact Jane Atterton, E: jane.atterton@sruc.ac.uk.

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Gateway and European funding streams) with mixed success. Others had not approached any other sources, often because they did not feel these sources would support their business as it was too small or did not have high enough growth aspirations.

- In all cases, the grants/loans were used for the purpose originally intended in the application. For all interviewees, the money had helped with the businesses’ cash flow as it was provided upfront. This was particularly important when the business was just starting and access to working capital is often challenging. Other impacts on businesses included ensuring the business was more stable or able to expand into new markets through access to new equipment, improvements to an individual’s skills, or taking on new employees.

- There were many ways in which the grants/loans have had indirect impacts on the wider Argyll economy, including through supporting businesses that maintain strong buying and selling relationships locally, businesses that provide local training (meaning that young people no longer need to travel out of the area to enter a particular sector), or a business that now provides a social meeting space with wi-fi for local people.

- Interviewees mentioned a variety of other local challenges they faced, but perhaps the most important was the area’s poor broadband and mobile phone coverage.

From the evidence generated in this study, a number of recommendations can be drawn for the Trust specifically and more generally for rural business support provision:

- Recommendations for the Trust specifically:
  - All interviewees spoke highly of the Trust’s work. There was a strong belief that it was providing unique and valuable support for local micro businesses and sole traders, grounded in a philosophy based on supporting the local Argyll economy and its communities. This local grounding meant that the Trust’s work is fit-for-purpose for the local circumstances. This ‘Unique Selling Point (USP)’ should not be lost sight of in future;
  - The Trust could expand its provision of wider advice and support alongside the financial support it provides;
  - The Trust could consider expanding its scope by providing larger grants, although it would need to ensure that this does not confuse the support provision landscape for rural businesses.

- Recommendations for rural business support provision generally:
  - Providing small-scale financial support for rural micro businesses and sole traders is important (LEADER will help to provide such funding in future too);
  - Supporting entrepreneurial ideas, allowing for testing and (appropriate) risk-taking;
  - Ensuring the application process is straightforward and personal but still transparent, and that there is an appropriate level of audit;
  - Recognising the specific needs and characteristics of rural businesses, such as the importance of seasonality and the potential for linked enterprises, which may influence the type of support required;
  - Disseminating good practice through appropriate channels (given LEADER’s role in business support in future, one route is through the Scottish Rural Network);
  - Ensuring clarity over the roles and responsibilities of different public, private and community sector support providers to avoid confusion and duplication;
  - Recognising that appropriate business support is only one part of the mix; other challenges such as poor broadband and mobile phone coverage need to be tackled too to ensure the rural economy can diversify and grow.
1. Introduction

The S J Noble Trust³ (hereafter referred to as the Trust) was set up in 2004 in memory of Johnny Noble, Chairman and co-founder of Loch Fyne Oysters⁴. The Trust is a registered charity providing financial (grants and loans) and other assistance to small businesses based in the Argyll area, where this can be demonstrated to provide employment and training opportunities⁵. These may be start up ventures or existing businesses needing funds or expertise to develop. The overriding purpose of the Trust is to promote rural regeneration, including the alleviation of poverty, in the Argyll area. This was based on a recognition that there has been a decline in traditional activities such as farming, fishing and forestry in the area. This led to unemployment and fragile communities and a need to generate small scale business and enterprise, and encourage a more ‘can-do’ attitude. In recognition of Johnny Noble’s enthusiasm and imagination for innovative ideas, businesses that provide a new or innovative service are especially welcome to apply to the Trust.

The Trust approached SRUC's Rural Policy Centre (RPC) in late 2014 to undertake a small piece of research to explore the impact of the grants and loans they provide on recipient businesses and on the wider economy of the Argyll area. As part of a broader programme of work on rural businesses and their characteristics, contributions (economic and social) and support needs, the RPC agreed to undertake the project. The aims of the project were:

- To explore the impacts of S J Noble Trust support for businesses in the Argyll and the Islands area;
- To explore the role of the supported businesses in the wider socioeconomic development of the Argyll and the Islands area.

Based on the evidence collected about the Trust, a key part of the project was to provide specific recommendations for how it may develop in future, and broader suggestions for other rural business support programmes. The study is particularly timely given the changes to the LEADER programme⁶ which mean that this locally-led funding programme will be providing support for small rural businesses in future; LEADER can potentially learn from the Trust’s experiences.

This briefing summarises the key findings of the research, which is based on interviews with a randomly generated sample of Trust grant/loan recipients. It is divided into 6 sections. Section 2 briefly describes the existing research on rural business support, while Section 3 outlines the relevant policy and institutional context for rural business support in Scotland. Section 4 describes how the research was undertaken, Section 5 describes the key results and Section 6 concludes the briefing with a set of specific recommendations for the Trust and more general recommendations for future policy and practice in the area of rural business support based on the findings of this project.

