

Small Business Service

**Annual Survey of Small Businesses:
Wales
2005**

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Summary

This summary sets out the key findings from the Small Business Service's Annual Small Businesses Survey 2005 in Wales.

Survey scope

The research procedures on which this telephone-based survey is based are discussed in detail in Chapter 1 of the full report. However, for the moment we should note that:

- the findings are based on a large sample of 1,005 small businesses (for the purposes of this report, a small business is any business with zero to 250 employees).
- the report covers the whole of Wales; the survey itself covered the whole of the UK, and for many of the findings reported, comparison data from the UK are presented.
- the sample is weighted to be representative of small businesses in Wales and more widely in the UK as a whole; and
- the fieldwork was undertaken between October 2005 and January 2006.

The characteristics of small businesses

Perhaps the most prominent characteristic of small businesses in Wales, and indeed in the UK, is the numerical dominance of businesses that have no, or very few, employees. Looking at all Welsh businesses¹ with a headcount of up to 250 people, some 71 per cent of them have no employees at all, and 25 per cent have fewer than ten. Just five per cent of all small businesses in Wales have more than ten employees (Section 2.1).

¹ Welsh businesses are generally defined to be those located in Wales. In the case of multi-site businesses that operate across different parts of the UK, the whole business is considered to be Welsh if its headquarters are located in Wales. A business which has a site in Wales but its headquarters elsewhere is not considered to be Welsh.

Whether or not they have employees, the service sector accounts for the bulk of the sample; fully 72 per cent of businesses with employees are in the service sector, 13 per cent are in production, 11 per cent in the primary sector and just four per cent in construction (Section 2.3).

The turnover of small businesses is substantial. Unfortunately, some 31 per cent of businesses could not, or would not, provide financial information. Around a third had a turnover below £60,000; a further 36 per cent had turnovers ranging between £61,000 (the VAT threshold at the time of the survey) and more than £2.8 million (Section 2.4).

Just under half of all small businesses with employees (47 per cent) were managed solely by men, while 14 per cent were managed solely by, or by a majority of, women (Section 2.6).

Just over a third of businesses with employees did most of their business within the local town or county. However, over one in ten of small employers (11 per cent) were exporters, conducting at least some of their business outside the UK. However, for most of these, their principal markets were close to home, with exports providing only a minority of their turnover. Thus, only five per cent overall said that most of their business was conducted abroad (Section 2.9).

New businesses

In this survey, the term ‘recent start-up’ encompasses all businesses that are less than four years old or have had a change of ownership in the last three years, where the new owner was not involved in the businesses start-up.

Nine per cent of all businesses were found to be recent start-ups or newly established businesses, and this decreased slightly to 11 per cent amongst businesses with employees (Section 3.1). For various reasons, derived from the sampling and the selection of respondents for interview, this may be a slight under-estimate.

Business objectives and growth

In order to assess growth prospects, a general question was asked about whether or not business owners intended to grow their businesses over the next two to three years. Among all businesses (ie both with and without employees presently) there were fewer who intended some form of growth (42 per cent) than those who did not (58 per cent) (Section 4.2).

The larger the business, the more likely it was to intend to grow during the coming two or three years. Thus, among those with no employees currently, the proportion intending to grow was somewhat lower than average (at 37 per cent), but this rose consistently with size, reaching 76 per cent among the largest businesses, with 50 or more staff (Section 4.2).

Among businesses with employees, some 54 per cent intended to grow in the next two or three years, although this was lower in businesses in the primary sector and higher in the production sectors (32 and 73 per cent respectively).

By far the most common means of securing the anticipated growth was simply to increase the volume of turnover or sales within the existing market/product parameters. About 93 per cent of businesses expecting to grow saw this as a means to do so, whatever their employment size (Section 4.3).

Two actions were anticipated to be the necessary outcomes as a result of the desired growth: nearly two-thirds expected to have to invest in more capital equipment (64 per cent) and only slightly fewer, 61 per cent, anticipated having to take on more staff; both of these actions were viewed as more likely the larger the business (Section 4.4).

The most widespread reason for not anticipating growth, cited by 38 per cent of businesses not expecting growth was that they were happy to remain at their present size. This rationale became more common as the size of the organisation increased, increasing consistently from 38 per cent amongst businesses with no employees, to 50 per cent amongst the largest businesses, with 50 or more employees (Section 4.5).

However, a wish to retire or close the business was a fairly widespread reason for not planning growth, particularly amongst smaller businesses, with over a third (35 per cent) of all businesses citing this and a quarter of all micro-businesses.

Barriers and obstacles to achieving business objectives

Whatever their objectives might be, small businesses might be constrained in reaching them by a range of barriers or obstacles. To assess what these might be, business owners were asked to say what they saw as the main obstacle to the success of their business (Section 5.1).

Two factors were identified by nearly half of all small businesses in general; these were the economy (47 per cent of all businesses), and competition in the market (45 per cent). These were identified by some of the largest proportions of individuals as being the main obstacles to their business's success. After these, regulations (43 per cent), taxation (33 per cent) and cash flow (21 per cent) were the next most-frequently-identified obstacles.

Competition in the market as an obstacle to business

Although competition was identified by many as a potential obstacle, most of these (66 per cent) felt that the competition was fair (Section 5.3). Among this latter group, the most common type of unfair competition, cited by 19 per cent of businesses, was competition from cheaper priced imports. Competition from larger companies with more influence and resources was also felt to impact unfairly on the success of these businesses. Some 18 per cent of businesses felt this to be the case, and 32 per cent of

those with employees. Unsurprisingly, this response was correlated negatively with the number of employees a business had; the largest businesses, with 50 or more employees, were the least likely to mention it (21 per cent).

Tax and regulations as obstacles to business

A third of businesses felt that taxation was an obstacle to the success of their business. VAT was the most-frequently-identified tax (24 per cent) (Section 5.5.1). Nearly nine-tenths of businesses who felt that tax was an obstacle said that it took money out of the business that could be used for investment (Section 5.5.2).

Some 43 per cent of all businesses thought that ‘regulations’ acted in some way to place obstacles in the way of their success. For the most part, when pressed more closely, these businesses frequently tended not to be able to identify specific or separate regulations which acted in this way (Section 5.6). Thus, for example, over a quarter of them (28 per cent) could not cite any particular regulation, and as many again indicated that no single regulation constrained them in this way.

In addition, 17 per cent mentioned sector-specific regulations, 14 per cent mentioned health and safety regulations, and 13 per cent mentioned environmental regulations. Among small businesses with employees, sector-specific regulations (19 per cent) and health and safety regulations (16 per cent) were the two most often identified.

Financing the business

The majority of businesses (85 per cent) had not sought external finance for their business at all in the past 12 months. Larger businesses were more likely to have sought such finance (Section 6.1).

The two reasons most frequently cited for seeking finance were for acquiring capital equipment/vehicles (43 per cent). Nearly a fifth (19 per cent) of businesses had applied for finance to buy land or buildings (Section 6.2). Over half of those who had sought finance had done so to fund new products, markets or technologies (Section 6.2.1).

Half of the businesses that had sought finance said that they had sought a bank loan, while 18 per cent had sought a grant (Section 6.3). Few small businesses had considered and used (under two per cent), or considered but not used, equity finance (two per cent) (Section 6.4).

The amount of money that had been sought varied widely; however, for nearly half of them (46 per cent), it had amounted to less than £25,000. Businesses with employees, and larger businesses, tended to seek larger amounts of money (Section 6.5).

Few businesses reported any difficulty in raising finance. Over three-quarters (79 per cent) of those who had tried had succeeded, and this proportion tended to increase with the size of the business. A further eight per cent had obtained some or all the

finance sought, but they had experienced problems in doing so. Just eight per cent of those trying had failed to obtain any finance at all (Section 6.6).

Late payment

For 69 per cent of businesses, late payment was viewed as either not a problem or not relevant as they did not provide customers with credit facilities. However, 19 per cent thought it was a problem, albeit a small one, and ten per cent considered late payment to be a big problem. Nearly half (47 per cent) stated it was a problem on occasion. Small businesses with between ten and 49 employees were more likely to identify late payment as a big problem (23 per cent) (Section 6.7.1).

Amongst those who provided credit for their customers, over half (55 per cent) agreed written terms and conditions with their customers (Section 6.7.2). Nearly four-fifths (78 per cent) of small businesses that provided credit had never taken a customer to court for failing to pay their debts (Section 6.7.3).

Over half (54 per cent) of managers of small businesses that provided credit were aware of the legislation dealing with late payment, but the proportion was much higher among the larger businesses (75 per cent among those with 50 or more employees) (Section 6.7.4).

Of those small businesses that knew about the legislation dealing with late payment, ten per cent of them had taken legal action under this legislation (Section 6.7.5).

Seeking advice about business regulation

Among small businesses as a whole, a third had sought advice or information from any external sources during the past year about regulations which might affect them. The likelihood of seeking such advice increases sharply with the size of the business – among medium-sized businesses, nearly a half (47 per cent) had done so (Section 7.1).

The most commonly cited reason for not seeking advice was that the business did not need help at the moment (69 per cent). One-fifth (21 per cent) stated that they have in-house expertise (Section 7.2).

Among small businesses as a whole, the main sources used for advice on regulation were their accountant (16 per cent of all businesses) or trade/business association (eight per cent). Just small numbers of respondents cited other sources: four per cent said their bank and a further six per cent mentioned customers, suppliers, other small businesses, friends, family or mentor. Five per cent mentioned the local authority and other regulators such as the HSE and Environment Agency (Section 7.4).

Nearly two-thirds of businesses in Wales had heard of Business Eye, the information and advice centre for small businesses in Wales (Section 7.7). Over one in ten of all businesses surveyed had used the facility (Section 7.8). Furthermore, between 17 and

32 per cent of businesses had heard of the services that were signposted by Business Eye (Section 7.9), but only a very few – around one or two per cent in each case – had used these services so far (Section 7.10).

Contact with, and use of, government services

Over half of all businesses owners (55 per cent) said that they had had contact with the government during the previous year. As the size of the business increased, they were more likely to have had contact; three-quarters (74 per cent) of medium-sized businesses said that they had had contact (Section 8.1).

There was some negativity amongst small businesses with regard to the range of government services delivered both locally and nationally. Around half of those businesses with employees agreed or strongly agreed with the following statements: ‘There are too many government agencies offering similar services’; ‘There is inconsistency in the quality of services delivered to business’, and ‘I would like government support to develop my business but struggle to find out what is available’ (Section 8.3).

Public procurement

All business owners were asked whether they had sought any work from the government or public sector in the past 12 months, and whether they had actually done any business for the public sector in the same period.

Overall, only six per cent of all businesses had expressed an interest or bid for public sector contracts and nine per cent of those with employees. This proportion varied according to size, with 16 per cent of medium-sized businesses having bid for work compared with six per cent of businesses with no employees (Section 8.5).

Of all small businesses, only 15 per cent had actually done public sector work in the past 12 months. This proportion was higher for businesses with employees (19 per cent) than those without employees (13 per cent). Their main public sector customers were local authorities (67 per cent), followed by further and higher education institutions (12 per cent) (Section 8.6).

Nearly a third of businesses in Wales said that selling to the public sector was not applicable to their business. The most commonly-cited barrier to selling more to the public sector was the effort involved in bidding or pre-qualifying (16 per cent) (Section 8.7).

Many of the small businesses were unaware of the Sell2Wales website, which is used to advertise public sector opportunities. Just 20 per cent had heard of the website at the time of the survey (Section 8.8).

Other issues

Crime

For many of the businesses in Wales, in fact the majority, crime was not seen as a very big problem. Only ten per cent overall viewed crime as a fairly big or big problem, and 17 per cent of businesses with employees (Section 9.1.1).

The vast majority of these businesses had not been a victim of crime in the last 12 months (89 per cent of all small businesses, or 78 per cent of businesses with employees). However, the larger businesses were more likely than the micro-businesses to have been a victim of crime: while 23 per cent of the largest businesses had been a victim on one or more occasions, this had happened to only 12 per cent of the micro-businesses (Section 9.1.2).

The crime was most likely to have involved criminal damage, burglary or robbery of some type (Section 9.1.4). Although over a third of businesses with direct experience of crime indicated that this had not affected their business (39 per cent), 40 per cent stated that the subsequent costs of replacements and repairs as a result of crime had impacted on their business (Section 9.1.5).

Staff training

A randomly selected half of small businesses with employees were asked about staff training provision at their business. In the year before the survey, some 47 per cent of businesses had provided or funded training or development, and 53 per cent had not. Larger businesses were more likely to have offered training or development opportunities, with 72 per cent of the largest businesses, with 50 or more employees, stating this was the case (Section 9.2.1).

Out of the 47 per cent of businesses that had provided or funded some form of staff training, over half stated that this training leads to a qualification (61 per cent). Again, the larger businesses were more likely to have provided or funded staff training which leads to a qualification (Section 9.2.2).

Looking in detail at the provision of training for business managers, it was found that three-quarters of businesses had not provided any training or development for their business managers in the past year. However, this was not the case amongst the largest businesses, with 50 or more employees, where the majority of businesses, 61 per cent, had trained at least one per cent of their business managers. Nonetheless, a lack of training and development provision for business managers was the general trend across employers, irrespective of type of business (Section 9.2.3).

Use of internet technology

Over three-quarters (77 per cent) of all small businesses use computers. The larger the business, the more likely they are to use computers – 98 per cent of medium-sized businesses use computers. Just over half of all small businesses use the internet. The most commonly-cited purposes for which businesses used the internet were email (91 per cent), purchasing (64 per cent) and for providing a business website (56 per cent) (Section 9.3).

VAT

Three-quarters of all small businesses were VAT registered, and large businesses were more likely to be VAT registered. Overall, more than half (54 per cent) of all small businesses had been VAT registered at the time of start-up. A further third (31 per cent) were registered prior to start-up (Section 9.4).

Home working

Home is the main business or work premises for over half (51 per cent) of all small businesses. Amongst those whose home is not the main business or work premises, 23 per cent worked from home at least one day a week (Section 9.5).

The main reasons given for working from home at all were that the respondent lives at the business premises (52 per cent), and convenience (15 per cent).

Innovation in products and processes

One-quarter of small businesses (26 per cent) had introduced some kind of new or improved product or service in the year before the survey (Section 9.6.1), while 13 per cent had introduced some kind of new process or way of working in that year (Section 9.6.2).

Family businesses

Over three-quarters (77 per cent) of business owners described their business as a family-owned one. For the most part, these were controlled by the first generation (64 per cent) or second generation (16 per cent) (Section 9.7).

Transfer/sale/closure of the business

The most common expectation about the future of the small businesses, was that they would remain in the families' hands (38 per cent), although over a fifth (22 per cent) said that they would probably sell the business at some point in the future.

Nearly a quarter (24 per cent) of all small businesses anticipated a full transfer of ownership in the next five years. The larger the business, the less likely they were to anticipate a full transfer (Section 9.8).

Insolvency

There was some dissatisfaction among small businesses with the current provisions for dealing with insolvency. Over half (54 per cent) of all small businesses considered the current provisions to be inadequate, while less than one in five (18 per cent) felt them to be adequate.

Small businesses were asked whether they would be willing to have dealings with bankrupts, both discharged and undischarged. Fewer than one-fifth of businesses would be willing to have dealings with a discharged bankrupt, while just 12 per cent were willing to have dealings with an undischarged bankrupt (Section 9.9).

Disability

The prevalence of long-standing illness, disability or infirmity among partners and directors in small businesses was reported as seven per cent. Businesses with employees were slightly more likely to have partners/directors with health issues than were those without employees (eight per cent compared to six per cent) (Section 9.10).

1 Introduction

Small businesses make a vital contribution to the overall health of the economy. Across the UK as a whole, the government intends to make the UK the best place in the world to start and grow a business. It wants:

- many more people, regardless of their background, to have the desire, skills and opportunity to start a successful business.
- everyone with the ambition to grow their business to be helped and supported.
- a supportive business environment, with all small businesses finding it easy to respond to government and to access its services.

It is the task of the Small Business Service (SBS), an agency of the Department of Trade and Industry (DTI), to work with the governments in the constituent countries to deliver this vision. In Wales, the Welsh Assembly Government has set out its economic vision in Wales: a Vibrant Economy. The Department for Enterprise, Innovation, and Networks delivers the economic agenda, and to support that agenda the Department undertakes activities to:

- support job creation and help individuals to tackle barriers to participation in the world of work.
- regenerate communities and stimulate economic growth across Wales.
- help businesses by supporting entrepreneurship, innovation, inward investment, trade, and skills as drivers to growth.

To assist with this aim, the SBS has undertaken an annual survey of the experiences and opinions of the owners of small businesses in 2003 and 2004. These built on previous experience with its Omnibus Survey of small businesses. This document is the report of the third, 2005 edition of the new survey. Fieldwork for this survey took place in the Autumn and Winter of 2005/06.

This third wave of the annual survey sought to:

- gauge the needs of small businesses, assess their main concerns, and identify the barriers which prevent them from fulfilling their potential.
- act as a sounding board for possible government actions to help small businesses; and
- record small businesses' expectations of government business support.

1.1 Introduction to the research

The survey is intended to be largely a listening exercise. It is mainly not designed to assess small business practice and behaviour, but rather, to assess the perspectives and concerns that inform that behaviour.