2. Support for rural businesses

While there are differences between rural areas in terms of the characteristics of the business population, rural businesses are predominantly small. Indeed, within this category, micro businesses (with 0-9 employees) and sole traders make up a substantial proportion of businesses. The most recent data available for rural Scotland, for example, shows that 39% of businesses in remote rural

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³ For more information, please see: www.sjnobletrust.com.
⁴ The company was registered in 1978 with capital of £100. Based at Cairndow in Argyll, it now has a turnover of £13 million, employs well over 100 people and provides business for the many suppliers across its supply chain. Its sister company Loch Fyne Restaurants (founded 1997) now has some 50 branches in England.
⁵ Defined as the Argyll and the Islands Enterprise area, see map here: http://www.sjnobletrust.com/about.php.
Scotland and 31% in accessible rural Scotland are microbusinesses, compared to 13% in the rest of Scotland. This means that rural businesses differ in certain respects from urban businesses and hence have different support needs. For example, the common separation of business support and training by public sector providers is somewhat artificial for microbusinesses which require integrated support structures, programmes and funding regimes. Moreover, the broader local regeneration aims that these businesses often have mean that their needs and the needs of the local community have to be addressed in an integrated way. For support providers, it is important to recognise that the small size of rural businesses, combined with sparsity and remoteness, make the delivery of services more difficult and therefore may increase the cost.

There is an existing body of research work on financial and other support provision for rural businesses, although a limited amount of work has been undertaken in Scotland. Even though evidence suggests that businesses that access such support are more likely to survive and grow, rural businesses are less likely than urban businesses to access ‘mainstream’ public sector support (including finance) and training provision, such as enterprise agencies and Business Gateway (or Business Link as it is known in England). This might be for a variety of reasons, including the focus of such providers on larger businesses which are aiming to grow (or, at least, a perception of this amongst micro and small businesses), a lack of awareness of the support available, distance from support sources, a lack of confidence and a strong desire for independence amongst business owners, and inappropriate delivery mechanisms.

Moreover, even where they do seek to access mainstream support services and apply for funding, the nature of rural microbusinesses means that they often fail to meet the criteria for receiving them, for example, because they are below a specified turnover threshold or are not planning to grow. Given the link between accessing support and performance, the low levels of support use amongst rural businesses would seem to suggest that the economic potential of rural areas is not being effectively exploited.

Instead, rural businesses have been found to rely heavily for advice and support on private sector sources, such as accountants and solicitors, and on informal networks with family and friends. For

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example, in the North East rural business survey undertaken in 2009\(^{13}\), accountants were the most frequently used source of business advice/support with over 51% of the sample (of a total of 692 firms) reporting that they had sought advice from this source in the last five years. This group also had the highest level of satisfaction. Industry contacts, family members and trade or professional associations were also rated highly in terms of the usefulness of the advice received although they were used by a lower proportion of respondents. Analysing the types of support/advice sought revealed that 30% of respondents had looked for general information and advice, with 20% reporting that they had sought ‘business knowledge’, financial advice (particularly from accountants, banks and family members), grant information and legal advice. Comparing the advice sought by businesses with different characteristics revealed businesses that were seeking to expand and those in the first two years of operation were more likely to seek advice.

It is also the case that there are structural factors in rural areas which may also contribute to the lower levels of support/advice access, including the higher number of microbusinesses (which tend to access support less frequently than larger firms) and the higher prevalence of sectors in rural areas that show a lower tendency to access support (e.g. agriculture and service sector businesses)\(^{14}\). Research has also found that aligning funding and general business advice is a logical way of ensuring the successful deployment of grant funding alongside help to ensure the ongoing success of businesses that access funding through ensuring effective advice is also provided\(^{15}\).

3. The policy and institutional context for rural business support

Before discussing the methods and results obtained in this study, it is useful to briefly outline the business support landscape for rural businesses in Scotland. In terms of the private sector, there is a network of banks across Scotland which provide various types of grants and loans for business development. In terms of the public sector, there are two enterprise agencies covering Scotland, Highlands and Islands Enterprise (HIE) which covers the Highlands and Islands region, and Scottish Enterprise (SE) which covers the remainder of Scotland, including the east coast (and the cities of Dundee and Aberdeen and their surrounding rural regions), the ‘Central Belt’ (including Edinburgh and Glasgow and surrounding areas) and the South of Scotland.

Argyll and the Islands, where the Trust is based, falls within the HIE area. HIE provides a range of business support, including entrepreneurship support programmes, services for existing and new business leaders, services for those businesses wishing to export and develop new markets and products, and financial support for their account managed businesses. This financial support is


directed towards the key growth sectors outlined in the Scottish Government’s Economic Strategy (creative industries, energy, business services, food and drink, life sciences and tourism). HIE also particularly looks to support projects that accelerate private sector-led business investment, target wealth creation through increased employment and enhanced quality of jobs, and improve productivity and efficient use of resources.\(^\text{16}\)

The (public sector) Business Gateway service is available across Scotland and provides free advice for new and existing businesses, including workshops and events, and financial support. Advice is available via the telephone or via a network of local offices.\(^\text{17}\)

In terms of community or third sector support for businesses, in the 2014-20 European programming period, LEADER will be able to provide support for small businesses. This is a new development for LEADER, in which £20 million has been made available in Scotland for small business support, including farm diversification. The only restriction placed on Local Action Groups when spending the money is that 10% of their total LEADER budget must be spent on small business support, and 10% on farm diversification. It is also worth noting that there are other community sector business support providers in some parts of rural Scotland. One such example is GrowBiz, which provides a range of services, including one-to-one support and peer mentoring meetings, to rural businesses in Eastern Perthshire.\(^\text{18}\)

This section of the briefing has summarised existing literature on the extent to which rural businesses tend to access sources of support and advice, demonstrating that they often place less emphasis on public sector providers and more on private and informal sources, including family and friends. This might be for a variety of reasons, including the structural make-up of rural economies and perceptions amongst rural business owners that they are not eligible to access public sector business support. It then provided brief information on the private, public and community sector sources of support available to businesses, and noted that a significant new development in 2014-15 is the involvement of LEADER in rural business support. With this research, policy and institutional context in mind, the briefing now goes on to discuss the research methods adopted in the study and the key findings.

4. Research Methods

The approach to be taken in the study was designed in discussion with Trustees and staff at the Trust. Three main stages were identified:

- **Stage 1**: A brief review of the existing literature on rural businesses’ access to business support and finance and a review of the policy and institutional context for rural business support (see Sections 2 and 3 of this briefing). The research team was also provided with recent Trust annual reports as background information on the work of the Trust and the types of businesses supported. This stage of the project was desk-based.

- **Stage 2**: This stage involved the design of a list of questions to be covered through in-depth interviews with Trust grant/loan recipients.\(^\text{19}\) In all instances, these people were the business

\(^{16}\) For more information, see: [http://www.hie.co.uk/business-support/funding/default.html](http://www.hie.co.uk/business-support/funding/default.html).

\(^{17}\) For more information, see: [http://www.bgateway.com/](http://www.bgateway.com/).

\(^{18}\) For more information, see: [http://growbiz.co.uk/](http://growbiz.co.uk/).

\(^{19}\) It is worth noting that only businesses that had received funding were contacted for the purposes of this study which focused on measuring the impacts of the funding for individual businesses and for the wider Argyll area. If a larger study was to be carried out in future, it would be useful to also speak to businesses that were
owner or a close family member. Considerable time was taken over this stage of the research to consider different data collection methods (e.g. face-to-face interviews, a questionnaire survey, etc.) and the usefulness of different questions in fulfilling the study aims. The research team and Trust staff and Trustees agreed that phone interviews would be the best approach to take given the time and resources available in the study. The questions focused on four key areas:

- Information about the business (e.g. when it was established, its main activities and how many employees it has);
- Information about the grant and/or loan received from the Trust, including how much money was received, when, and the purpose of the funding, recipients’ feedback on the application process, the level/type of interaction with the Trust during the process and details of any other funders/support providers approached;
- Information about the extent to which the business is integrated with the economy and communities in the Argyll and the Islands area (e.g. the extent of local employment, local buying and selling relationships, support for community events, etc.);
- Information about the owners’ future plans for the business, including aspirations for growth and the likelihood of approaching support providers, including re-approaching the Trust; this section also included a broader discussion around the key challenges facing businesses in the Argyll area.

From the list of approximately 90 businesses that have received support from the Trust since 2004, the research team randomly generated a list of 20 to approach for interview, anticipating that some of these businesses would be unable/unwilling to participate. Trust staff contacted the 20 shortlisted businesses to inform them about the study and to check their willingness to participate. Of the 20, 18 agreed to participate and the research team emailed or phoned each of these businesses to set up an appropriate time for the phone interview. From the 18, it was possible to make arrangements to interview 11 businesses, with all interviews taking place in June and July 2015.

Each interview lasted between 30 and 60 minutes long. Detailed notes were taken during the interview itself, and these were then reviewed immediately following completion of the conversation to ensure the key points had been recorded correctly. The interview notes were then analysed independently by two members of the research team who looked for and coded emerging themes. The two researchers’ coded interview notes were then compared and the key themes agreed. These themes were used to structure the write-up of the key findings in this briefing. Direct quotes from interviewees are used as illustration throughout, and are shown in the text using quotation marks and italicised text. In order to ensure the anonymity of interviewees and to maintain confidentiality, quotes are not attributed to individuals.

- **Stage 3**: The write up of this Policy Briefing, including the identification of key recommendations for policy and practice as outlined in Section 6.
5. Key findings: The impacts of the S J Noble Trust grants and loans on recipient businesses and the wider Argyll and the Islands economy

This section of the briefing uses the key themes identified by the research team to report the key findings of the study. Eight key themes were identified.