At its core is a systematic series of questions intended to throw light on small businesses' circumstances and concerns, especially where these intersect with the roles and responsibilities of government in general and of SBS in particular.

The key issues covered in this survey are:

- business objectives and growth
- barriers and obstacles to achieving business objectives
- financing the business
- business advice and support
- contact with, and use of, government services.

In addition, there is some analysis of:

- new businesses
- businesses without employees
- growing businesses
- markets served
- crime
- innovation
- staff training
- family businesses
- home working
- use of technology

- transfer/sale/closure of the business
- insolvency
- disability among SME managers.

1.2 Summary of the research method

The research procedures on which these results are based are summarised below. The discussion looks in turn at:

- sampling
- research procedures
- questionnaire
- weighting
- analysis variables
- guidance for interpreting the substantive results.

1.2.1 Sampling

As the sampling strategy aims to secure as representative a picture as possible of SMEs, it was initially structured according to two key features of small businesses, which our previous research has shown to be critical influences on SMEs' perspectives and behaviours.

- **Incorporation:** in constructing the sample frame, the aim was to include incorporated and unincorporated businesses in proportion to their existence in the universe of SMEs as a whole.
- **Employment:** the sample was then stratified according to employment size. The size bands were:
 - sole proprietors and partnerships without any employees, and limited companies with just one (ie a single executive director)
 - micro businesses, with one to nine employees (2-9 for limited companies)
 - small businesses, with ten to 49 employees
 - medium businesses, with 50 to 250 employees.

More businesses from Wales were sampled than would be required to match the proportion in the UK. This was so that the Welsh Assembly had a sufficiently large sample to be able to analyse Welsh businesses in detail. In addition, more micro, small and medium-sized businesses were sampled than would be required to match the

proportion in Wales, so that businesses in these size bands could also be studied separately in detail.

The survey covered 1,005 Welsh SMEs, broken down as follows:

Table 1.1: Sample size of UK survey (sample information)

	Wales
Zero	162
Micro	329
Small	349
Medium	165
<i>Total</i>	<i>1,005</i>

Source: Technical report

Businesses were selected at random from a sample that, in turn, had been randomly selected from the Dun and Bradstreet database of enterprises in the UK.

1.2.2 Research procedures

All interviews were conducted by telephone, using Computer Aided Telephone Interviewing (CATI) systems in the period between 10th October 2005 and 24th January 2006 (there was a hiatus period incorporated into the fieldwork to avoid the low response rates that are typically experienced over the Christmas holiday period). Interviews lasted on average about 34 minutes.

Businesses were selected at random from the database. The respondent would normally be the person in control of the business — the owner. In multi-owner businesses, any of the owners, partners or directors would be interviewed.

Several methods were used to maximise the response rate:

- Businesses were made aware that, by participating in the survey, their views would reach government and could have an effect on policy relating to their business.
- Where businesses were too busy, an appointment was made to call back at a better time.
- Evening interviewing was offered to those who felt that they were too busy during the day to take part.

The response rate for the survey on the contacted sample was 68 per cent. This represents a slight decline compared with last year. This is due to the following factors (based on both CATI system information and anecdotal evidence from interviews):

- The longer questionnaire led to a higher number of terminated interviews.

- The length of the questionnaire in 2004 led to some business owners/directors that had participated last year being reluctant to take part this year. This issue was fed back by the field team.
- 'Response fatigue' is currently a widely acknowledged issue across the market research industry, and there is some evidence of a generalised decline in response rates for other surveys, particularly those conducted amongst businesses.

A small sub-sample of respondents participated in both the 2004 and 2005/06 surveys – 44 in total. The profile of these individuals is shown in Table 1.2, below.

Table 1.2: Profile of repeat interviews (2004 to 2005/6)

No. of employees	
Zero	12
Micro	14
Small	7
Medium	11
<i>Legal status</i>	
Sole proprietorships	17
Partnerships	11
Companies	16
<i>Broad industrial classification</i>	
Primary	22
Production	8
Construction	0
Services	14
<i>Total</i>	<i>44</i>

Source: Technical report

1.2.3 Questionnaire

The questionnaire was developed to investigate the core topics in the SBS Strategy with ad hoc topics for respondents in Wales, including awareness and usage of Business Eye, awareness of the Sell2Wales website and environmental actions undertaken. Because of the large sample size, the opportunity was taken to increase the range of topics covered by the research. Questions concerning late payment, crime and training issues were asked to a random half of the Wales sample. Questions on innovation were also included for the whole sample (although these were asked of only half the English respondents).

The questionnaire contained a combination of open and closed questions. Where multiple-choice responses were offered to the respondent, they were rotated, to make sure that overall responses were not biased towards responses at the top of the list.

As the hard copy of the final questionnaire is rather long, we do not include a copy as an annex to this report. However, a PDF file of the questionnaire may be found at the bottom of this web page: <http://www.sbs.gov.uk/analytical/publicationsbytheme.php>

1.2.4 Weighting

As the sample was not constructed to reflect the distribution of businesses by size in the UK as a whole, the results were weighted. A consistent approach was taken to weighting across all four nations, with the results being weighted to reflect the true proportions of businesses in each size band and country. This involves giving each respondent a weight calculated as follows:

- total number of organisations in that size band in that country

divided by

- number of organisations in that size band in that country in the sample.

Thus, for example, among small businesses in Wales, the weighting factor would be:

- total number of small business in Wales (6,500), divided by
- number of organisations in that size band in that country in the sample (350)
- $= 6,500/350 = 19.29$.

Where questions have been asked to sub-sets of the sample as a result of the rotating of questions, the responses have been weighted separately to reflect this.

1.2.5 Analysis variables

The main variable definitions used in the main and appendix data tables are presented in Table 1.3, and with them the 'standard errors' which must be kept in mind in their use.

1.2.6 Guidance for interpreting the substantive results

The vast majority (71 per cent) of SMEs have no employees and therefore results for all SMEs will be heavily influenced by the views of these very smallest businesses. To aid readers' understanding of the substantive results, most of the subsequent tables in this report distinguish between:

- all small businesses (ie those with, and those without, employees)
- businesses without employees
- businesses with employees.

Table 1.3: Variable specifications with definitions

	Heading	Variable definition (from Questionnaire)	Weighted sample base	Unweighted sample base	Standard error (max. at 95% confidence)*
All businesses		ALL	370	1005	+/-3.09%
With or without employees	Without	22/1=0 and/or Q23/1 or Q24/1	264	162	+/-7.70%
	With	22/1>0 and/or 23/2 - 4 or 24/2 - 6	106	843	+/-3.38%
Employment size (businesses with employees only)	Micro 1-9	22/1-9 or 23/2 and 24/2	91	329	+/-5.40%
	Small 10-49	22/10-49, 23/3 and 24/3-4	13	349	+/-5.25%
	Medium 50-250	22/50-250, 23/4 and 24/5-6	2	165	+/-7.63%
Industrial sector (grouped SICs) (businesses with employees only)	Primary AB	15/AB	12	51	+/-13.72%
	Production CDE	15/CDE	14	188	+/-7.15%
	Construction F	15/F	4	66	+/-12.06%
	Services G-O	15/G-O	76	538	+/-4.23%
Proposing growth in 2 or 3 years (businesses with employees only)	Yes	60/1	57	525	+/-4.28%
	No	60/2	49	318	+/-5.50%
Age of business (businesses with employees only)	< 4 years	17/1-4	8	39	+/-15.69%
	4-10 years	17/5-7	34	219	+/-6.62%
	> 10 years	17/8-9	64	585	+/-4.05%
Management team composition (businesses with employees only)	Women led	16/1 and 242/2 or 204/>50%	311	736	+/-3.61%
	MEG led	16/1 and 206a/1 or 207/50%+	175	356	+/-5.19%
UK region (businesses with employees only)	England (All)	20/1	2,122	5,030	+/-1.38%
	London and SE England	18	764	1,735	+/-2.35%
	NE England	18	109	312	+/-5.55%
	NW England	18	224	468	+/-4.53%
	Eastern England	18	259	550	+/-4.18%
	East Midlands	18	154	341	+/-5.31%
	West Midlands	18	199	425	+/-4.75%
	North England	18	178	365	+/-5.13%
	SW England	18	236	834	+/-3.39%
	Wales	20/4	106	843	+/-3.38%
	Scotland	20/2-3	173	835	+/-3.39%
	Northern Ireland	20/5	72	502	+/-4.37%

Source: Technical report * Standard errors are estimated on the unweighted bases

In many cases, the results for this last group (businesses with employees) are of more interest and importance economically – these businesses account for 75 per cent of SME employment and 85 per cent of SME turnover. Consequently, much of the analysis which follows (and all of the tables in the appendix) focus on them.

When comparing results between sub-samples, the majority of comparisons noted will be statistically significant. However, in some cases, where sub-samples are further reduced, because of the impact of a filter question for instance, differences will not always be statistically significant. It is necessary, therefore, to be cautious in interpreting some results that are based on smaller sample sizes.

Throughout this report, data is presented in whole integers and decimal places are generally ignored. The figures reported are therefore rounded either up (where 0.5 and above) or down. Consequently, totals may not always sum to exactly 100 per cent. In addition, results of less than 0.5 per cent are indicated by an asterisk (*) and, if no results are observed from this sample, by 0 per cent.

2 Key Characteristics of Small Businesses in Wales

In this first chapter, data relating to a number of key features of small businesses in Wales are presented. This is done for two reasons: firstly, in themselves these data provide a good description of some of the more important features of small businesses; and secondly, in the remainder of the report, these features are used as the main analytical variables against which small businesses' responses to more substantive questions about their policies, practices, experiences and beliefs will be evaluated.

The chapter is therefore divided into two parts, each of which focuses on a different set of these characteristics. The first set reflects the key variables used in the substantive text of this report, and the second reflects the variables used to provide further insight in the appendix tables.

Accordingly, the main variables discussed first are:

- the size of the business in terms of the number of staff employed
- the industrial and commercial sectors in which small businesses are found.

The chapter then moves on to consider a supplementary set of variables that are shown in detail in the appendix tables. In this second section of the chapter the following variables are considered:

- financial turnover
- legal form of the business
- management team composition, in particular, the proportion of women-led businesses
- recent experiences of employment growth
- expectations of business growth

- export activity
- age of business.

2.1 Number of staff employed

We start by considering the number of staff employed within small businesses. A key defining characteristic of the small business is that it has relatively few employees. In sampling for this survey, Welsh businesses with a current headcount of up to 249 staff employed directly by the business (that is, including both full-time and part-time workers, and temporary/casual staff, but excluding any self-employed or agency workers) were included. In practice however, some businesses were unclear about the precise number employed, and where they responded '250', their response was included in the results. Thus, in the tables that follow, the medium sized businesses are labelled as '50-250 employees', rather than the more conventional label of '50-249'.

It should be noted that employment size is one of the variables that was used to weight the achieved sample to make it representative of small businesses across the UK. This weighting was applied according to the Small Business Service (SBS) Small and Medium-sized Enterprise (SME) Statistics. Table 2.1 shows the size distribution of businesses in Wales in the survey after this weighting process had been carried out. These data therefore accurately reflect the size distribution of the Welsh SME population.

Table 2.1: Distribution of company size amongst respondents (Q22, 23, 24)

Proportions who said...	All businesses (Wales)	All businesses (UK as a whole)
Zero	71%	71%
Micro (1-9 employees)	25%	24%
Small (10-49 employees)	4%	4%
Medium (50-250 employees)	1%	1%
<i>Unweighted base</i>	<i>1,005</i>	<i>8,640</i>

Base: All businesses (weighted data); unweighted N (Wales) = 1,005, N (UK) = 8,640

We can see that:

- there is a similar distribution of small and medium-sized businesses in Wales as there is across the UK as a whole.
- there is a preponderance of businesses in Wales that employs nobody except the owner or partners. Almost three-quarters of the businesses covered (71 per cent) have no employees or are sole proprietors.
- even where businesses have employees, in most cases the number employed is small. A quarter of businesses have only between one and nine employees, and four per cent have between ten and 49.

- the proportion of SMEs employing 50 to 250 staff is minute in comparison to the achieved sample as a whole, with fewer than one per cent of businesses falling into this category.

2.2 Distinguishing between businesses with, and without, employees in this report

As Table 2.1 shows, the great majority of small businesses have no employees. Therefore, the survey necessarily covers such sole proprietors, irrespective of how the proprietor described themselves when responding to the survey (self employed, sole proprietorships, business's only employee, etc.). Because such businesses are so predominant in Wales and in the UK in general, much of the analysis that follows distinguishes between these two types of small business, so that tables typically report the data for all small businesses, including those with no employees, and then breaks this overall figure down to show figures for businesses with no employees, and for those with at least one employee.

Most of the tables used throughout the main text of this report are designed to show this distinction. The results are presented in sequential columns, which show the data relating to:

- all small businesses, including those with no employees. These are shown in the first column, labelled 'all'.
- businesses without employees and with at least one employee, shown in columns two and three and labelled 'without employees' and 'with employees' respectively.

The top part of each table then continues with comparison data from the UK as a whole, again displayed in the sequence 'all', 'without employees' and 'with employees'.

In the lower section of each table are columns covering only those Welsh businesses that have at least one employee (labelled 'Wales: businesses with employees only'). These are displayed split according to:

- employment size – that is, the size of the business based on number of employees
- industrial sector – primary, production, construction or services.

By contrast, the Appendix tables just cover businesses with at least one employee, and do not contain data on businesses with no employees.

2.3 The industrial and commercial sectors in which small businesses are found

What the business does might be expected to have implications for the way it behaves and for the way it is organised. To assess this, businesses were asked what their business actually did. The results are shown in Table 2.2.

In order to facilitate analysis by industrial sector in the remainder of the report, businesses have been grouped into four blocks according to their main business activity. These are shown in Figure 2.1. The blocks align with the Standard Industrial Classification (SIC92), as follows:

- *Primary sector.* This includes agriculture, hunting, forestry and fishing. The figure shows that, in Wales, this grouping accounts for 29 per cent of all small businesses, but just 11 per cent of those with employees. This sector accounts for a much larger proportion of employment in Wales than it does across the UK as a whole, where it accounts for just eight per cent of activity.
- *Production industries.* This including mining and quarrying; manufacturing; and electricity, gas and water supply. Production industries account for 11 per cent of all small businesses in Wales, and 13 per cent of those with employees – quite similar to the figures for the UK as a whole, which are 11 per cent and 16 per cent respectively.

Table 2.2: Businesses' main business activity (Q15)

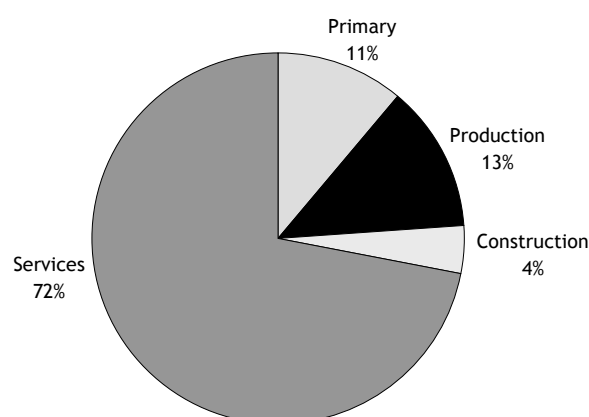
Proportions who said...	All businesses (Wales)			All businesses (UK as a whole)		
	All	Without employees	With employees	All	Without employees	With employees
A - Agriculture, hunting and forestry	29%	36%	11%	8%	10%	4%
C - Mining and quarrying	1%	1%	*%	*%	*%	*%
D - Manufacturing	10%	9%	13%	11%	8%	16%
E - Electricity, gas and water supply	*%	0%	*%	*%	0%	*%
F - Construction	4%	4%	4%	10%	11%	8%
G - Wholesale and retail trade, repair of motor vehicles and motorcycles	20%	18%	26%	27%	28%	27%
H - Hotels and restaurants	11%	8%	20%	5%	4%	8%
I - Transport, storage and communication	3%	2%	4%	4%	3%	5%
J - Financial intermediation	1%	1%	1%	2%	1%	2%
K - Real estate, renting and business activities	16%	17%	14%	25%	26%	23%
M - Education	*%	0%	*%	*%	0%	*%
N - Health and social work	*%	0%	1%	*%	*%	1%
O - Other community, social and personal activities	5%	4%	6%	7%	8%	6%
<i>Unweighted bases</i>	<i>1,005</i>	<i>162</i>	<i>843</i>	<i>8,640</i>	<i>1,430</i>	<i>7,210</i>

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses (weighted data); unweighted N (Wales) = 1,005, (UK) = 8,640

- *Construction*. This group of businesses accounts for just four per cent of all small businesses, and this figure is the same for businesses with and without employees. This is half the percentage employed in the UK as a whole.
- *Service sector businesses*. These include retailing, hotels and restaurants, transport and communications, financial services, business services, education, health and social work, and other services. This group of businesses accounts for the bulk of the sample within both Wales and the UK as a whole, comprising 55 per cent of all Welsh small businesses and 72 per cent of those small businesses in Wales that have employees. The equivalent figures for the UK as a whole are 57 per cent and 71 per cent respectively.