5.1 The characteristics of recipient businesses

The randomly generated sample of recipient businesses interviewed covered a wide range of business types, including a number of businesses operating in the food and drink and tourism sectors, plus construction, high end electronics, retail and service sector firms, the latter including firms undertaking administrative activities and training provision.

Most of the businesses interviewed were very small, usually with up to three employees (often with some working seasonally or on a part-time basis), including the owner him/herself. Several were sole traders. Some of the businesses were well established, including one which was approximately 50 years old, whereas others were start-up enterprises. All but two of the owners interviewed were originally from Argyll.

5.2 The grants and/or loans received by recipient businesses

The businesses interviewed had received both grants and loans, with some having received a combination of both. The purpose of the financial support varied. For some businesses, the funding was to purchase a new building or piece of equipment, including a boat, a van and a computer, for example. For other businesses, the funding was for a service, such as setting up a new website. For some, the equipment was as part of the business start-up process, while for others, it was to expand or change the business to better meet new market demands (such as expanding a shop to incorporate a new coffee area), or to fit personal or family circumstances (e.g. having young children). All interviewees had used the funding for the purpose it was originally intended (as set out in their application to the Trust) and for most interviewees, it would not have been possible to progress their business without the financial support received from the Trust.

The maximum that had been received by any of the interviewed businesses was £10,000, with most receiving in the region of £2,000-£5,000. Whilst these are relatively small amounts of money, the evidence suggested that they have been hugely important for their business – this is explored in Section 5.6 below. Some interviewees who had received a grant from the Trust were in the process of paying this back (i.e. it is not just loans that are paid back to the Trust) and everyone in this position found this acceptable as they recognised the importance of Trust funding being available to support other local businesses in future.

At the same time, a couple of interviewees mentioned the challenges of paying back the loan they had received as their business circumstances had changed since the loan arrangement was agreed. One interviewee, for example, had effectively closed her business down as the demand for the service she was providing had declined so much and had laid off staff, but was still required to pay back the loan. She was now doing this through an agreed amount from her personal salary every month which she was finding challenging. She felt that the Trust could have been more willing to be flexible and write off the loan (by "looking at the bigger picture of an individual's circumstances and the wider economic context beyond the loan, including the impact of the business"), but equally recognised the reasons why they might not be able to do this.
5.3 The application process for the grant and/or loan

All interviewees were asked to comment on the application process for their grant/loan. For most, the process started with them approaching the Trust (through either a staff member or a Trustee) informally to discuss their business idea and the potential for support.

In most cases, this was then followed by a visit from a Trustee to the owner at the business site (if it was up and running) to discuss the plans in more detail, but this was not possible in all instances, sometimes due to the logistics of visiting a site which was potentially some distance (possibly involving a boat ride) from the Trust’s mainland base in Cairndow. Most of the business owners who had received a visit from a Trustee felt that it had been extremely useful as it provided an opportunity to show and explain face-to-face to someone what was being planned and to receive some initial advice and support. All of the Trustees have considerable personal business experience so they are in a good position to offer useful support to both existing and new business owners in Argyll. Only one interviewee commented that he didn’t find the visit useful and instead found it slightly “patronising” as it was from someone whose business experience had been in an urban context. He felt that this did not put him in a position to be offering appropriate advice to a prospective owner on the remote west coast of Scotland.

All interviewees noted that, following the visit (where this had been possible), they submitted their application, which had to include a business plan. All interviewees commented that the process had been straightforward and personal but still professional and “not too bureaucratic or too easy”. This latter point is important: while most interviewees felt that the process was not too onerous, it was still felt to be robust, fair and definitely not seen as an easy option: “You still have to be eligible and have a good idea and a well thought through business plan”. What was critical was that interviewees felt that the Trust had a genuine interest in their business idea, rather than the “de-personalised” approach often seen with other funding providers, particularly banks: “The personal side of it was brilliant, just what you need when you are starting out and setting up. It is such a daunting task setting up in itself, let alone trying to pitch yourself forward for funding”.

One interviewee commented that the Trust’s approach was “common sense and ideas based, unlike the numbers approach used by banks”. This meant that the approach favoured “doing things that will do good for the community. They can judge an individual and their business plan by common sense. Its ideas-based and recognises that it is very difficult to get the guarantees that banks are usually looking for”.

It was also commented that Trust staff and Trustees were very helpful in guiding applicants through the process. Several interviewees commented that writing a business plan was difficult when they were just starting out, particularly in terms of the financial projections and figures required (especially if they were starting out in a sector in which they hadn’t worked previously), but they recognised that a Plan was necessary no matter where they applied for funding. Interviewees also commented that they had heard relatively quickly as to the outcome of their application, which was helpful in terms of the business’ cashflow. Two interviewees reported that the Trust had usefully approached another funding organisation, the Kilfinan Trust, on their behalf and that as a result they had received ‘matched’ financial support from two sources.

One interviewee was slightly more critical saying that the process lacked formality and structure, which contributed to making it less transparent than it might have been. He suggested that a process which fell somewhere between the amount of paperwork and formality required by the bank, for example, and the Trust’s informal approach might be ideal.

5.4 Ongoing support from the Trust for recipient businesses

Several interviewees commented that they felt they could email or phone Trust staff when they needed specific advice about an aspect of the business, which they had found to be extremely valuable. They also commented that Trust staff phoned them occasionally to discuss the funding and the business but this was not something that was felt to be onerous or burdensome, and it didn’t feel like the “Trust was pestering you”. Rather, this was a “helpful conversation”, giving you “that wee safety net and bit of
back up there if you need it”. Another commented: “They are always there and people shouldn’t be frightened to call, when folk have been there and done it that’s a good thing, knowing that you can lift the phone if you need to is hugely valuable.”

Through this process, the Trust is kept informed about any changes to the recipient business and how the funding is being used, but, almost more importantly, the Trust can continue to provide advice on different aspects of the business. Several interviewees noted that Trust staff often gave them ideas that they hadn’t thought about which encouraged them to think in different ways. For many, their relationship with the Trust since they received the grant/loan had become very well established, based on frequent contact and a high level of trust and mutual respect.

A great deal of emphasis was placed by interviewees on the personal support and encouragement they had received for their business idea: “The Trust is very focused on helping and encouraging people to try themselves. They are very enthusiastic and have a genuine interest in you and your business. It is clear that they want you to succeed which is very different compared now to the bank”. Another commented: “There was a real sense that when the Trustees were confident in what someone was proposing, they were willing to show this belief in them and support their idea to do well. That belief really makes you want to do well”. Another interviewee commented: “The Trust is unique, a very valuable endeavour”.

No interviewees suggested major changes to the application process based on their experiences. Several suggested that as information about the Trust tends to be dependent on word of mouth, it might be possible for the Trust to do more to improve awareness of what it does. Similarly some interviewees suggested that more grant/loan funding could be made available, although recognised that the Trust has limited resources. One interviewee did make a specific suggestion as to how the Trust could grow in future. He suggested that they could return to businesses that they have supported which are doing well (perhaps this could be ‘measured’ in terms of them hitting a certain turnover level) and ask them for a small donation back – such as £500 per annum – to reinvest in other local businesses. This would be a way for the Trust to create new wealth directly from businesses that they have supported, and thereby continue to support the local economy on an ongoing basis.

5.5 Approaches made by recipient businesses to other support providers

There was a mix amongst the interviewees in terms of individuals who had made approaches to other (financial and other) support providers at the same time or before approaching the Trust (including HIE, Business Gateway, specialist European fisheries-related funding and banks), and those who had not. Some had not because they were not aware of any other potential support providers in the local area, others had not because they felt other support providers would not be in a position to help them, while others commented that the bureaucracy required by other funders was prohibitive: “In some instances, you effectively need to employ people to fill in the forms for you”.

The sense that there was nothing else like the Trust was reiterated by several interviewees. One commented: “… there really was nothing else available at the time [2005]. HIE had gone onto bigger things and their turnover threshold for getting help had been raised… Funding was available for community groups, but there wasn’t really any other funding available for businesses…. Certainly to get any help from HIE you needed to employ 7 people, etc. So the Trust really was it at the time, and probably still is”. Another commented: “The Trust is operating in a niche, providing a critical service for small businesses who just require a relatively small amount of money for a specific task. These are the kinds of businesses, and therefore this is the kind of scheme, that keeps the west coast going. It
encourages innovative, albeit small-scale ideas and encourages people to do things well, which really makes a difference in the local area.

Prior to her approach to the Trust (for a grant of £2,000 for new equipment), one interviewee had approached her bank for a £10,000 loan. She had been assured by her local bank manager throughout the process that the loan application would be successful but then this turned out to not be the case leaving her “in a real pickle”. She noted that the centralisation of banking processes away from Argyll meant that it was no longer possible for local business owners to have a close relationship with their local bank manager. Another echoed this challenge by saying that his local branch was not a business bank so you end up having to phone an adviser in a distant call centre. The quality of these advisers varies and clearly they lack local knowledge. In contrast, another interviewee had had a very positive and straightforward experience with his local bank who he reported had been very helpful with completing the forms and offering advice.

Several interviewees mentioned that they had approached HIE for support. However, only one had been successful in getting funding from them. One interviewee noted that “…maybe she didn’t ask for enough” and that it was “only to improve what she was doing, not really to grow or expand the business”. The latter point was also made by another interviewee who commented that they were seeking to do something new but similar to their existing operation so the bank was not interested in supporting them. Another said “HIE have been very little help for me. Their support is really only available if you are focused on growth or exporting. The turnover thresholds that they operate with are pretty unrealistic for most small rural businesses”. One interviewee commented that when he approached HIE they seemed concerned about the business only just starting out: “HIE were basically worried that the business was only in its first year and they wanted to see that it could perform as a business before they provided any upfront money. But that’s exactly when you do need help. They are really looking for bigger businesses”. Whether or not these comments about HIE are the reality, these perceptions exist amongst this sample of businesses, and they are stopping them from approaching HIE for financial support.