Figure 2.1: Distribution of business activities (Q15)



Base: Small businesses with employees; weighted data; unweighted N = 843

2.4 Financial turnover

All businesses in Wales were asked to provide details of their financial turnover in the previous 12 months. Some were reluctant to provide this figure, and others could not say with any certainty. In some cases, this difficulty arose because this period did not align with their accounting year. Altogether, some 31 per cent would not, or could not, say what their turnover had been.

Despite this, Table 2.3 shows the breakdown in eight main financial groupings, and distinguishes between all respondents and those who could provide the data.

Table 2.3: Can you please tell me the approximate turnover of your business in the past 12 months? (Q184)

	All businesses (Wales)			Businesses that gave an estimate (Wales)			All businesses (UK)			Businesses that gave an estimate (UK)		
	All businesses	Without employees	With employees	All businesses	Without employees	With employees	All businesses	Without employees	With employees	All businesses	Without employees	With employees
Less than £60,000	34%	43%	10%	49%	63%	14%	29%	37%	10%	41%	53%	13%
£61,000 - £99,999	7%	6%	9%	10%	9%	13%	10%	11%	7%	14%	16%	10%
£100,000 - £249,999	15%	14%	18%	22%	21%	26%	14%	12%	18%	19%	17%	24%
£250,000 - £499,999	4%	1%	9%	5%	2%	14%	7%	4%	14%	10%	6%	19%
£500,000 - £999,999	5%	2%	11%	7%	4%	16%	5%	3%	12%	7%	4%	16%
£1m - £1.49m	2%	1%	5%	3%	1%	8%	2%	1%	5%	3%	2%	7%
£1.5m - £2.8m	1%	0%	3%	1%	0%	5%	2%	1%	5%	2%	1%	6%
More than £2.8m	2%	1%	4%	2%	1%	6%	2%	1%	4%	2%	1%	6%
Don't know	15%	16%	12%	0%	0%	0%	9%	9%	8%	0%	0%	0%
Refused	16%	15%	19%	0%	0%	0%	20%	21%	19%	0%	0%	0%
<i>Unweighted bases</i>	<i>1,005</i>	<i>162</i>	<i>843</i>	<i>749</i>	<i>111</i>	<i>638</i>	<i>8,640</i>	<i>1,430</i>	<i>7,210</i>	<i>6,386</i>	<i>996</i>	<i>5,390</i>

Note: 0% = no cases observed.

Base: As shown in column titles; weighted data; unweighted N (Wales) = 1,005, (UK) = 8,640

The data show that:

- nearly half (49 per cent) of all those businesses in Wales who provided an estimate had a turnover of less than £60,000 (the threshold for VAT registration at the time of the survey). This is higher than for the UK as a whole, for which the equivalent figure is 41 per cent.
- as might be expected, there is a smaller proportion of businesses with employees with a turnover of less than £60,000 – just 14 per cent. This is very close to the figure for the UK as a whole, which is 13 per cent.
- again, still looking at businesses that provided an estimate, some 32 per cent had a turnover of between £61,000 and £249,999. The figure for businesses with employees is slightly higher, at 39 per cent.
- some 15 per cent of businesses in Wales who provided an estimate had a turnover of between £250,000 and £1.49 million. Among businesses with employees, this rises to 38 per cent. These figures for Wales are slightly lower than for the UK as a whole, for which the equivalent figures are 20 and 42 per cent respectively.
- one per cent of Welsh small business had a turnover of between £1.5 million and £2.8 million, which represents the limit of the Companies Act definition of small businesses. Again, this proportion is higher among businesses with employees, at five per cent; and finally
- two per cent of the Welsh businesses had a turnover above £2.8 million, with this figure rising to six per cent among businesses with employees. It should be noted that both these figures are identical with those for the UK as a whole.

Irrespective of whether or not they could provide an estimate of the level of their turnover, businesses were asked whether or not it had increased or decreased during the previous 12 months. Again, there was some reluctance to say and some uncertainty, with some 13 per cent in all not providing an answer.

As Table 2.4 shows:

- some 44 per cent of all small businesses in Wales reported no change in their financial turnover during the past year, with slightly less (41 per cent) of businesses with employees reporting this was the case. Both these figures are slightly higher than for the UK as a whole.
- 24 per cent of small businesses in Wales reported an increase in turnover during this period, and this was much more marked among businesses with employees (33 per cent), and correspondingly less so among those without (21 per cent). In each category, the equivalent figure for the UK as a whole is a few percentage points higher.

Table 2.4: Compared with the previous 12 months, has your turnover in the past 12 months increased, decreased or stayed roughly the same? (Q185)

	All businesses (Wales)			All businesses (UK)		
	All businesses	Without employees	With employees	All businesses	Without employees	With employees
Increased	24%	21%	33%	29%	26%	36%
Decreased	18%	20%	15%	19%	20%	17%
Stayed the same	44%	46%	41%	40%	41%	38%
Don't know	8%	9%	8%	5%	5%	4%
Unwilling to answer	5%	5%	4%	6%	7%	5%
Unweighted bases	1,005	162	843	8,640	1,430	7,210

Base: As shown in column titles; weighted data; unweighted N (Wales) 1,005, (UK) = 8,640

- just under a fifth of small businesses in Wales (18 per cent) had seen a reduction in turnover in the past year, just under what was seen across the UK as a whole (19 per cent).

Where turnover had increased, the average reported rise was 16.2 per cent.

Turning now to respondents' expectations regarding possible future changes in turnover, Table 2.5 shows that:

- a substantial proportion (44 per cent) of Welsh businesses expect there to be no change in their turnover.
- about a third of all small businesses (31 per cent) and 41 per cent of those with employees, expected to see an increase in turnover in the coming year, while fewer (11 per cent overall, and nine per cent among businesses with employees) expected a reduction. It can be seen that the figures for the UK as a whole are similar, with 33 per cent of all businesses and 43 per cent of those with employees expecting an increase, while nine per cent of all UK businesses expect a decrease (and eight per cent of those with employees).

Table 2.5: In the next 12 months do you expect your turnover to increase, decrease, stay roughly the same? (Q.186)

	All businesses (Wales)			All businesses (UK)		
	All businesses	Without employees	With employees	All businesses	Without employees	With employees
Increase	31%	27%	41%	33%	29%	43%
Decrease	11%	12%	9%	9%	10%	8%
Stay the same	44%	46%	37%	43%	45%	39%
Don't know	9%	10%	8%	8%	8%	5%
Unwilling to answer	5%	5%	4%	6%	7%	4%
Unweighted bases	1,005	162	843	8,640	1,430	7,210

Base: As shown in column titles; weighted data; unweighted N (Wales) = 1,005, (UK) = 8,640

2.5 Legal form of the business

Welsh businesses were asked about the legal form in which they were organised.

Table 2.6 shows their responses, distinguishing between all businesses and those with employees and showing the equivalent data for the UK as a whole.

Table 2.6: What is the legal form of your business? (Q16)

	All businesses (Wales)			All businesses (UK)		
	All businesses	Businesses without employees	Businesses with employees	All businesses	Businesses without employees	Businesses with employees
Proprietorship/Sole traders	48%	56%	27%	47%	57%	21%
Private Ltd Company (LTD)	28%	21%	46%	35%	27%	57%
Public Ltd Company (PLC)	*%	0%	*%	*%	0%	*%
Limited partnership	*%	0%	*%	*%	*%	*%
Private Unlimited Company	*%	0%	*%	*%	*%	*%
Partnership	24%	23%	26%	17%	16%	20%
Co-operative	*%	0%	*%	*%	0%	*%
Private Company Limited by Guarantee	*%	0%	1%	*%	*%	1%
Friendly Society	*%	0%	*%	*%	0%	*%
<i>Unweighted bases</i>	<i>1,005</i>	<i>162</i>	<i>843</i>	<i>8,640</i>	<i>1,430</i>	<i>7,210</i>

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; weighted data; unweighted N (Wales) = 1,005; (UK) = 8,640

Table 2.6 shows that:

- amongst Welsh businesses that do not have employees, over half (56 per cent) were working as sole proprietors or traders, and this was much less common among businesses with employees (27 per cent).
- by contrast, private limited companies were most common among businesses with employees, although nonetheless they constitute less than half (46 per cent) of these. There were far fewer (21 per cent) private limited companies amongst businesses without employees. This pattern reflects what is seen across the UK as a whole.
- more partnerships are seen in Wales than in the UK as a whole – 24 per cent in Wales compared with 17 per cent of all businesses in the UK. These were slightly more common among businesses with employees (26 per cent in Wales, 20 per cent across the UK).
- all other legal forms were extremely rare.

2.6 Composition of the management team

An important area for the Welsh Assembly Government is to encourage more enterprise among under-represented groups and disadvantaged communities. This strategy aims to increase entrepreneurial activity in places and among people where it is currently low.

One of the groups of people who are important targets for this strategy is women. Consequently, the survey collected information in some detail about the characteristics of the managers in the respondent organisations, and in particular, the gender composition of their management teams. These results are reported in this section.

2.6.1 Women-led businesses

Women-led businesses are defined as those in which women constitute more than 50 per cent of the partners or directors.

Table 2.7: Male and female leadership of businesses; all businesses (including those with and without employees) (Q 204)

	All businesses (Wales)	Businesses with employees (Wales)	All businesses (UK)	Businesses with employees (UK)
Wholly male led	57%	47%	62%	51%
Majority male led	6%	7%	3%	7%
Wholly female led	19%	13%	16%	10%
Majority female led	*%	1%	1%	2%
Equally led	19%	31%	18%	29%
Not known	*%	0%	1%	1%
<i>Unweighted bases</i>	<i>1,005</i>	<i>843</i>	<i>8,640</i>	<i>7,210</i>
More than 50 per cent female leadership	19%	14%	17%	12%

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; weighted data; unweighted N (Wales) = 1,005; (UK) = 8,640

The table reveals that:

- just over 19 per cent of all small businesses in Wales, and 14 per cent of businesses with employees were either managed solely by women, or had women as a majority (ie more than 50 per cent) of directors. These figures are slightly higher than for the UK overall.
- in 31 per cent of businesses with employees (19 per cent of all businesses) there were equal numbers of men and women on the management team. Again, these figures are slightly higher than for the UK as a whole.
- women formed a minority of the management team in six per cent of all businesses; and

- 47 per cent of businesses with employees (57 per cent of all businesses) were led solely by men. These figures for Wales are slightly lower than for the UK as a whole.

2.7 Recent experiences of employment growth

In order to derive a wider indicator of growth trends among these small employers, two indicators of past and anticipated job growth were combined into a single indicator. This indicator is shown in Table 2.8.

Table 2.8: Recent experiences of employment growth

	All businesses (Wales)			All businesses (UK)		
	All businesses	Businesses without employees	Businesses with employees	All businesses	Businesses without employees	Businesses with employees
Sustained growth	2%	0%	7%	2%	0%	6%
Contained growth	3%	0%	12%	4%	0%	13%
New growth	22%	26%	12%	19%	22%	10%
No growth	73%	74%	69%	76%	78%	71%
Unweighted bases	994	161	833	8,554	1,422	7,132

Base: All businesses; weighted data; unweighted N (Wales) = 994, (UK) = 8,554

- **Sustained growth:** this is defined as businesses in which employment had grown in the past year and expected to grow again in the next one; only two per cent of businesses overall fell into this grouping, and this was the same in Wales as for the UK as a whole. In Wales and across the UK, the businesses that gave this response were entirely those who had employees, where they constituted seven per cent of businesses in Wales, compared with six per cent across the UK.
- **Contained growth:** this is defined as businesses in which employment had grown in the past year but was not expected to grow again in the next one – three per cent of Welsh small businesses fell into this category, compared to four per cent across the UK. In both cases these responses came entirely from those businesses with employees – some 12 per cent of Welsh businesses with employees fell into this grouping, compared with 13 per cent across the UK.
- **New growth:** defined as businesses in which employment had not grown in the past year but expected to grow again in the next one; among businesses with employees, some 12 per cent fell into this group, and rather more among businesses without employees (26 per cent). In both cases, these figures were slightly higher than for the UK as a whole; and
- **No growth:** defined as businesses in which employment had not grown in the past year and was not expected to grow in the next year. By far the largest single group of businesses overall (73 per cent) fell into this grouping. Slightly more of the businesses without employees (74 per cent) felt this to be the case than did those

that had employees (69 per cent). Overall, a slightly lower proportion of the Welsh businesses fell into this group than did across the UK as a whole.

Some caution needs to be exerted in considering these figures, for they are based on individuals' expectations regarding growth and as such may not be realised. The data suggest that the experience of employment growth is not widespread among small businesses, and where it is experienced it is frequently not sustained for two years running. Altogether, some 31 per cent of Welsh businesses with employees had experienced or expected to experience employment growth in the two-year period concerned, but for only seven per cent of them did this extend to both years.

2.8 Perceived employment growth and prospects

Small businesses constitute an extremely important part of the employment structure of the economy, and the buoyancy of the labour market is strongly influenced by changes in their demand for labour. In order to assess this, businesses were asked about their anticipated employment growth. While this is an important forward indicator in its own right, it is of additional importance as it may serve to indicate rising or falling levels of business confidence. While this may not be as direct an indicator as, say, financial turnover, employment growth was used as an alternative indicator of business confidence because of reservations concerning respondents' receptivity to, and ability to answer accurately, questions about changes in business turnover.

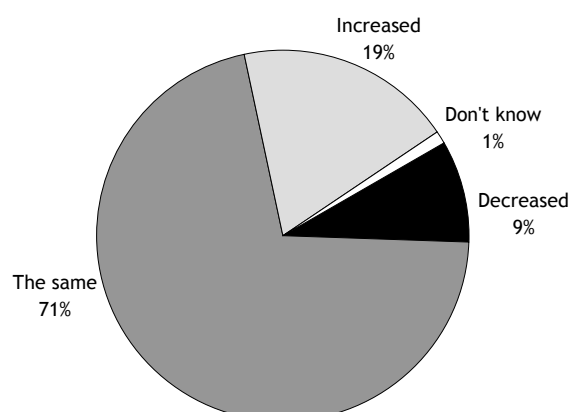
The survey asked respondents about both past and anticipated job growth. Looking first at job growth in small businesses in Wales in the past year, and looking just at those businesses that employed people, Figure 2.2 revealed that:

- across all employers in small businesses in Wales, 19 per cent had increased the numbers of people they employed.
- 71 per cent had retained the same numbers of staff; and
- nine per cent had reduced their headcount.

Looking next at employers' expectations regarding the likely changes in the numbers of people they would employ in the year to come, Figure 2.3 shows that:

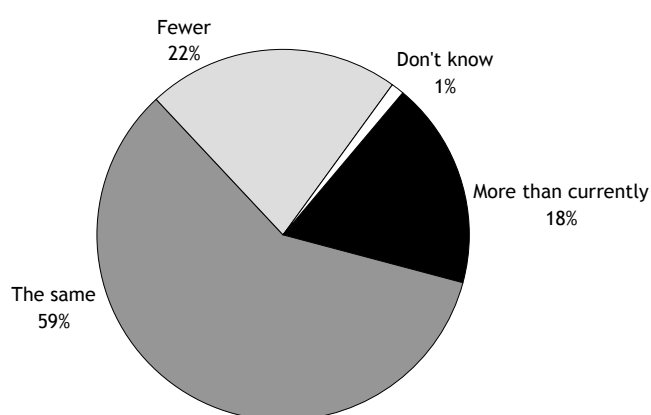
- 18 per cent of employers in small businesses in Wales expected to increase the numbers of people they employed
- 59 per cent expected the numbers they employed to stay the same; and
- 22 per cent expected to reduce their headcount.

Figure 2.2: Distribution of change in number of people employed over past 12 months (Q25,Q26)



Base: All employers, weighted data; unweighted N = 843

Figure 2.3: Distribution of employment growth prospects (Q30,Q31)



Base: All employers, weighted data; unweighted N = 843

2.9 Whether or not the business exports outside the UK

The survey found that 11 per cent of all Welsh small businesses, and 12 per cent of those with employees, did at least some of their business outside the UK. This is a lower proportion than is seen in small businesses across the UK in general, where the equivalent figures are 17 and 22 per cent respectively.

Table 2.9: Does your business currently sell outside the UK? (Q35)

Proportions who said...	All businesses (Wales)			All businesses (UK)		
	All	Without employees	With employees	All	Without employees	With employees
Sell outside the UK	11%	10%	12%	17%	15%	22%
Do not sell outside the UK	89%	90%	88%	83%	85%	77%
Don't know	*%	1%	*%	*%	*%	*%
Unweighted bases	1,005	162	843	8,640	1,430	7,210

Note: * = less than 0.5 per cent.

Base: All businesses; weighted data; unweighted N (Wales) = 1,005, (UK) = 8,640

Those businesses that did not currently export were asked whether or not they had any plans to start doing so in the next two years. The analysis shown in the appendix tables distinguishes only between businesses that are 'current exporters' and those who are not. The responses of this group of Welsh businesses are shown in more detail in Table 2.10, below. The data show that the vast majority have no plans to start exporting in the next two years; only two per cent overall plan to do so.