Three interviewees mentioned the useful (non-financial) support they had received from their local Business Gateway, particularly through their training courses (including web design, marketing, accounting, etc.) and their mentoring programme. Clearly financial support is only one part of the support infrastructure required by businesses and sometimes non-financial support is equally, if not more, important. Other businesses mentioned that their networks with other business owners were important in gathering information and advice, while some had also accessed bodies relevant to their specific activity, such as environmental health.

5.6 The impacts of the grants and/or loans received on recipient businesses

The financial assistance received had clearly had a significant impact on individual businesses, whether this was in terms of setting up a new website, taking on new staff, or being able to produce more or expand their services. For example, one individual was able to buy a bigger boat which enabled him to go out to sea for more days per week, including at times when the weather wasn’t so good, and to double the quantity of creels he could pull in on each trip. This expansion of his main business meant that he no longer relied on other part-time seasonal work leaving these opportunities available for others. Other interviewees were able to buy/lease premises for their business giving them a much more visible ‘high street’ presence and leading to new work. Others used the assistance to buy equipment such as a fridge or boiler to expand the range of products they could sell. For one interviewee, the addition of a new coffee area brought more people through the door to their retail premises. Key for all interviewees was that the
grant/loan improved the cash flow of their business and enabled them to have some working capital. Importantly, the Trust financial support is available upfront, whereas several interviewees mentioned other sources of funding where the money is only available through claims after the purchase has been made and this process can take several weeks. This can make life very difficult for small businesses where the upfront costs of setting up can be high at a time when money coming into the business is likely to be low. One interviewee commented that when a small business is starting out “a small amount of money can mean life or death”. Another commented: “If businesses had this money upfront then they wouldn’t need the grant. This situation basically creates a slow death situation for businesses… In contrast, with the Trust you submit the application and you get the money fairly quickly. The other way round you have to spend the money to get the money. The Trust is really unique, no one else is offering this kind of funding.”

Having access to finance from the Trust means that business owners do not have to dip into personal or family savings (where they are available) or into potentially expensive bank overdraft facilities. Several interviewees commented that, while it used to be fairly straightforward dealing with a local bank manager, changes to the banking system mean that overdraft/loan decisions need to “go way above local managers”. As a result, they are more paperwork-heavy, it takes longer to get a decision and there is much less local knowledge and flexibility (hence the problem experienced by the interviewee mentioned in Section 5.5).

Several interviewees noted how many people who had received money from the Trust – often fairly small amounts – had gone on to do well in the local area, either because their business had become more stable and/or it had grown by taking on new members of staff or expanding into new markets. For one interviewee, while her business was no longer operating in the same way as it was when she received the grant from the Trust, two of the people she had employed had built up their skills and knowledge with her and had gone on to set up or work for similar enterprises. In this case, in addition to building the local skills base, the Trust grant had indirectly led to additional business formation and job creation.

The following quotes illustrate well the feelings of the majority of interviewees in relation to the Trust:

“The Trust is an absolute hidden gem. They don’t blow their own trumpet but awareness of what they do is increasing. Life would have been much more difficult without the grant so it was much appreciated at the time”.

“The Trust is one of a kind… there are few other options available.”

5.7 The impacts of the grants and/or loans received on the wider Argyll and the Islands economy

A key aim of this study was to assess the ways in which the Trust’s grants/loans had impacted on the wider local economy, as well as on recipient businesses. These impacts were not measured in any quantitative sense but rather were explored through the interview narratives of recipients. While the Trust’s grants/loans support individual businesses, this support is grounded in a strong ethos related to supporting and strengthening the Argyll economy.

For most recipients sourcing supplies locally (where possible) and selling their produce locally were very important aspects of the business. This was only difficult where the business was working in a particularly niche market. For several recipients, the grant had enabled them to take on more employees. Often this was only one or two people, sometimes part-time, but nevertheless they were providing new jobs in an area where employment opportunities are relatively limited. The creation of these jobs had had additional knock-on impacts in terms of retaining young people or young families in the local area, thereby supporting local services, including schools.
For one recipient, the grant she received enabled her to change from simply having a retail food outlet to doing catering for local events for which she had taken on new staff on a part-time basis. Another interviewee noted that his business had helped the local housing market by encouraging owners to let out empty properties, providing more housing for local people and bringing new people into the area (both tourists and professionals coming to Argyll for short term work). For another interviewee, the funding has enabled him to set up his business providing training for construction-related workers in Argyll. Young people wishing to enter this sector can now train locally rather than having to travel long distances or leave the area altogether. Another interviewee had used Trust funding to establish a coffee area attached to retail premises which had helped to attract tourists, as well as provide a valuable, wi-fi enabled meeting venue for local people.