Table 2.10: Proportion of non-exporting businesses that plan to start exporting in the next two years (Q36)

Proportions who said...	All businesses that do not currently export (Wales)			All businesses that do not currently export (UK)		
	All	Without employees	With employees	All	Without employees	With employees
Plan to start exporting	2%	1%	2%	2%	2%	3%
No plans to sell outside the UK	98%	99%	98%	98%	98%	98%
Unweighted bases	828	146	682	6,627	1,243	5,384

Base: Small businesses that do not currently export; weighted data; unweighted N (Wales) = 828, (UK) = 6,627

Although it is not reported in the Appendix tables, the survey also sought information from all businesses with employees on their present patterns of trade. The results are shown in Table 2.11.

Table 2.11: Locations where customers or markets are based (prompted) (Q38/Q39/Q40/Q41)

	Businesses with employees only				
	All	Wales	England	Scotland	N Ireland
Mostly within the local town or county	37%	49%	35%	50%	44%
Mostly within the region	21%	23%	20%	27%	38%
Mostly within the country or the UK	36%	25%	39%	18%	7%
Mostly within the European Union	3%	1%	3%	2%	9%
Mostly outside the European Union	2%	1%	2%	1%	1%
Don't know	1%	*%	1%	1%	*%
Unweighted bases	7,210	843	5,030	835	502

Base: All businesses with employees; weighted data; unweighted N (Wales) = 843, (UK) = 7,210

Here we can see that:

- compared to the UK as a whole, more small businesses in Wales trade locally, within their local town, or at most, within their county (49 per cent compared with 37 per cent).
- a further 23 per cent trade within their region, slightly more than the UK average of 21 per cent.
- a quarter (25 per cent) mostly traded within Wales or the UK generally.
- thus for almost three-quarters of these employers, most of their business was within their home county or region, while for most of the rest (25 per cent in all) their main market was within Wales or the UK as a whole.
- very few Welsh small businesses do most of their business outside the UK – just two per cent in total, compared with five per cent across the UK as a whole.

2.10 Chapter summary

Perhaps the most prominent characteristic of small businesses in Wales, and indeed in the UK, is the numerical dominance of businesses that have no, or very few, employees. Looking at all Welsh businesses with a headcount of up to 250 people, some 71 per cent of them have no employees at all, and 25 per cent have fewer than ten. Just five per cent of all small businesses in Wales have more than ten employees.

Whether or not they have employees, the service sector accounts for the bulk of the sample; fully 72 per cent of businesses with employees are in the service sector, 13 per cent are in production, 11 per cent in the primary sector and just four per cent in construction.

The turnover of small businesses is substantial. Unfortunately, some 31 per cent of businesses could not, or would not, provide financial information. Around a third had a turnover below £60,000; a further 36 per cent had turnovers ranging between £61,000 (the VAT threshold at the time of the survey) and more than £2.8 million.

Just under half of all small businesses with employees (47 per cent) were managed solely by men, while 14 per cent were managed solely by, or by a majority of, women.

Just over a third of businesses with employees did most of their business within the local town or county. However, over one in ten of small employers (11 per cent) were exporters, conducting at least some of their business outside the UK. However, for most of these, their principal markets were close to home, with exports providing only a minority of their turnover. Thus, only five per cent overall said that most of their business was conducted abroad.

3 New Businesses

An important strategic theme for the Welsh Assembly Government is to encourage a more dynamic start-up market and to build an 'enterprise culture'. Developing an 'enterprise culture' will boost productivity and economic growth by encouraging economic efficiency and raising productivity levels in the economy. In part these gains will be due to these innovative new businesses displacing their less effective competitors.

This chapter focuses solely on newly established businesses, defined as those which:

- are less than four years old, or
- have had a change in ownership in the last three years and the new owner was not involved in the businesses start-up.

Methodology for the survey is set out in Chapter 1. The table in this chapter is expanded upon in the relevant Appendix to include further breakdowns of the results, such as geographical location, age of business, intention to grow and gender of ownership.

3.1 New businesses

All businesses were asked for how many years the business had been trading, under all ownerships and all legal statuses. They were then asked whether there had been a change of ownership in the last three years, and whether or not the new owner was involved in the start-up of the business. Where the business was under four years old, or there had been a change of ownership in the last three years and the new owner was not involved in the start-up of the company, then the business was defined as a recent start-up.

Table 3.1 opposite shows the number of businesses defined as a recent start-up; firstly for all businesses in Wales, and then looking in more detail at those businesses that employed staff and those that did not. Comparison figures for the UK are shown. In the lower section, variations between different sizes of business that employed staff and between the four main sectors are compared.

So far as small businesses as a whole are concerned, the survey showed that:

- nine per cent of all businesses were defined as recent start-ups. This is very close to the figure for the UK as a whole, where ten per cent of businesses are recent start-ups.
- there was some difference in the proportion of businesses with or without employees that were more likely to be recent start-ups – 11 per cent and eight per cent respectively. While the proportion of start-up businesses with employees is the same in Wales as across the UK generally, a slightly smaller proportion of companies without employees in Wales are recent start-ups compared to the UK as a whole (eight per cent cf 12 per cent).

Looking just at those businesses that employed staff, it can be seen that:

- businesses that were recent start-ups were more likely to have fewer employees. Some 12 per cent of micro businesses with fewer than ten employees were new start-ups, compared to just six per cent of medium (50 or more employees) and five per cent of small businesses (between ten and 49 employees).
- some 12 per cent of businesses operating in the service industrial sector were recent start-ups, compared to ten per cent in production, five per cent in primary industries and just one per cent in construction.

Table 3.1: Whether business is a 'recent start-up' (ie less than four years old)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Recent start-up	9%	8%	11%	12%	12%	11%
Not a recent start-up	91%	92%	89%	88%	88%	89%
Unweighted N =	1,005	162	843	8,640	1,430	7,210

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Recent start-up	12%	5%	6%	5%	10%	1%	12%
Not a recent start-up	88%	95%	94%	95%	90%	99%	88%
Unweighted N =	329	349	165	51	188	66	538

Base: Wales, all businesses; unweighted N = 1,005

3.2 Previous activities, rationale for starting a new business, challenges and obstacles and finance arrangements

Start-up businesses were asked a series of questions regarding the previous activities of the manager, their rationale for starting or taking over the business, the challenges and obstacles they had faced and the finance arrangements they had used.

The sample size for Wales of new business managers was only 80, which was too small to analyse the issues faced by them in detail. However, these results are available at the UK level, and can be found in Chapter 3 of the UK report, to be published on the Small Business Service website at:

(<http://www.sbs.gov.uk/sbsgov/action/detail?r.l3=7000000231&r.12=7000000239&r.11=7000000229&r.s=sc&type=RESOURCES&itemld=7000027837>).

The results for Wales can nonetheless be found in the tables given in the Appendix, although these should be used with extreme caution and note that all results based on less than 25 responses have been suppressed for quality reasons.

3.3 Chapter summary

In this survey, the term 'recent start-up' encompasses all businesses that are less than four years old or have had a change of ownership in the last three years, where the new owner was not involved in the businesses start-up.

Nine per cent of all businesses were found to be recent start-ups or newly established businesses, and this decreased slightly to 11 per cent amongst businesses with employees. For various reasons, derived from the sampling and the selection of respondents for interview, this may be a slight under-estimate.

4 Business Objectives and Growth

Building the capability for business growth among small businesses is important, not just because of the direct benefits of their expansion, but also on account of the stimulus which a more dynamic small business sector will provide for competition and innovation across the economy as a whole.

We have already seen (in Chapter 2) that 18 per cent of small businesses with employees expected that the numbers they employed would increase during the coming year. This chapter focuses more generally on SMEs' business growth (that is, it covers more than just employment growth) during the period 'the next two to three years'. It discusses the *intention* to grow the business, and so provides a clear picture of our respondents' objectives for the size of their businesses, unimpeded by considerations about whether they might reasonably expect to achieve it or not.

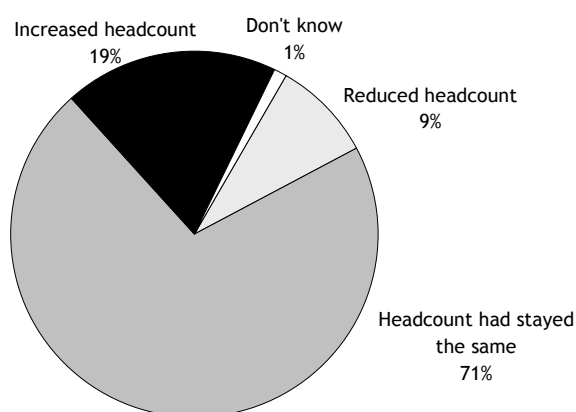
Methodology for the survey is set out in Chapter 1. All the tables in this chapter are expanded upon in the relevant Appendix to include further breakdowns of the results, such as geographical location, age of business, intention to grow and gender of ownership.

4.1 Recent experiences and expectations about employment growth

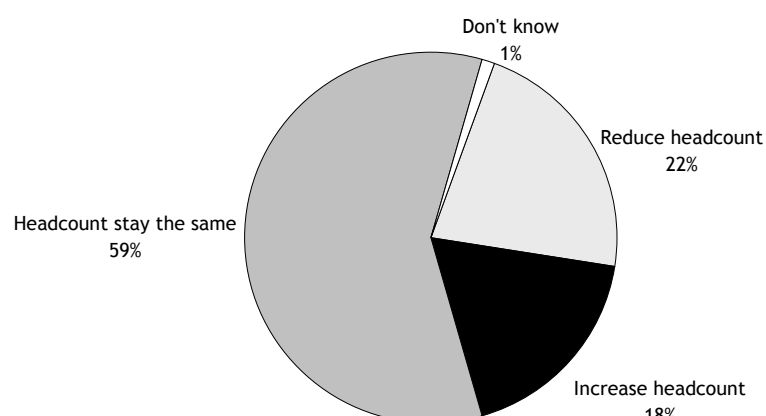
It may be useful to begin this chapter by looking quickly at growth achieved in the recent past. As is discussed in Chapter 2, some 24 per cent of all businesses, and 33 per cent of those with employees, reported that their turnover had increased in the year before the survey. How far this had been translated into changes in employment is depicted in the following two pie-charts; nearly three-quarters (71 per cent) of businesses with employees had experienced no change in their headcount in the year before the survey, and 59 per cent did not expect to make any in the year following it.

As Figures 4.1 and 4.2 show, it is only the minority of these employers who had, or were expecting, employment growth.

Figure 4.1: Job growth in the past year



Base: Businesses with employees; unweighted N = 843

Figure 4.2: Expected job growth in the year to come

Base: Businesses with employees; N = 843

However, it is evident that businesses may seek success in ways that do not necessarily entail growth; therefore the next section considers the intention to grow the business. At the same time, those businesses that do seek growth, may not necessarily seek it through growth in employment; the following sections also consider the ways in which businesses expect to grow. Thirdly, the ways in which growth, where intended, will be funded is highlighted.

4.2 Intention to grow the business

To begin with, all respondents were asked whether or not they intended to grow their businesses over the next two to three years. The form this growth might take was not specified; this allowed the question to cover anything which the respondent considered to be growth.

Table 4.1 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at those businesses that employed staff and those that did not. Comparison figures for the UK are shown. Variations between different sizes of business that employed staff and between the four main sectors are also compared.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- fewer respondents intended some form of growth (42 per cent) than did not (58 per cent). This was also the case amongst businesses in the UK as a whole.
- businesses with employees were more likely to intend to grow compared to those without employees. Thus, amongst businesses without employees, the intention to grow was lower than the overall average (42 per cent), at 37 per cent; whereas if a business had employees, the intention to grow was higher than the average at 54 per cent.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- 54 per cent of small employers intended to grow their business over the next two to three years, just slightly less than the 56 per cent of businesses throughout the UK in general that intended to grow their business.
- the bigger the size of the business, the more likely it was to intend to grow. Amongst micro-sized businesses (one to nine employees) the proportion intending to grow was slightly lower than the average for businesses with employees (which was 54 per cent), at 52 per cent. However, this rose consistently as the size of the business increased, being 66 per cent for small business (ten to 49 employee) and then 76 per cent for businesses with 50 or more staff.
- the intention to grow during this period was the most pronounced for production sector businesses, in comparison to businesses from the other industrial sectors. Seventy-three per cent of production sector businesses were intending to grow, whereas only 57 per cent of construction sector, 54 per cent of service sector, and 32 per cent of primary sector businesses intended to grow. However, the base for the primary and construction sector sub-categories are small and therefore these results must be treated with caution.

Table 4.1: Proportion of businesses that aim to grow their business over the next two to three years (Q60)

	Wales: All businesses			UK: All businesses			
Proportions who said...	All	Without employees	With employees	All	Without employees	With employees	
Aim to grow the business	42%	37%	54%	44%	39%	56%	
Will not grow the business	58%	63%	46%	56%	61%	44%	
Unweighted N =	1,005	162	843	8,640	1,430	7,210	
	Wales: Businesses with employees only						
	Employment size			Industrial sector			
Proportions who said...	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Aim to grow the business	52%	66%	76%	32%	73%	57%	54%
Will not grow the business	48%	34%	24%	68%	27%	43%	46%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

4.3 Means of achieving growth

Those 42 per cent of respondents who said they were looking to grow their business in the next two to three years were asked in what ways were they looking to achieve this.

Table 4.2 opposite shows their responses; firstly the responses for all Welsh businesses that were intending to grow, and then for these businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- the most common means of achieving the anticipated growth was through increasing turnover or sales within the existing product/market mix (93 per cent). This was also the most widely cited response amongst businesses in the UK as a whole (92 per cent).
- The second and third most common responses were introducing new products/services (62 per cent), and then moving into new markets (53 per cent). This was a trend across businesses regardless of whether or not they had employees.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- the majority of businesses, regardless of differences in employment size and industrial sector, highlighted increasing turnover or sales within the existing product/ services mix as the way in which anticipated growth would be achieved.
- the second most common way in which businesses aimed to grow, regardless of differences in employment size and industrial sector, was by introducing new products/services. This was followed by moving into new markets. However, businesses in the construction sector were the exception.
- businesses in the construction sector were more likely to have cited moving into new markets as the second most preferred method of achieving their anticipated growth (52 per cent), with introducing new products/services being third (36 per cent). However, the base for this sub-category is small and therefore this result must be treated with caution.
- the bigger the business was, the more likely it was to have mentioned moving into new markets. This response was mentioned by 65 per cent of businesses with 50 or more employees, 59 per cent of businesses with between ten and 49 employees, and 57 per cent of businesses with fewer than ten employees.

Table 4.2: Ways in which businesses aim to grow - prompted (multiple response) (Q61)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Increase turnover/sales with existing product/market mix	93%	93%	94%	92%	92%	93%
Introduce new products/services	62%	57%	71%	66%	66%	67%
Move into new markets	53%	50%	58%	49%	47%	53%
Something else	11%	10%	12%	8%	7%	8%
Don't know	1%	0%	2%	1%	1%	1%
Unwilling to answer	0%	0%	0%	*%	*%	*%
Unweighted N =	585	60	525	5,060	543	4,517

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Increase turnover/sales with existing product/market mix	94%	93%	94%	-	96%	98%	94%
Introduce new products/services	70%	73%	77%	-	72%	36%	74%
Move into new markets	57%	59%	65%	-	67%	52%	58%
Something else	12%	8%	10%	-	4%	2%	14%
Don't know	2%	1%	1%	-	*%	0%	1%
Unwilling to answer	0%	0%	0%	-	0%	0%	0%
Unweighted N =	170	230	125	17	135	39	334

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where aim to grow the business; unweighted N = 585

4.4 Actions required as a result of growth

Respondents who indicated that they intended to grow their business were also asked what actions they expected would be required as a result of this growth. For example, would they have to expand their premises or take on more sites.

Table 4.3 opposite shows their responses; firstly, the responses for all Welsh businesses that intended to grow, and then for these businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- the most common response was that the business would have to invest in more capital equipment as a result of growth (64 per cent). In comparison, across the UK as a whole, the most widely cited response was that the business would have to take on more staff (61 per cent).
- businesses with employees were more likely to have cited taking on more staff as an action required as a result of growth than those without – 76 per cent and 52 per cent respectively.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- the most common response was taking on more staff (76 per cent). This was also the case amongst businesses in the UK as a whole, with 67 per cent having mentioned this response.
- taking on more staff and investing in more capital equipment were mentioned by equal proportions of production sector businesses – 73 per cent each.
- production sector businesses were more likely, in comparison to service sector businesses, to have highlighted seeking external funding or borrowing as an action expected as a result of growth – 56 per cent and 44 per cent respectively.
- the bigger the business, in terms of number of employees, the more likely it was to have mentioned expanding premises or adding more sites. Sixty-six per cent of medium-sized businesses highlighted this response, whereas only 48 per cent of small-sized businesses and 41 per cent of micro-sized businesses mentioned it.
- micro-sized businesses were less likely to have known what actions would be required as a result of growth, with six per cent of businesses with fewer than ten employees having cited 'don't know' as their response. This compares to five per cent of businesses with between ten and 49 employees, and three per cent of businesses with 50 or more employees.

Table 4.3: Actions expected to be required as a result of growth - prompted (multiple response) (Q62)

	Wales: All businesses			UK: All businesses			
Proportions who said...	All	Without employees	With employees	All	Without employees	With employees	
Take on more staff	61%	52%	76%	61%	58%	67%	
Invest in more capital equipment	64%	60%	71%	57%	57%	58%	
Seek external funding, borrowing	52%	55%	47%	34%	34%	35%	
Expand premises/add more sites	42%	42%	42%	36%	34%	38%	
Something else	6%	7%	4%	3%	3%	4%	
Don't know	11%	13%	6%	16%	18%	13%	
Unweighted N =	585	60	525	5,060	543	4,517	
	Wales: Businesses with employees only						
	Employment size			Industrial sector			
Proportions who said...	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Take on more staff	75%	81%	84%	-	73%	83%	82%
Invest in more capital equipment	69%	80%	77%	-	73%	70%	71%
Seek external funding, borrowing	46%	53%	58%	-	56%	48%	44%
Expand premises/add more sites	41%	48%	66%	-	41%	73%	40%
Something else	4%	3%	5%	-	4%	0%	3%
Don't know	6%	5%	3%	-	7%	2%	6%
Unweighted N =	170	230	125	17	135	39	334

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where aim to grow the business; unweighted N = 585

Subsequently, businesses that intended to grow were asked if they expected to fund this growth using internal finances or from external providers.

Table 4.4 opposite shows their responses; firstly the responses for all Welsh businesses that intended to grow, and then for these businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- the most widely cited way to fund growth, cited by just over half of respondents (51 per cent), was through internal finance. In comparison, 60 per cent of businesses in the UK as a whole mentioned this.
- nearly a third of respondents (32 per cent) stated they would fund growth through both internal and external finance; in contrast, a lower proportion (24 per cent) of businesses in the UK in general mentioned this.
- Welsh businesses were more likely, in comparison to businesses throughout the UK in general, to have highlighted external finance – 15 per cent and 11 per cent respectively.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- over half of businesses stated they would fund growth using internal finances (56 per cent). In comparison, a higher proportion of businesses in the UK as a whole mentioned this response (60 per cent).
- across all the industrial sector sub-categories, the most widely cited response was that growth would be funded through internal finance.
- businesses in the production sector were more likely to have mentioned both internal and external finance as the means to securing growth, in comparison to businesses from construction or services, with 41 per cent of businesses having cited it. However, the base for the construction sector is small and therefore this result must be treated with caution.
- businesses with fewer than ten employees were more likely to fund growth through internal finance (59 per cent) in comparison to larger businesses; the proportions which cited this response were 44 per cent and 38 per cent for businesses with ten to 49 employees, and for those with over 50 employees respectively.
- nearly half (46 per cent) of businesses with more than 50 employees mentioned funding growth through both internal and external finance. This compares to 40 per cent of businesses with ten to 49 employees, and 28 per cent of businesses with fewer than ten employees.

Table 4.4: Ways in which businesses will fund growth - prompted (Q63)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Internal finance	51%	48%	56%	60%	60%	60%
External finance	15%	17%	12%	11%	11%	11%
Both	32%	33%	30%	24%	24%	25%
Don't know	2%	2%	1%	4%	5%	4%
Unweighted N =	585	60	525	5,060	543	4,517

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Internal finance	59%	44%	38%	-	49%	45%	58%
External finance	12%	14%	14%	-	9%	13%	13%
Both	28%	40%	46%	-	41%	37%	27%
Don't know	1%	3%	2%	-	1%	5%	2%
Unweighted N =	170	230	125	17	135	39	334

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where aim to grow the business; unweighted N = 585

4.5 Rationales for not growing

Finally, we asked those 58 per cent of businesses that said that they did not intend to grow during the coming two or three years, why they were not looking to do so. The question was asked open-ended, and allowed multiple-response answers.

Table 4.5 opposite shows their responses; firstly the responses for all Welsh businesses that did not intend to grow, and then for these businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- there were 20 different specific reasons highlighted to explain why businesses did not intend to grow.
- the most widespread response, cited by 38 per cent of businesses, was that they were not aiming to grow because they were happy with their size. This was also the most common response amongst businesses across the UK as a whole (41 per cent).
- the second most common reason, cited by 35 per cent, was 'I am looking to retire or close down the business'. However, this response was more likely if the business had no employees (39 per cent) compared to if they did (22 per cent).

Looking just at those businesses in Wales that employed staff, it can be seen that:

- the most common reason why a business was not aiming to grow was because they were happy with their size (40 per cent). This response was the most widely cited across businesses with employees, regardless of size and industrial sector.
- the second and third most common responses mentioned were 'I am looking to retire or close down the business' (22 per cent) and that the market would not support growth (19 per cent). This was also the trend amongst businesses in the UK in general.
- micro-sized businesses were more likely in comparison to small-sized businesses to have mentioned retiring or closing down as a reason – 24 per cent and ten per cent respectively.
- primary sector businesses were more likely, in comparison to service sector businesses, to have stated that they did not intend to grow as the market would not support growth – 24 per cent of primary sector businesses mentioned this response in comparison to 17 per cent of service sector businesses. However, the base for the primary sector sub-category is small and therefore this result must be treated with caution.

Table 4.5: Reasons why businesses are not looking to grow - unprompted (multiple response) (Q64)

Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	With or without employees		All	With or without employees		All	Employment size			Industrial sector (grouped SICs)			
	All	Without		Without	With		Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
I am happy with the size we are	38%	37%	40%			41%	40%	44%	50%	35%	50%	52%	40%
I am looking to retire or close down the business	35%	39%	22%			28%	24%	10%	3%	27%	9%	19%	23%
Market wouldn't support growth eg industry declining	12%	10%	19%			11%	18%	21%	30%	24%	19%	19%	17%
There is no incentive	8%	7%	10%			5%	10%	11%	8%	10%	4%	1%	11%
Don't have the resources to grow eg space, people	2%	2%	4%			5%	4%	7%	5%	7%	1%	4%	4%
I won't be able to control/manage it	4%	4%	4%			4%	4%	4%	0%	7%	1%	4%	3%
I am looking to consolidate/ downsize the business	2%	2%	3%			2%	3%	3%	8%	0%	9%	15%	2%
Don't know	2%	2%	3%			3%	3%	3%	3%	0%	9%	0%	3%
Regulations deter me	2%	2%	2%			2%	2%	3%	3%	*%	8%	0%	2%
Too risky	3%	3%	2%			1%	2%	3%	3%	7%	0%	2%	1%
Too much hassle/effort involved	1%	1%	2%			2%	2%	1%	0%	0%	0%	0%	2%
No particular reason	*%	0%	2%			1%	2%	3%	0%	0%	0%	2%	3%
It is too complicated to take on staff	*%	0%	1%			3%	1%	1%	0%	0%	0%	0%	2%
Haven't thought about it	*%	0%	1%			*%	1%	3%	0%	0%	0%	0%	1%
It would cost too much/would need to get into debt	*%	0%	1%			1%	1%	3%	3%	0%	*%	0%	1%
Fear of financial failure	2%	2%	1%			1%	1%	1%	3%	3%	*%	0%	*%
Personal health problems	1%	1%	1%			1%	1%	0%	0%	0%	0%	15%	0%
Don't have the time	*%	0%	1%			1%	1%	0%	0%	0%	0%	0%	2%
Cost of insurance	0%	0%	0%			*%	0%	0%	0%	0%	0%	0%	0%
Other	0%	0%	0%			*%	0%	0%	0%	0%	0%	0%	0%

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Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	All		With or without employees	All		With or without employees	Employment size			Industrial sector (grouped SICs)			
	All	Without	With	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
I want to remain independent	1%	1%	*%	1%	1%	*%	0%	0%	3%	0%	0%	1%	0%
I want to reduce the number of hours worked	*%	0%	*%	*%	*%	*%	0%	1%	0%	0%	0%	0%	*%
I want to remain below the VAT threshold	*%	0%	*%	*%	*%	*%	0%	1%	0%	0%	1%	0%	0%
Specialised business sector	*%	0%	*%	1%	1%	*%	0%	1%	0%	0%	0%	0%	*%
Unwilling to answer	0%	0%	0%	*%	*%	0%	0%	0%	0%	0%	0%	0%	0%
Unweighted N =	420	102	318	3,580	887	2,693	159	119	40	34	53	27	204

Notes: * = less than 0.5 per cent; 0% = no cases observed. One category of response ('family business') which received only a few responses across the UK, and none in Wales, has been omitted from this table.

Base: Where do not aim to grow the business; unweighted N = 420

4.6 Chapter summary

In order to assess growth prospects, a general question was asked about whether or not business owners intended to grow their businesses over the next two to three years. Among all businesses (ie both with and without employees presently) there were fewer who intended some form of growth (42 per cent) than those who did not (58 per cent).

The larger the business, the more likely it was to intend to grow during the coming two or three years. Thus, among those with no employees currently, the proportion intending to grow was somewhat lower than average (at 37 per cent), but this rose consistently with size, reaching 76 per cent among the largest businesses, with 50 or more staff.

Among businesses with employees, some 54 per cent intended to grow in the next two or three years, although this was lower in businesses in the primary sector and higher in the production sectors (32 and 73 per cent respectively).

By far the most common means of securing the anticipated growth was simply to increase the volume of turnover or sales within the existing market/product parameters. About 93 per cent of businesses expecting to grow saw this as a means to do so, whatever their employment size.

Two actions were anticipated to be the necessary outcomes as a result of the desired growth: nearly two-thirds expected to have to invest in more capital equipment (64 per cent) and only slightly fewer, 61 per cent, anticipated having to take on more staff; both of these actions were viewed as more likely the larger the business.

The most widespread reason for not anticipating growth, cited by 38 per cent of businesses not expecting growth was that they were happy to remain at their present size. This rationale became more common as the size of the organisation increased, increasing consistently from 38 per cent amongst businesses with no employees, to 50 per cent amongst the largest businesses, with 50 or more employees.

However, a wish to retire or close the business was a fairly widespread reason for not planning growth, particularly amongst smaller businesses, with over a third (35 per cent) of all businesses citing this and a quarter of all micro-businesses.

5 Barriers and Obstacles to Achieving Business Objectives

A key area for the Welsh Assembly Government is improving economic growth, productivity and encouragement of wider involvement in enterprise by developing better policies and practice through which the economy is regulated, in particular to reduce the regulatory burden on small businesses. However, these are unlikely to be the only obstacles which small businesses face in developing their operations and improving their efficiency; nonetheless they are closer at hand for public bodies to improve and reform as necessary. Therefore, this chapter looks across the board at the variety of barriers and obstacles that small businesses in Wales face, but pays particular attention to those which originate in the public domain.

It is the purpose of this chapter to consider what kind of barriers small businesses in Wales perceive in pursuit of their (varied) business aims, and how they impact upon those businesses. It also compares the responses from small businesses in Wales to those of small businesses in the UK to ascertain how these obstacles and their impacts may vary between the two areas. Specifically, this chapter looks at what businesses in Wales identify to be the biggest obstacle, barriers created by competition in the market, taxation difficulties, cash flow problems and obstacles which are derived from various forms of market regulation by the public authorities.

Methodology for the survey is set out in Chapter 1. All the tables in this chapter are expanded upon in the relevant Appendix to include further breakdowns of the results, such as geographical location, age of business, intention to grow and gender of ownership.

5.1 Overall incidence of obstacles to business

All businesses were first asked to identify the main obstacles to the success of their business in general. They were then read a list of issues and asked to indicate if any of these were also obstacles to the success of their business.

Table 5.1 opposite shows their responses to these two questions; firstly for all businesses in Wales, and then looking in more detail at those businesses that employed staff and those that did not. Comparison figures for the UK are shown. Variations between different sizes of business that employed staff and between the four main sectors are also compared.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- the two most widely cited obstacles, which were each cited by just under half of respondents, were the economy (47 per cent) and competition in the market (45 per cent). These proportions are very similar to those for the UK as a whole, where 46 per cent of businesses mentioned the economy and 44 per cent competition in the market.
- 43 per cent of businesses stated that 'regulations' were an obstacle to business success; this compares to 32 per cent of businesses across the UK generally having cited this response.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- eight per cent of businesses faced no obstacles to their businesses success, in comparison to nine per cent of businesses with employees across the UK as a whole.
- the economy and competition in the market were each cited by over half of businesses as an obstacle – 52 per cent and 51 per cent respectively. This was followed by regulations (47 per cent) and then taxation (39 per cent).
- bigger businesses were somewhat more likely to view the economy as an obstacle to business success. Over half of medium-sized businesses (50 to 250 employees) cited the economy as an obstacle (56 per cent); the same is true for small-sized businesses (55 per cent), while 52 per cent of micro-sized businesses mentioned this factor.
- some 39 per cent of micro-sized businesses mentioned taxation as an obstacle to their success whereas only 37 per cent of small-sized businesses and 27 per cent of medium-sized businesses (50 to 250 employees) cited this factor.
- a shortage of skills generally was more likely to be mentioned by businesses in the production sector – 32 per cent, compared to those operating in the services sector (26 per cent).

Table 5.1: Obstacles to business success - prompted (multiple response) (Q66)

Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	With or without employees		All	With or without employees		All	Employment size			Industrial sector (grouped SICs)			
	All	Without		All	Without		Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
The economy	47%	45%	52%	46%	45%	51%	52%	55%	56%	51%	63%	47%	51%
Competition in the market	45%	43%	51%	44%	42%	51%	50%	53%	53%	51%	54%	45%	50%
Regulations	43%	41%	47%	32%	30%	39%	46%	52%	47%	61%	38%	47%	46%
Taxation (VAT, PAYE, National Insurance, business rates)	33%	30%	39%	25%	22%	33%	39%	37%	27%	30%	45%	40%	39%
Recruiting staff	19%	14%	33%	16%	12%	25%	30%	45%	47%	10%	43%	49%	33%
Shortage of skills generally	18%	14%	27%	15%	13%	22%	25%	39%	40%	16%	32%	50%	26%
Cash flow	21%	20%	24%	20%	19%	24%	23%	26%	22%	26%	31%	18%	22%
Transport issues	15%	12%	22%	15%	14%	17%	21%	28%	22%	24%	22%	10%	23%
Keeping up with new technology	19%	19%	22%	18%	18%	17%	22%	21%	17%	26%	21%	11%	22%
Availability/cost of suitable premises	16%	13%	22%	16%	15%	18%	22%	23%	22%	17%	30%	25%	22%
Obtaining finance	14%	13%	18%	13%	12%	15%	18%	19%	18%	11%	20%	18%	19%
Other	15%	15%	16%	18%	19%	16%	16%	17%	16%	5%	24%	14%	16%
Shortage of managerial skills/expertise	12%	11%	15%	9%	8%	14%	14%	26%	25%	7%	20%	34%	15%
Crime	9%	7%	15%	11%	10%	14%	15%	14%	10%	5%	9%	13%	17%
Keeping staff	9%	7%	14%	8%	5%	13%	12%	23%	25%	5%	11%	15%	16%
Lack of financial understanding	16%	17%	14%	12%	12%	13%	14%	14%	14%	18%	12%	4%	14%
No obstacles	14%	16%	8%	12%	13%	9%	8%	7%	4%	9%	1%	18%	9%
Lack of broadband access	5%	5%	5%	4%	4%	4%	5%	5%	4%	12%	3%	1%	4%
No opinion	1%	1%	%	1%	1%	1%	%	%	0%	2%	0%	0%	%
Unwilling to answer	0%	0%	0%	%	%	%	0%	0%	0%	0%	0%	0%	0%
Unweighted N =	1,005	162	843	8,640	1,430	7,210	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

5.2 Greatest obstacle to business

All small businesses were then asked to identify which of the obstacles was the greatest obstacle to the success of their business.

Table 5.2 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown, broken down in similar fashion. In the remaining two sections of the table, variations between different sizes of business that employed staff and between the four main industrial sectors are compared.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- the two most widely cited, biggest obstacles to business success were competition in the market (18 per cent) and regulations (18 per cent). However, for small businesses in the UK generally, 20 per cent stated competition in the market, followed by 17 per cent citing the economy, and only 12 per cent highlighted regulations.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- competition in the market was the most common obstacle to business success across the sub-groups, regardless of employment size and industrial sector, with the exception of the primary and construction sectors.
- the second most widely mentioned obstacle was regulations (18 per cent); whereas for businesses with employees in the UK as a whole, the second most widely cited response was the economy (13 per cent) then followed by regulations (14 per cent).
- businesses in the primary and construction sectors were more likely to have stated that regulations were an obstacle than competition in the market. Regulations was mentioned by 40 per cent of businesses in the primary sector and 19 per cent of businesses in the construction sector. However, the base for both these sub-categories is small and therefore this result must be treated with caution.
- businesses in the production sector were more likely, in comparison to those in the service sector, to have stated that the economy was the biggest obstacle – 19 per cent and 13 per cent respectively.
- regulation as an obstacle was slightly more likely to be mentioned by businesses with fewer employees, with 18 per cent of businesses classified as small (ten to 49 employees) and 18 per cent of businesses with ten or fewer employees having mentioned it, compared to 15 per cent of businesses with a headcount of 50 or more.