These examples illustrate how even the small amounts of funding that the Trust provides can have substantial local impacts. Interviewees felt strongly that a key part of the Trust’s ethos is providing support to local communities as illustrated through the following quotes:

“…the Trust is making a huge difference locally…its tremendous. The Noble family has really done a huge amount for the local area – all of it is done for the people and not for themselves. They are all about employment for locals”.

“The Trust seems to have a vision of what they want and critically it is tailored to the local area. It has to be local because it would lose its appeal if it went wider. It is fundamentally focused on supporting the local community”.

“Other sources of funding are more remote”

“The Trust is certainly playing a role in terms of keeping rural communities alive”.

“The Trust is a fantastic support for rural businesses and a fantastic organisation doing good”.

“Overall I think they have got it spot on for the local area; it is all about local people helping local people. The impression you get is that it is very community driven, the Trust wants to do well for the community as a whole”.

5.8 Other challenges faced by recipient businesses

Finally, in a broader question, interviewees were asked about the key challenges they faced in doing business in Argyll. The issue mentioned most frequently by respondents was the area’s poor broadband and mobile phone coverage, which “stifled” and was a “huge hindrance” for business activity. Several examples were given by the interviewees where they were unable to complete orders or contact potential/actual clients as digital connectivity is so unreliable. Another interviewee highlighted the challenges of running a tourism business for which uploading photos and maintaining a social media presence is critical but virtually impossible to do ‘real-time’ from the area.

Ironically, for one business poor phone coverage was leading them to have to think about taking on another employee to run the office, take phone calls etc. when the owners were out and about. Although they could divert calls from their business landline to their mobiles, the signal was so poor that often they missed calls from potential clients. Linked to digital connectivity, the issue of physical connectivity and transport infrastructure was raised by a few respondents, in particular the poor quality of the road network in Argyll and Bute, and ongoing challenges relating to the frequency and reliability of ferry services. Other key challenges mentioned were the depopulation of the area and the out-migration of young people which is leading to an ageing local population. One interviewee noted that “Argyll really is seen as the back end of nowhere. The area just doesn’t get the recognition it needs and as a result the area has fallen so far behind. The area needs generational change, which is slowly coming, but they also need the Government to recognise that they exist and that they have the same needs as everywhere else. The Argyll and Bute and Cowal area has a very fragile economy, and the depopulation and ageing issues are critical to its future”.

Despite these challenges, all of the business owners interviewed were looking to maintain, if not expand, their business in future, including by taking on more staff or by increasing turnover through
increasing the range of products/services they offer. For most businesses interviewed, the financial assistance they had received through the Trust has been critical in putting them in a positive position. Some interviewees had a sense that, if their anticipated growth occurred, they would be too big to apply to the Trust (in its current form and with its current average level of grant/loan funding) for more funding and therefore would need to look elsewhere.

6. Recommendations for future rural business support policy and practice

The following is a list of recommendations which have arisen from the empirical data collected in this study and from the review of the literature, policy and institutional context set out earlier in this briefing. The first set of recommendations relate specifically to the future of the Trust, while the others relate to rural business support provision generally. The latter may be particularly relevant to LEADER Local Action Groups as they deliver their new role in terms of rural business support.

Specific recommendations for the Trust:

- **The Trust is clearly highly thought of locally:** Most interviewees felt that the Trust is targeting a niche in terms of small-scale support for micro businesses and sole traders, which is grounded in a wider ethos of supporting the local economy. This grounding helps to ensure the Trust’s support is appropriate to local circumstances. The Trust should be mindful of not losing this USP if it wishes to make changes to how it operates in future.

- **The usefulness of combining financial and other forms of support:** As found in previous research\(^20\), several interviewees commented that one of the most valuable things about the Trust was the ongoing availability of (non-financial) advice and support in addition to the grant/loan. At present this support is provided on an informal basis. One interviewee commented that the Trust could do more, however, as many micro rural businesses find their support needs are not met by existing support providers, particularly in relation to marketing, technology and accounting advice. This is a gap in the market into which the Trust could expand, building on the expertise and local knowledge of the staff and Trustees, and perhaps drawing in others as appropriate (including businesses who have received funding to be mentors, perhaps). All businesses supported would become part of a “wider Trust family” where information and knowledge could be exchanged on an ongoing basis (a kind of ‘learning community’). Notwithstanding the connectivity limitations already mentioned, exploring the potential for web-based support and networking might be worthwhile.

- **Expanding the scope of the Trust:** Some interviewees commented that they would not go back to the Trust for funding, not because they had had a bad experience but because they felt their business had grown and, if they were to apply for more funding in future, they would be looking for sums larger than those that the Trust would be able to offer. Given the existence of other support providers who may be able to provide larger sums of money (such as HIE), the Trust should think carefully about whether it should also do this and, as mentioned above, it should not lose sight of its niche (or ‘USP’).