Table 5.2: Biggest obstacle to business success - prompted (Q67)

Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	With or without employees		All	With or without employees		All	Employment size			Industrial sector (grouped SICs)			
	All	Without		All	Without		Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Competition in the market	18%	17%	20%	20%	20%	22%	20%	19%	22%	18%	30%	13%	19%
Regulations	18%	17%	18%	12%	11%	14%	18%	18%	15%	40%	6%	19%	17%
The economy	15%	15%	13%	17%	18%	15%	13%	14%	13%	9%	19%	13%	13%
No obstacles	14%	16%	8%	12%	13%	9%	8%	7%	4%	9%	1%	18%	9%
Taxation (VAT, PAYE, National Insurance, business rates)	6%	6%	6%	5%	5%	7%	7%	5%	5%	5%	9%	2%	6%
No opinion	4%	4%	6%	4%	4%	4%	6%	3%	5%	5%	7%	1%	6%
Recruiting staff	2%	1%	5%	3%	3%	5%	4%	7%	10%	0%	5%	16%	5%
Obtaining finance	3%	2%	4%	3%	3%	3%	4%	4%	4%	2%	8%	2%	4%
Cash flow	4%	4%	4%	6%	5%	7%	4%	6%	4%	2%	5%	5%	4%
Transport issues	1%	1%	3%	2%	3%	2%	3%	2%	3%	5%	3%	1%	3%
Shortage of skills generally	3%	2%	3%	2%	2%	3%	2%	4%	5%	*%	3%	2%	3%
Keeping staff	1%	1%	2%	*%	*%	1%	2%	1%	2%	0%	0%	1%	3%
Availability/cost of suitable premises	2%	2%	2%	3%	3%	2%	2%	2%	2%	0%	1%	6%	2%
Keeping up with new technology	3%	3%	1%	3%	3%	2%	2%	1%	1%	0%	*%	0%	2%
Shortage of managerial skills/expertise	1%	1%	1%	1%	1%	1%	1%	2%	2%	0%	2%	0%	1%
Crime	*%	0%	1%	1%	1%	1%	1%	1%	0%	2%	*%	1%	1%
Other	3%	3%	1%	2%	2%	2%	2%	1%	1%	0%	0%	0%	2%
Lack of broadband access	1%	2%	*%	*%	*%	*%	0%	*%	1%	0%	0%	*%	*%
Lack of financial understanding	1%	2%	*%	1%	1%	1%	*%	*%	0%	0%	0%	0%	*%
Lack of customer demand	*%	0%	*%	1%	1%	*%	*%	*%	0%	2%	*%	0%	0%
Unwilling to answer	*%	0%	*%	*%	*%	1%	*%	0%	1%	0%	*%	0%	*%
Unweighted N =	1,005	162	843	8,640	1,430	7,210	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

5.3 Competition as an obstacle to business

The businesses that had mentioned competition as an obstacle to their success were asked whether they considered this competition to be fair or unfair.

Table 5.3 opposite shows their responses; firstly the responses for all Welsh businesses that perceived competition to be an obstacle to their success, and then for the same sub-group of businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- the majority of businesses (66 per cent) perceived the competition to be fair. A similar proportion of businesses across the UK in general also having stated this response (69 per cent).
- a quarter of businesses (25 per cent) stated the competition which obstructed them was unfair, and a further seven per cent believed the competition was both fair and unfair.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- a higher proportion of businesses with employees in Wales stated that the competition they faced was unfair (31 per cent) in comparison to businesses throughout the UK in general (22 per cent).
- the bigger the business was, with regards to employment size, the more likely it was to have stated that fair competition obstructed its success. Just over two-thirds of businesses (67 per cent) with 50 or more employees stated that fair competition was the obstruction; this compares to 62 per cent of businesses with fewer than ten employees, and 61 per cent of small-sized businesses (ten to 49 employees).
- the smaller the size of a business, the more likely it was to have highlighted unfair competition as the obstruction to its success – 32 per cent of micro-sized businesses stated this, compared to 27 per cent of small (ten to 49) businesses and 23 per cent of businesses with a headcount of 50 or more.
- businesses that operate in the service sector, in comparison to those in the production sector, were more likely to have mentioned fair competition as the type of competition which was an obstacle to their success. Nearly two-thirds (65 per cent) of businesses in the service sector gave this response, whereas only 57 per cent of businesses in the production sector did.

Table 5.3: Whether competition is considered to be fair or unfair (Q68)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Fair competition	66%	68%	62%	69%	69%	67%
Unfair competition	25%	22%	31%	22%	21%	22%
Both	7%	7%	6%	8%	8%	9%
Don't know	3%	3%	2%	1%	1%	2%
Unweighted N =	506	69	437	4,460	592	3,868

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Fair competition	62%	61%	67%	46%	57%	73%	65%
Unfair competition	32%	27%	23%	49%	30%	8%	29%
Both	5%	10%	9%	0%	9%	14%	5%
Don't know	2%	2%	1%	4%	4%	4%	1%
Unweighted N =	165	184	88	26	110	29	272

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: Where consider competition an obstacle to business success; unweighted N = 506

All businesses that perceived unfair competition to be an obstacle to their success were asked what type of unfair competition they faced.

Table 5.4 opposite shows their responses; firstly the responses for all Welsh businesses that mentioned unfair competition as an obstacle, and then for these businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- the most widely mentioned response, cited by 19 per cent of businesses, was that cheaper prices imports was the type of unfair competition that affected their business. In comparison, only 11 per cent of businesses across the UK as a whole highlighted this issue.
- just under a fifth of businesses, 18 per cent, stated that larger companies having more resources or greater influence was the type of unfair competition which acted as an obstacle to their businesses success. This response was the most widely cited amongst businesses in UK as a whole, having been mentioned by 26 per cent of them.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- the most common type of unfair competition mentioned was larger companies having greater resources or influence (32 per cent). This response was also the most widely cited amongst UK employers as a whole (26 per cent).
- the second and third most widely cited responses were that under pricing/underbidding to remove competition (22 per cent) and a large number of competitors in the local market (11 per cent) were the types of unfair competition experienced. In comparison, for businesses across the UK in general, the second most common response was also under pricing/underbidding to remove competition (17 per cent); however, the third was cheaper priced imports (14 per cent).
- micro-sized businesses, in comparison to small businesses, were more concerned about there being a large number of competitors in the local area – 12 per cent and four per cent respectively. However, the base for these sub-categories is small and therefore this result must be treated with caution.
- businesses that operate in the production sector were considerably more likely, when compared to those which operate in the services sector, to be concerned about companies using cheaper foreign labour markets. Seventeen per cent of those in the production sector highlighted this issue whereas only two per cent of those in the services sector did. However, the base for production is small and therefore this result must be treated with caution.

Table 5.4: Type of unfair competition affecting the business - unprompted (multiple response) (Q69)

Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	All	With or without employees		All	With or without employees		Employment size			Industrial sector (grouped SICs)			
	All	Without	With	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Larger companies have greater resources/influence	18%	-	32%	26%	26%	26%	33%	28%	21%	-	23%	-	41%
Under pricing services/under-bidding to remove competition	11%	-	22%	11%	7%	17%	22%	25%	18%	-	16%	-	27%
A large number of competitors in local area	7%	-	11%	8%	9%	6%	12%	4%	14%	-	10%	-	12%
Other	10%	-	10%	7%	6%	8%	10%	9%	4%	-	2%	-	12%
Cheaper priced imports	19%	-	8%	11%	10%	14%	7%	13%	14%	-	19%	-	1%
Companies using cheaper foreign labour markets	2%	-	6%	5%	5%	4%	5%	10%	0%	-	17%	-	2%
Less regulations imposed on products from abroad	2%	-	5%	3%	3%	3%	5%	4%	7%	-	11%	-	3%
Other companies getting away with not following regulations	5%	-	5%	5%	5%	6%	5%	6%	11%	-	2%	-	5%
Companies being run are not registered/unregulated/illegal	5%	-	5%	3%	2%	4%	5%	3%	0%	-	0%	-	7%
Use of cheap illegal labour	8%	-	5%	2%	2%	2%	5%	4%	0%	-	2%	-	5%
Companies doing cheaper but substandard work/cowboy firms	2%	-	4%	5%	6%	4%	3%	9%	4%	-	18%	-	2%
Companies receiving subsidised funding from elsewhere	5%	-	4%	4%	4%	5%	3%	6%	7%	-	4%	-	3%
Don't know	5%	-	4%	4%	5%	3%	5%	0%	4%	-	0%	-	4%
Unwilling to answer	4%	-	3%	3%	4%	2%	3%	1%	7%	-	0%	-	3%
Cheaper products from other companies	10%	-	2%	11%	13%	8%	2%	1%	18%	-	1%	-	1%
Companies avoiding paying VAT/national insurance	1%	-	2%	3%	3%	3%	2%	3%	4%	-	2%	-	2%

	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	All	With or without employees		All	With or without employees		Employment size			Industrial sector (grouped SICs)			
Proportions who said...	All	Without	With	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Business operate a monopoly/ closed door operation in regard to new business competing with them	4%	-	2%	3%	3%	3%	2%	4%	0%	-	2%	-	2%
Companies imitating products/ copying ideas	1%	-	2%	1%	1%	2%	2%	1%	0%	-	10%	-	0%
Unfair application of regulations by applying them to only to some companies	10%	-	1%	4%	4%	3%	0%	4%	0%	-	2%	-	*%
Unfair tendering for contracts/franchises	*%	-	*%	2%	2%	2%	0%	1%	0%	-	1%	-	0%
Unweighted N =	176	20	156	1,336	176	1,160	60	68	28	12	43	6	95

Notes: * = less than 0.5 per cent; 0% = no cases observed. One per cent of businesses across the UK as a whole identified 'low running costs of internet-only businesses' as a type of unfair competition. No businesses in Wales identified this and so it has been omitted from the table. - = result not shown, unweighted base < 25.

Base: Where affected by unfair competition; unweighted N = 176

All businesses were also asked whether they felt their business was being threatened by competition from overseas.

Table 5.5 opposite shows their responses – firstly the responses for all Welsh businesses, and then for businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- the vast majority of businesses answered ‘no’ (77 per cent) to this question, with only approximately 24 per cent in total stating ‘yes’. In comparison, a more sizeable proportion of businesses across the UK as a whole responded ‘no’ (84 per cent), and a lower proportion in total stated ‘yes’ (16 per cent).
- under 0.5 per cent said they did not know if their business was being threatened by competition from overseas; this was the same for businesses throughout the UK in total.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- the sizeable majority answered ‘no’, they did not consider themselves threatened by competition from abroad (85 per cent). This was the most common answer across the sub-groups, regardless of employment size and industrial sector. Further, this proportion is similar to that of businesses across the UK in general (82 per cent).
- businesses that operate in the service sector were considerably more likely, when compared to businesses in the production sector, to have not felt threatened by competition from abroad – 94 per cent of businesses in the service sector answered ‘no’ whereas only 65 per cent of production sector businesses answered ‘no’.
- the size of a business impacted on its perception of the threat of competition from abroad; larger businesses tended to feel slightly more threatened in comparison to those with fewer employees. This is demonstrated by the fact that approximately 28 per cent of business with a headcount of 50 or over indicated they were threatened (either a lot or a bit) compared to approximately 24 per cent of businesses with between ten and 49 employees, and 13 per cent of businesses with fewer than ten members of staff.

Table 5.5: Proportion of businesses that consider they are threatened by competition from overseas (Q70)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Yes, a lot	13%	14%	9%	9%	8%	9%
Yes, a bit	11%	12%	6%	7%	7%	8%
No	77%	73%	85%	84%	84%	82%
Don't know	*%	0%	*%	*%	*%	*%
Unwilling to answer	0%	0%	0%	*%	*%	*%
Unweighted N =	1,005	162	843	8,640	1,430	7,210

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Yes, a lot	8%	13%	19%	35%	19%	1%	3%
Yes, a bit	5%	11%	9%	18%	16%	3%	3%
No	86%	77%	72%	45%	65%	96%	94%
Don't know	*%	*%	0%	2%	0%	1%	0%
Unwilling to answer	0%	0%	0%	0%	0%	0%	0%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

5.4 Cash flow as an obstacle to business

We noted above, in Table 5.1, that 21 per cent of small businesses in Wales had mentioned cash flow as an obstacle to the success of their business. These businesses were then asked about the causes, incidences and effects of these cash flow difficulties.

5.4.1 Causes of cash flow difficulties

These businesses were asked to identify from a list the causes of this cash flow difficulty.

Table 5.6 opposite their responses; firstly the responses for all Welsh businesses that highlighted cash flow as an obstacle, and then for these businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- income tending to fluctuate while outgoings remain steady was the most widely mentioned response, with over three-quarters (76 per cent) of businesses identifying it as a cause of their cash flow difficulties. The same proportion of businesses throughout the whole of the UK also gave this answer.
- the second most common response was the high levels of working capital required by business (60 per cent). However, in comparison across the UK in general, this response was not as widely mentioned, with only 48 per cent of businesses having stated it.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- the most widely cited cause of cash flow difficulties identified was that a business' income tended to fluctuate whilst its outgoings remained steady (75 per cent).
- the more employees a business had, the more likely it was to have mentioned high levels of working capital required by the business as a cause of their cash flow difficulties. Seventy-eight per cent of businesses with 50 or more employees highlighted this issue, compared to 66 per cent of small-sized businesses and 51 per cent of micro-sized businesses. However, the base for each of the employment size sub-categories is small and therefore this result must be treated with caution.
- those in the production sector were considerably more likely to have cited late payments from other businesses they sold to as a cause of cash flow difficulties, in comparison to businesses operating in the service sector – the proportions being 83 per cent and 48 per cent respectively. However, the base for production is small and therefore this result must be treated with caution.

Table 5.6: Causes of cash flow difficulties to the business - prompted (multiple response) (Q71)

Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	All		With or without employees	All		With or without employees	Employment size			Industrial sector (grouped SICs)			
	All	Without	With	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Income tends to fluctuate while outgoings are steady	76%	76%	75%	76%	76%	76%	75%	77%	69%	-	83%	-	74%
Late payment from individual customers to whom you sell	53%	52%	56%	60%	58%	63%	55%	62%	56%	-	84%	-	50%
Late payment from other businesses to whom you sell	58%	61%	53%	62%	61%	64%	49%	75%	64%	-	83%	-	48%
High levels of working capital required by business	60%	64%	53%	48%	45%	54%	51%	66%	78%	-	53%	-	51%
Timing of tax payments	46%	42%	52%	35%	32%	42%	53%	51%	25%	-	48%	-	51%
Early payment required by your suppliers	47%	45%	50%	35%	31%	44%	51%	46%	39%	-	41%	-	49%
High levels of investment required by business	44%	42%	47%	39%	37%	44%	44%	57%	75%	-	41%	-	43%
Individual customers expect you to offer credit	42%	42%	41%	44%	43%	47%	39%	54%	56%	-	52%	-	42%
Outgoings tend to fluctuate but income is steady	35%	33%	38%	27%	26%	29%	39%	31%	39%	-	34%	-	38%
Difficult/expensive to get credit from your suppliers	20%	21%	19%	18%	15%	23%	18%	22%	19%	-	12%	-	19%
Other	6%	6%	7%	5%	5%	6%	6%	9%	11%	-	9%	-	8%
Uncertain/don't know	7%	9%	1%	3%	3%	2%	1%	1%	0%	-	0%	-	2%
Unweighted N =	237	33	204	1,782	276	1,506	77	91	36	14	55	17	118

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where consider cash flow an obstacle to business success; unweighted N = 237

Out of the causes of cash flow difficulty identified from the list by businesses, businesses were asked to identify which was the main cause of their cash flow problem.

Table 5.7 opposite shows their responses; firstly the responses for all Welsh businesses that identified cash flow difficulties as an obstacle, and then for these businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as small businesses in Wales as a whole are concerned, the survey showed that:

- the most widely cited response was that late payments from other businesses that they sold to was the main cause of cash flow difficulties (25 per cent). This was closely followed by the answer that income tends to fluctuate whilst outgoings remain steady (24 per cent).
- in comparison to Welsh businesses, for businesses across the UK in general, 22 per cent answered that income tending to fluctuate whilst outgoings remained steady was the main cause, whilst only 21 per cent stated that late payments from businesses they sold to was the main source of cash flow difficulties.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- the main cause of cash flow problems highlighted was receiving late payments from other businesses that they sold to (21 per cent). This was also the case for businesses in the UK in general (23 per cent).
- the second and third most widely cited responses were income tending to fluctuate whereas outgoings remained steady (17 per cent), and receiving late payments from individuals whom businesses sold to (13 per cent).
- smaller businesses were more likely to have stated that income tending to fluctuate whilst outgoings remained steady was the main cause of their cash flow problems. Eight per cent of businesses with 50 or more employees cited this response compared to 17 per cent of businesses with fewer than ten employees and 15 per cent of those with between ten and 49 employees. However, the bases for the employment size sub-categories are small and therefore this result must be treated with caution.
- those businesses operating in the production sector were more likely to have cited receiving late payments from businesses they sold to as a main cause of their cash flow problems, in comparison to service sector businesses. Over a third of businesses in the production sector (39 per cent) mentioned it, whereas only 17 per cent of service sector businesses highlighted it. However, the base for production is small and therefore this result must be treated with caution.

Table 5.7: Main cause of cash flow difficulties - prompted (Q72)

Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	All		With or without employees	All		With or without employees	Employment size			Industrial sector (grouped SICs)			
	All	Without	With	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Late payment from other businesses to whom you sell	25%	27%	21%	21%	20%	23%	21%	24%	19%	-	39%	-	17%
Income tends to fluctuate while outgoings are steady	24%	27%	17%	22%	24%	17%	17%	15%	8%	-	10%	-	15%
Late payment from individual customers to whom you sell	15%	15%	13%	19%	19%	20%	12%	23%	14%	-	15%	-	15%
Outgoings tend to fluctuate but income is steady	3%	0%	10%	4%	4%	4%	10%	5%	3%	-	2%	-	11%
Timing of tax payments	5%	3%	9%	7%	6%	7%	10%	3%	8%	-	1%	-	10%
Uncertain/don't know	11%	12%	9%	8%	8%	8%	9%	5%	6%	-	8%	-	9%
High levels of working capital required by business	5%	3%	8%	8%	7%	8%	8%	8%	17%	-	9%	-	9%
Early payment required by your suppliers	1%	0%	4%	3%	3%	3%	4%	3%	3%	-	0%	-	4%
High levels of investment required by business	8%	9%	4%	5%	4%	6%	4%	7%	14%	-	2%	-	6%
Individual customers expect you to offer credit	3%	3%	3%	3%	4%	2%	3%	2%	3%	-	7%	-	2%
Difficult/expensive to get credit from your suppliers	*0%	0%	1%	1%	*0%	2%	1%	1%	3%	-	7%	-	*0%
Other	*0%	0%	1%	1%	1%	1%	1%	2%	3%	-	1%	-	2%
Unweighted N =	237	33	204	1,782	276	1,506	77	91	36	14	55	17	118

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where consider cash flow an obstacle to business success; unweighted N = 237

5.4.2 Incidence of cash flow difficulties

All businesses that mentioned cash flow as an obstacle to their business's success were asked how frequently they experienced such cash flow difficulties.

Table 5.8 opposite shows their responses; firstly the responses for all Welsh businesses that highlighted cash flow difficulties as an obstacle, and then for these businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- the most widely cited response was that cash flow difficulties were experienced fairly frequently but not permanently (39 per cent); in comparison a third of businesses from the UK as a whole stated this was the case (33 per cent).
- 29 per cent of businesses perceived their cash flow difficulties to be a permanent state of affairs; the same proportion of businesses across the UK as a whole gave this response.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- the highest proportion of businesses (37 per cent) experienced cash flow difficulties fairly frequently (but not permanently). This proportion was the same for businesses throughout the UK.
- cash flow problems were a more or less permanent state of affairs for 27 per cent of businesses; whereas for businesses throughout the UK as a whole this proportion was 30 per cent.
- only three per cent of businesses that mentioned cash flow as an obstacle experienced these problems rarely.
- businesses with between ten and 49 employees were more likely to have experienced cash flow problems on a permanent basis (33 per cent) in comparison to businesses with fewer than ten employees (26 per cent) and businesses with 50 or more employees (31 per cent). However, the base for each of the employment size categories is small and therefore this result must be treated with caution.

Table 5.8: Frequency of cash flow difficulties - prompted (Q73)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
A more or less permanent state of affairs for your business	29%	30%	27%	29%	29%	30%
Fairly frequent, but not permanent	39%	39%	37%	33%	30%	37%
Occasional	27%	24%	32%	33%	35%	27%
Quite rare and unusual for your business	1%	0%	3%	5%	5%	4%
Uncertain/don't know	4%	6%	*%	1%	*%	2%
Unweighted N =	237	33	204	1,782	276	1,506

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
A more or less permanent state of affairs for your business	26%	33%	31%	-	25%	-	26%
Fairly frequent, but not permanent	36%	40%	33%	-	49%	-	34%
Occasional	34%	24%	31%	-	25%	-	35%
Quite rare and unusual for your business	4%	1%	3%	-	1%	-	5%
Uncertain/don't know	0%	2%	3%	-	*%	-	*%
Unweighted N =	77	91	36	14	55	17	118

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where consider cash flow an obstacle to business success; unweighted N = 237

5.4.3 Effects of cash flow difficulties

Businesses that highlighted cash flow difficulties as an obstacle to the success of their business, were then asked to identify from a list what they thought the main effects, if any, of this cash flow difficulty would be.

Table 5.9 opposite shows their responses; firstly the responses for all Welsh businesses that identified cash flow as an obstacle, and then for these businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- just over three-quarters of businesses mentioned low profit margins or higher costs as the result of cash flow difficulties (78 per cent).
- 61 per cent of businesses stated that cash flow problems resulted in inadequate funds being available for investment; however, in comparison with across the UK as a whole, only 48 per cent of businesses gave this response.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- the most widely cited response was businesses had lower profit margins or higher costs as a result of cash flow problems (69 per cent); this was also the most common response mentioned across the whole of the UK (64 per cent).
- businesses with fewer than ten employees were more likely to have mentioned that cash flow issues resulted in difficulties in meeting tax obligations (47 per cent) in comparison to businesses with between ten and 49 employees or 50 or more employees, where the proportions were 43 per cent and 31 per cent respectively. However, the base for each of the employment size sub-categories is small and therefore this result must be treated with caution.
- turning down work because it may entail cash flow problems was most likely to be a response cited by businesses operating in the service sector in comparison to those in production sectors. Forty-one per cent of service sector businesses mentioned this as an effect of cash flow problems, whereas only 28 per cent of production sector businesses cited it. However, the base for production is small and therefore this result must be treated with caution.

Table 5.9: Effects of cash flow difficulties - prompted (multiple response) (Q74)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Profit margin lower/costs higher	78%	82%	69%	66%	67%	64%
Inadequate funds for investment	61%	61%	61%	48%	48%	50%
Inadequate funds for working capital	56%	55%	60%	51%	50%	55%
Higher than necessary borrowings/overdraft, etc.	55%	55%	57%	47%	45%	51%
Difficulties in meeting tax obligations	37%	33%	46%	36%	34%	38%
Late payment of suppliers	37%	33%	44%	39%	36%	45%
You turn down some work because it is likely to entail cash flow problems	33%	30%	38%	33%	33%	33%
Nothing else	3%	3%	4%	8%	9%	6%
Uncertain/Don't know	3%	3%	4%	9%	10%	6%
Other	2%	3%	1%	1%	1%	2%
Unweighted N =	237	33	204	1,782	276	1,506

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Profit margin lower/costs higher	69%	71%	72%	-	55%	-	69%
Inadequate funds for investment	61%	62%	58%	-	53%	-	59%
Inadequate funds for working capital	60%	66%	50%	-	73%	-	54%
Higher than necessary borrowings/overdraft, etc.	56%	65%	47%	-	57%	-	53%
Difficulties in meeting tax obligations	47%	43%	31%	-	33%	-	52%
Late payment of suppliers	42%	56%	42%	-	67%	-	39%
You turn down some work because it is likely to entail cash flow problems	38%	37%	36%	-	28%	-	41%
Nothing else	4%	2%	6%	-	7%	-	4%
Uncertain/Don't know	4%	3%	6%	-	7%	-	4%
Other	1%	0%	0%	-	0%	-	2%
Unweighted N =	77	91	36	14	55	17	118

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where consider cash flow an obstacle to business success; unweighted N = 237

5.5 Tax and the tax system as an obstacle to business

As we showed in Section 5.1 above, 33 per cent of all businesses thought that 'taxation' was an obstacle to the success of their business. This proportion rose to 39 per cent of small businesses with employees. This section looks at the incidence of perceived obstacles from different taxes, the aspects of tax viewed as the most problematic and the perceived negative effects of taxation. The following questions were only asked of respondents who had reported tax as an obstacle. The questions covered VAT, PAYE and National Insurance, corporation tax, income tax, Climate Change Levy, business rates and other taxes identified by businesses.

5.5.1 Incidence of perceived obstacles from different taxes

Businesses were asked to identify which specific taxes were obstacles to the success of their business.

Table 5.10 opposite shows their responses; firstly the responses for all Welsh businesses that considered taxation an obstacle to business success, and then for these businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- the most common response, which was cited by nearly a quarter of respondents (24 per cent), was VAT.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- VAT was the most common response, cited by just over a quarter of businesses (28 per cent). This was also the most common response amongst businesses throughout the UK as a whole (30 per cent).
- the second and third most widely cited responses were income tax (21 per cent) and corporation tax (15 per cent).
- 14 per cent of businesses could not think of a specific tax. In comparison, 13 per cent of employers in the UK in general gave this response.
- micro and small businesses were most likely to have cited VAT as the specific tax that was an obstacle to their businesses success. The most widely mentioned tax for businesses with 50 or more employees was PAYE/National Insurance (31 per cent). However, the base for the medium-sized business (50-250 employees) sub-category is small and therefore this result must be treated with caution.

Table 5.10: Taxes that are considered an obstacle to business success - unprompted (multiple response) (Q76)

Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	All		With or without employees	All		With or without employees	Employment size			Industrial sector (grouped SICs)			
	All	Without	With	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
VAT	24%	22%	28%	28%	27%	30%	28%	30%	29%	-	16%	-	33%
Income tax	23%	24%	21%	20%	22%	17%	22%	19%	4%	-	16%	-	19%
Corporation tax	13%	12%	15%	12%	10%	17%	14%	22%	29%	-	25%	-	15%
Can't think of any specific taxes	13%	12%	14%	14%	15%	13%	14%	14%	7%	-	21%	-	12%
PAYE/National insurance	15%	16%	12%	11%	8%	17%	11%	22%	31%	-	19%	-	13%
Don't know	9%	10%	8%	7%	6%	8%	8%	8%	4%	-	1%	-	7%
Business rates	12%	14%	7%	9%	9%	10%	7%	9%	16%	-	12%	-	8%
The cumulative effect	4%	4%	4%	7%	7%	7%	4%	8%	7%	-	4%	-	5%
Fuel tax	6%	8%	3%	2%	2%	2%	3%	3%	4%	-	1%	-	2%
Other	2%	2%	3%	2%	2%	2%	2%	4%	9%	-	1%	-	2%
Council tax	1%	0%	2%	1%	1%	1%	2%	0%	0%	-	0%	-	3%
Self assessment tax	1%	0%	2%	1%	1%	*%	2%	0%	0%	-	0%	-	3%
Climate change levy	*%	0%	1%	1%	*%	1%	1%	3%	4%	-	1%	-	1%
All taxes in general	2%	2%	1%	1%	1%	1%	1%	2%	0%	-	6%	-	0%
Unwilling to answer	*%	0%	1%	1%	2%	1%	1%	1%	2%	-	*%	-	1%
Vehicle tax	*%	0%	*%	1%	1%	*%	0%	1%	0%	-	0%	-	*%
Unweighted N =	353	49	304	2,679	337	2,342	129	130	45	16	68	24	196

Notes: * = less than 0.5 per cent; 0% = no cases observed. Across the UK, one per cent of respondents identified IR35 as an obstacle; however, as no respondents identified this within Wales, it has been omitted from this table. - = result not shown, unweighted base < 25.

Base: Where consider tax in any form an obstacle to business success; unweighted N = 353

Businesses were then asked to identify the specific tax which caused them the greatest problem.

Table 5.11 opposite shows their responses; firstly the responses for all Welsh businesses that considered taxation to be an obstacle to business success, and then for these businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- the specific tax mentioned by the largest proportion of businesses, which had caused them the main problem, was VAT (21 per cent). This response was also given by a similar proportion of businesses across the UK as a whole (22 per cent).
- 13 per cent of businesses in Wales could not think of the specific tax which caused them the main problem, and 11 per cent of businesses stated that they did not know which tax created the biggest barrier for them.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- just over a fifth of businesses (21 per cent) cited VAT as the tax which had caused them the main problem. In comparison 23 per cent of businesses throughout the UK gave this response.
- the second most common response, mentioned by 18 per cent of businesses, was income tax. This was also the second most widely stated response amongst businesses across the UK as a whole, with 13 per cent of businesses identifying income tax as the tax which has caused the main problem.
- the most widely cited tax which acted as a problem for businesses with 50 or more employees was corporation tax (24 per cent), whereas only 20 per cent cited VAT. However, the base for this sub-category is small and therefore this result must be treated with caution.
- micro-sized businesses (under ten employees) were more likely, in comparison to small businesses (ten to 49 employees), to have identified income tax as the tax which had caused them the main problem – the proportions were 19 per cent and seven per cent respectively.
- out of businesses operating in the production sector, a higher proportion stated that corporation tax was the tax which caused them the main problem than stated VAT; 23 per cent and four per cent respectively. In the services sector, 25 per cent identified VAT against 12 per cent who identified corporation tax.

Table 5.11: Tax that has caused the business their main problem - prompted (Q77)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
VAT	21%	20%	21%	22%	22%	23%
Income tax	15%	14%	18%	16%	18%	13%
Can't think of any specific taxes	13%	12%	14%	14%	15%	13%
Corporation tax	8%	6%	12%	9%	8%	12%
Don't know	11%	12%	10%	8%	8%	9%
PAYE/National Insurance	11%	12%	8%	8%	6%	11%
Business rates	7%	8%	6%	8%	8%	7%
Other (fuel duties, landfill tax or construction industry scheme)	9%	10%	6%	6%	7%	5%
The cumulative effect	4%	4%	3%	7%	7%	6%
Climate Change Levy	*%	0%	1%	*%	*%	*%
Unwilling to answer	1%	0%	1%	1%	2%	1%
Unweighted N =	353	49	304	2,679	337	2,342

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
VAT	21%	22%	20%	-	4%	-	25%
Income tax	19%	7%	2%	-	14%	-	15%
Can't think of any specific taxes	14%	14%	7%	-	21%	-	12%
Corporation tax	12%	15%	24%	-	23%	-	12%
Don't know	9%	13%	4%	-	3%	-	9%
PAYE/National Insurance	7%	12%	20%	-	16%	-	7%
Business rates	6%	5%	11%	-	10%	-	6%
Other (fuel duties, landfill tax or construction industry scheme)	7%	2%	7%	-	5%	-	7%
The cumulative effect	2%	7%	2%	-	3%	-	3%
Climate Change Levy	1%	1%	0%	-	0%	-	1%
Unwilling to answer	2%	1%	2%	-	*%	-	2%
Unweighted N =	129	130	45	16	68	24	196

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where consider tax in any form an obstacle to business success; unweighted N = 353

5.5.2 Aspects of taxation perceived as most problematic

Businesses were asked to specify which aspects of taxation were the main obstacles to the success of their business, issues such as keeping up with changes in detailed rules/regulations etc.

Table 5.12 opposite shows their responses; firstly the responses for all Welsh businesses that considered taxation an obstacle to business success, and then for these businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- the three most problematic aspects of taxation, in descending order, were: the level of tax payments required (77 per cent), keeping up with changes in detailed rules or regulations (68 per cent) and the administrative/record-keeping burden (61 per cent). This was also the same order for businesses across the UK as a whole.
- two per cent of businesses stated that there were no main aspects of taxation which were the main obstacles; in comparison, seven per cent of businesses across the whole of the UK gave this response.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- as for all businesses, the three most widely mentioned aspects of taxation which were considered obstacles were: the level of tax payments required (80 per cent), keeping up with changes in detailed rules or regulations (61 per cent) and the administrative/record-keeping burden (59 per cent).
- micro-sized businesses were slightly more likely, in comparison to small-sized businesses to have perceived the administration/record-keeping burden of taxation to be obstacle. Sixty per cent of businesses with fewer than ten employees cited this factor compared to 55 per cent of businesses with between ten and 49 employees.
- businesses that operate in the service sector, in comparison to those in the production sector, were more likely to have stated that difficulties in understanding the tax regime was an issue; 43 per cent and 32 per cent respectively; whereas the opposite was true for the response penalties for late payment – 45 per cent of production sector businesses gave this response, with a smaller proportion, 37 per cent, of service sector businesses having stated it. However, the base for the production sector sub-category is small and therefore these results must be treated with caution.

Table 5.12: Aspects of taxation that are considered the main obstacles to business success - prompted (multiple response) (Q78)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
The level of tax payments required	77%	76%	80%	76%	73%	81%
Keeping up with changes in detailed rules/regulations	68%	71%	61%	59%	57%	61%
Administrative/record-keeping burden	61%	61%	59%	49%	49%	50%
Difficult to understand regime	51%	57%	41%	45%	47%	43%
Penalties for late payment	37%	37%	38%	36%	35%	37%
Payment arrangements	32%	35%	26%	23%	22%	26%
There are no main obstacles	2%	0%	7%	7%	8%	4%
Other	2%	2%	3%	3%	4%	3%
Don't know	2%	2%	1%	1%	2%	1%
Unwilling to answer	*%	0%	1%	*%	0%	*%
Unweighted N =	353	49	304	2,639	337	2,342

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
The level of tax payments required	79%	84%	82%	-	82%	-	81%
Keeping up with changes in detailed rules/regulations	61%	60%	62%	-	62%	-	60%
Administrative/record-keeping burden	60%	55%	62%	-	52%	-	60%
Difficult to understand regime	40%	42%	40%	-	32%	-	43%
Payment arrangements	26%	30%	24%	-	22%	-	25%
Penalties for late payment	38%	36%	24%	-	45%	-	37%
Other	3%	0%	2%	-	0%	-	3%
There are no main obstacles	7%	6%	0%	-	9%	-	6%
Don't know	1%	0%	0%	-	0%	-	1%
Unwilling to answer	1%	1%	2%	-	0%	-	1%
Unweighted N =	129	130	45	16	68	24	196

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where consider tax in any form an obstacle to business success; unweighted N = 353

The next question asked businesses to identify, from the aspects of taxation highlighted as obstacles to their business's success, the main hindrance.