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General recommendations for rural business support provision:

- **The importance of providing small-scale financial support to rural microbusinesses/sole traders:** This study has demonstrated how important the grants/loans have been to businesses in the Argyll area. They may be relatively small-scale (i.e. no more than approximately £10,000) but they make a significant difference to recipient businesses and indirectly to the wider Argyll economy. As noted in previous studies, this kind of support is critical to creating a diverse and economically vibrant rural economy\(^{21}\). LEADER may be able to tackle some of this need in future.

- **Supporting entrepreneurial ideas:** One of the key aspects that interviewees valued about the Trust was its belief in individuals who had good ideas and its willingness to support them. As one interviewee commented “Ideas are the start of things. There are hundreds of people with ideas but we have somehow lost the positive attitudes we had to risk and entrepreneurialism and innovation, but the Trust is different. It is still receptive and encouraging towards people with ideas”. The personalised nature of the whole application process, including the visits, helped the Trust to explore these ideas with business people and to support those that it felt were positive. Providing scope for ideas to be tried and taking risks is likely to be harder for mainstream public sector support providers but there needs to be scope to allow for ideas to be tested and for ‘failures’.

- **The need to ensure the application process is straightforward and personal but still transparent:** The straightforward, personal nature of the Trust’s application process was mentioned by several respondents in this study. Several interviewees noted how the “rural context is different and that a personal, small-scale process works better”. Another commented that: “face-to-face discussion is much better than doing it all by paper. Then you can demonstrate what you want to do and people can see that it could be worthwhile and can see the potential. S J Noble is therefore unique and a lot more helpful”. It is equally important that the process is transparent, so that applicants know why their application has or has not been successful, and this information needs to be freely available (without compromising commercially sensitive information). These characteristics encourage the build up of trust amongst the individuals involved, mirroring the findings of previous research. Public and private sector support providers need to ensure that they also develop and maintain regular contact with clients in order to build trust-based relationships. This may require more time and resource investment in a rural context where businesses may be dispersed over considerable distances\(^{22}\).

- **Ensuring an appropriate level of audit:** Several interviewees felt that the paperwork required by many funders is excessive both in terms of the application and ongoing grant/loan maintenance. However, this was not the case with the Trust. Indeed one interviewee commented: “The Trust is good in terms of the appropriate level of its auditing and follow up work with businesses. It needs to not change that in future. The Trustees realise that one failure is less expensive than auditing every project to death. If I had a Trust I’d do the same as them”.

- **Support providers need to recognise the specific needs/characteristics of rural businesses:** Talking to the interviewees gave a very good flavour of the reality of running a small rural business, including the seasonal nature of work and the need for flexibility in equipment and labour force, the distance to markets/suppliers which may bring additional challenges (and opportunities) for the business, and the limitations of poor connectivity. In addition, for some, a new venture start-up is very similar to an existing business


(sometimes termed ‘portfolio entrepreneurship’ in the research literature) meaning that existing support providers are reluctant to provide assistance (or at least, this is the perception amongst some owners). This (perceived) reluctance may also exist if a rural business is regarded as a lifestyle business (even though it may be providing a vital service or 2-3 key jobs). Support provision needs to recognise and be tailored to these characteristics.

- **Disseminating good practice**: Clearly the Trust is highly regarded in the local Argyll area. There may be lessons that can be learned from their experience, and indeed those of other schemes elsewhere in rural Scotland. A vehicle needs to be found to exchange best practice and to undertake more systematic evaluation. Given the involvement of LEADER in funding rural business support in future, one means of doing this might be through the Scottish Rural Network\(^\text{23}\).

- **Clarity over the roles and responsibilities of all public, private and community sector support providers**: As mentioned, the Trust is currently targeting a niche in terms of its provision of small-scale grants/loans to (mainly) microbusinesses and sole traders in Argyll. With only one or two exceptions, interviewees clearly felt that organisations such as Business Gateway, HIE and high street banks would not support them, or at least strongly perceived that they would not. Given LEADER’s new involvement in supporting rural businesses, there is a need for clarity over the roles and responsibilities of these different support providers so that businesses know where to look when they are seeking financial and other support and to avoid unnecessary duplication.

- **Appropriate business support is only one part of the mix**: Businesses in this study mentioned a number of challenges in Argyll, particularly poor broadband and mobile phone coverage, which were having detrimental impacts on individual businesses. Clearly in any rural area, getting the rural business support landscape right is only one part of the story; these other challenges must also be tackled to ensure businesses are fully supported so that rural economies can diversify and grow.

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Thanks also to the S J Noble Trust staff who provided photos for use in this briefing. Please note that the businesses featured in the photos are not necessarily those interviewed in this study.

\(^{23}\) For more information, see: [https://www.ruralnetwork.scot/](https://www.ruralnetwork.scot/).