Table 5.13 opposite shows their responses; firstly the responses for all Welsh businesses that considered taxation an obstacle to their success, and then for these businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- just over a third of businesses (35 per cent) perceived the level of taxation to be the aspect of taxation that was the single main obstacle to business success. In comparison, this response was stated by 41 per cent of businesses across the UK as a whole.
- some 19 per cent of businesses cited the administrative/record-keeping burden as the main hindrance, whereas a lower proportion, 13 per cent, of businesses throughout the UK in general mentioned this response.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- the three most cited responses, which account in total for just over three-quarters (79 per cent) of all businesses that mentioned taxation as an obstacle, were: the level of taxation (41 per cent), keeping up with changes in detailed rules/regulations (21 per cent) and the administrative/record-keeping burden of taxes (17 per cent).
- smaller businesses (under ten employees) were nearly twice as likely, in comparison to businesses with ten to 49 employees, to have stated that keeping up with changes in detailed rules/regulations was the aspect of taxation which was the main barrier to their success – 22 per cent and 13 per cent respectively.

Table 5.13: Aspect of taxation that is considered the single main obstacle to business success - prompted (Q79)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
The level of tax payments required	35%	33%	41%	41%	40%	43%
Keeping up with changes in detailed rules/regulations	15%	12%	21%	17%	16%	19%
Administrative/record-keeping burden	19%	20%	17%	13%	13%	12%
There are no main obstacles	2%	0%	7%	7%	8%	4%
Payment arrangements	5%	6%	3%	4%	4%	4%
Penalties for late payment	5%	6%	3%	4%	3%	6%
Difficult to understand regime	10%	14%	2%	8%	9%	6%
Other	*%	0%	*%	1%	1%	*%
Don't know	7%	8%	5%	5%	6%	5%
Unwilling to answer	1%	0%	2%	*%	0%	1%
Unweighted N =	353	49	304	2,679	337	2,342

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
The level of tax payments required	40%	44%	40%	-	49%	-	42%
Keeping up with changes in detailed rules/regulations	22%	13%	20%	-	20%	-	20%
Administrative/record-keeping burden	17%	13%	16%	-	7%	-	18%
There are no main obstacles	7%	6%	0%	-	9%	-	6%
Payment arrangements	3%	2%	7%	-	1%	-	3%
Penalties for late payment	2%	10%	2%	-	7%	-	2%
Difficult to understand regime	2%	3%	4%	-	*%	-	2%
Other	0%	1%	2%	-	1%	-	*%
Don't know	5%	5%	4%	-	2%	-	5%
Unwilling to answer	2%	3%	4%	-	5%	-	1%
Unweighted N =	129	130	45	16	68	24	196

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where consider tax in any form an obstacle to business success; unweighted N = 353

5.5.3 Perceived negative effects of taxation

Businesses that mentioned taxation as an obstacle were asked to specify in what ways they felt taxation impacted negatively on their business.

Table 5.14 opposite shows their responses; firstly the responses for all Welsh businesses that considered taxation to be an obstacle to their success, and then for these businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- the most widely cited response, mentioned by 89 per cent of businesses, was that tax takes money out of the business that could be used for investment. This was also the case for businesses across the UK in general (85 per cent).
- 77 per cent of businesses mentioned the amount of time involved in keeping records as a negative impact of taxation, and 69 per cent of businesses stated that the impact of tax on cash flow was an issue.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- a sizeable proportion of businesses (90 per cent) stated that taxation impacts negatively on their business due to it taking money out of the business that could otherwise be used for investment. Across the UK as a whole, 88 per cent of businesses with employees gave this response.
- three factors, each mentioned by over two-thirds of businesses, were: the impact of taxation on cash flow (64 per cent), the amount of time involved in keeping records (73 per cent), and that taxation takes up too much managerial time and attention (65 per cent).
- businesses with fewer than ten employees were more likely, in comparison to businesses with between ten and 49 employees, to have mentioned the penalties for late payments of taxes as excessive. Forty per cent of businesses with fewer than ten employees cited this factor, whereas 35 per cent of businesses with ten to 49 employees stated it.

Table 5.14: Ways in which taxation impacts negatively on businesses - prompted (multiple response) (Q80)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Tax takes money out of the business that could be used for investment	89%	88%	90%	85%	83%	88%
Amount of time involved in keeping records	77%	80%	73%	65%	66%	65%
Takes up too much managerial time/attention	67%	67%	65%	62%	61%	64%
Impact on cash flow of paying tax	69%	71%	64%	65%	64%	66%
Competition from businesses that avoid/evade tax	46%	45%	48%	50%	50%	48%
Penalties for late payment are excessive	46%	49%	39%	39%	39%	38%
Other	4%	4%	3%	3%	3%	2%
Uncertain/don't know	*%	0%	*%	4%	5%	2%
Unwilling to answer	1%	2%	*%	1%	1%	*%
Unweighted N =	353	49	304	2,679	337	2,342

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Tax takes money out of the business that could be used for investment	90%	95%	91%	-	95%	-	90%
Amount of time involved in keeping records	74%	64%	76%	-	75%	-	71%
Takes up too much managerial time/attention	66%	62%	58%	-	71%	-	63%
Impact on cash flow of paying tax	63%	75%	56%	-	68%	-	65%
Competition from businesses that avoid/evade tax	47%	55%	58%	-	45%	-	46%
Penalties for late payment are excessive	40%	35%	29%	-	39%	-	39%
Other	4%	1%	2%	-	4%	-	3%
Uncertain/don't know	0%	2%	0%	-	0%	-	*%
Unwilling to answer	0%	0%	2%	-	0%	-	0%
Unweighted N =	129	130	45	16	68	24	196

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where consider tax in any form an obstacle to business success; unweighted N = 353

Those businesses that mentioned taxation as an obstacle to business success were also asked to isolate the main way it impacted negatively on them.

Table 5.15 opposite shows their responses; firstly the responses for all Welsh businesses that considered taxation as an obstacle to their success, and then for these businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- four-tenths (40 per cent) of businesses mentioned that taxation takes money away from their business that could otherwise be used for investment. This proportion was slightly higher amongst businesses from the UK as a whole (42 per cent).
- the proportion of businesses that mentioned the amount of time involved in keeping records as a negative impact of taxation was higher for businesses in Wales (16 per cent), in comparison to businesses throughout the UK in general (nine per cent).

Looking just at those businesses in Wales that employed staff, it can be seen that:

- the most widely cited response was that taxation takes money away from a business that could be used for investment (44 per cent).
- they were approximately half as likely, in comparison to employers in the UK as a whole, to have mentioned the negative impact of taxation on cash flow – nine per cent and 16 per cent respectively.
- businesses with fewer than ten employees were more likely, when compared to businesses with between ten and 49 employees, to have identified the amount of time involved in keeping records as the main aspect of taxation which impacted negatively on their business. This factor was identified by 17 per cent of businesses with fewer than ten employees, in contrast to five per cent of businesses with between ten and 49 employees.
- small-sized businesses (ten to 49 employees) were twice as likely, when compared to micro-sized businesses (fewer than ten employees), to have mentioned the negative impact of taxation on cash flow as the main hindrance to them – 16 per cent and eight per cent.
- the majority of businesses, 51 per cent, which operated in the service sector stated that the main negative aspect of taxation was that it takes money out of the business that could be used for investment. In comparison, only 22 per cent of production sector businesses gave this response. However, the base for the production sector sub-category is small and therefore this result must be treated with caution.

Table 5.15: Main way in which taxation impacts negatively on the business - prompted (Q81)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Tax takes money out of the business that could be used for investment	40%	39%	44%	42%	42%	43%
Amount of time involved in keeping records	16%	16%	16%	9%	9%	9%
Takes up too much managerial time/attention	12%	10%	15%	13%	13%	12%
Impact on cash flow of paying tax	14%	16%	9%	14%	13%	16%
Competition from businesses that avoid/evade tax	8%	8%	8%	10%	11%	9%
Penalties for late payment are excessive	3%	4%	1%	3%	3%	3%
Uncertain	4%	2%	7%	7%	7%	7%
Unwilling to answer	3%	4%	*%	1%	2%	1%
Unweighted N =	353	49	304	2,679	337	2,342

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Tax takes money out of the business that could be used for investment	43%	45%	47%	-	22%	-	51%
Amount of time involved in keeping records	17%	5%	11%	-	18%	-	14%
Takes up too much managerial time/attention	15%	15%	13%	-	29%	-	10%
Impact on cash flow of paying tax	8%	16%	9%	-	15%	-	7%
Competition from businesses that avoid/evade tax	9%	8%	9%	-	5%	-	9%
Penalties for late payment are excessive	2%	1%	2%	-	5%	-	1%
Uncertain	7%	8%	7%	-	6%	-	8%
Unwilling to answer	0%	2%	2%	-	1%	-	*%
Unweighted N =	129	130	45	16	68	24	196

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where consider tax in any form an obstacle to business success; unweighted N = 353

5.6 Regulation as an obstacle to business

In Section 5.1 above, 43 per cent of all businesses thought that 'regulations' acted in a way which placed obstacles in the way of their business's success. The proportion rose to 47 per cent among small businesses with employees. This section focuses on these businesses and seeks to ascertain which regulations these businesses considered to be an obstacle to the success of their business and in what way.

To begin with, these businesses were asked which regulations they considered to be obstacles to the success of their business.

Table 5.16 opposite shows their responses; firstly the responses for all Welsh businesses that considered regulations to be an obstacle to business success, and then for these businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- no specific regulations/all regulations were reported by the highest proportion of all businesses that mentioned regulations as an obstacle to their businesses success (28 per cent). This was also the case amongst businesses across the UK as a whole (22 per cent).
- some 14 per cent of businesses, which had previously highlighted regulations as an obstacle to their businesses success, stated, when questioned about which regulations they considered to be obstacles, that none were.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- the highest proportion of businesses perceived that no specific regulations/all regulations were an obstacle to their businesses success (21 per cent). The same proportion across the UK in general also highlighted this response.
- the second most widely cited response, highlighted by nearly a fifth of businesses (19 per cent), was that sector specific regulations were an obstacle. In comparison, a similar proportion, 18 per cent, of businesses throughout the UK as a whole highlighted these regulations.
- businesses with between ten and 49 employees were more likely, in comparison to those with fewer than ten employees, to have stated that health and safety regulations acted as an obstacle – 22 per cent and 15 per cent respectively.
- 19 per cent of service sector businesses stated that sector specific regulations acted as an obstacle to their success, In comparison, only three per cent of production sector businesses gave this response. However, the production sector sub-category is small and therefore this result must be treated with caution.

Table 5.16: Regulations considered to be obstacles to business success - unprompted (multiple response) (Q82)

Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	All		With or without employees	All		With or without employees	Employment size			Industrial sector (grouped SICs)			
	All	Without	With	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
No specific regulations/all regulations	28%	31%	21%	22%	23%	21%	20%	27%	17%	11%	19%	26%	23%
Sector specific regulations	17%	16%	19%	19%	19%	18%	20%	14%	17%	31%	3%	20%	19%
None	14%	12%	18%	20%	21%	18%	19%	17%	12%	23%	16%	10%	18%
Health and safety regulations	14%	13%	16%	14%	12%	18%	15%	22%	27%	5%	27%	24%	16%
Environmental regulations	13%	15%	9%	8%	8%	6%	9%	9%	9%	23%	10%	5%	6%
Tax-related	7%	6%	9%	8%	8%	8%	9%	7%	8%	4%	19%	18%	8%
Don't know	6%	6%	7%	5%	5%	5%	7%	3%	1%	8%	6%	2%	7%
Employment protection	6%	6%	6%	7%	6%	8%	5%	7%	18%	0%	2%	0%	8%
Minimum wage regulations	2%	1%	4%	2%	2%	3%	4%	4%	8%	0%	2%	1%	5%
Planning/building/development	4%	4%	3%	3%	3%	4%	4%	1%	1%	0%	0%	14%	4%
Providing information/record-keeping	3%	3%	3%	2%	3%	1%	3%	0%	3%	8%	0%	0%	2%
Working time	2%	1%	3%	1%	1%	1%	3%	5%	5%	4%	1%	0%	3%
Trading Standards	6%	7%	2%	2%	2%	1%	2%	1%	1%	4%	0%	0%	2%
Pensions	0%	0%	1%	1%	0%	1%	1%	2%	1%	0%	2%	0%	1%
Regulations relating to anti-discrimination legislation	1%	1%	1%	1%	1%	1%	1%	0%	0%	0%	0%	14%	0%
Other	1%	1%	1%	1%	1%	2%	1%	1%	3%	0%	0%	2%	1%
Unwilling to answer	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%
Unweighted N =	477	67	410	3,580	449	3,131	151	181	78	30	80	33	267

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: Where consider regulations to be obstacles to business success; unweighted N = 477

Businesses that cited these various regulations were asked in which way they constituted an obstacle to business success. The sample sizes for Wales of businesses which were affected by regulations on the minimum wage, health and safety, the environment tax, employment protection and working times, and also sector specific regulations were all less than 100, which was too small to analyse. However, these results are published at the UK level, and can be found in Chapter 5 of the UK report, to be published on the Small Business Service website at:

(<http://www.sbs.gov.uk/sbsgov/action/detail?r.l3=7000000231&r.12=7000000239&r.l1=7000000229&r.s=sc&type=RESOURCES&itemId=7000027837>).

The results for Wales can nonetheless be found in the tables given in the Appendix, although these should be used with extreme caution, and note that all results based on less than 25 responses are suppressed for quality reasons.

Businesses that considered no specific/all regulations to be an obstacle to the success of their business were asked to isolate in what ways they considered them an obstruction.

Table 5.17 opposite shows their responses; firstly the responses for all Welsh businesses that considered no specific or all regulations to be a barrier to their success, and then for these businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- 86 per cent of businesses stated that the costs of making change to ensure compliance with regulations was an issue; this compares to 69 per cent of businesses in the UK in general having mentioned this response.
- 85 per cent of businesses mentioned that the paperwork and administrative procedures involved with regulations in general was a barrier to their success. Eighty-three per cent of businesses in the UK as a whole gave this response.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- the most common way in which regulations in general acted as a hindrance to businesses was the costs of making changes to ensure compliance with them (85 per cent); in comparison, for businesses in the UK as a whole the most widely cited response was that the paperwork and administrative procedures associated with regulations acted as a barrier to the success of the business (86 per cent).
- the second most widely mentioned response was that the paperwork and administrative procedures connected to regulations in general acted as a barrier (84 per cent).
- small businesses (ten to 49 employees) were slightly more likely, in comparison to micro-sized businesses (fewer than ten employees), to have mentioned the paperwork and administrative procedures associated with regulations as an obstacle to their success – 86 per cent and 83 per cent respectively. However, the base for these sub-categories is small and therefore this result must be treated with caution.

Table 5.17: Ways in which unspecified/all regulations are obstacles to business success - prompted (multiple response) (Q83)

Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	All		With or without employees	All		With or without employees	Employment size			Industrial sector (grouped SICs)			
	All	Without	With	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Costs of making changes to ensure compliance	86%	-	85%	69%	62%	82%	87%	80%	-	-	91%	-	83%
Paperwork/administrative procedures	85%	-	84%	83%	81%	86%	83%	86%	-	-	86%	-	80%
Difficulty/time/effort in deciding how to comply	64%	-	71%	64%	60%	71%	70%	76%	-	-	85%	-	64%
Uncertainty about whether or how regulations apply to your business	61%	-	59%	65%	64%	66%	60%	55%	-	-	75%	-	56%
Difficulty/cost in obtaining advice about relevance to your business	34%	-	53%	45%	42%	51%	53%	51%	-	-	56%	-	57%
Competition from businesses that don't comply	47%	-	47%	46%	44%	50%	47%	49%	-	-	81%	-	35%
Other	8%	-	4%	6%	6%	5%	3%	4%	-	-	1%	-	5%
Uncertain	4%	-	3%	4%	6%	1%	3%	0%	-	-	0%	-	3%
Unwilling to answer	1%	-	3%	*%	0%	*%	3%	0%	-	-	0%	-	3%
Unweighted N =	113	21	92	819	107	712	30	49	13	3	19	8	62

Notes: * = less than 0.5 per cent; 0% = no cases observed. The 'other' category includes 'fear of being penalised', 'regulations favour larger businesses' and 'lack of consistency in regulations/too many changes'. - = result not shown, unweighted base < 25.

Base: Where consider no specific/all regulations to be obstacles to business success; unweighted N = 113

5.6.1 Time taken dealing with government regulations and taxes

To explore the extent to which administration in relation to government regulation and taxation impacts on businesses, all respondents were asked to estimate the total amount of time, in hours, which the business spends in a typical week on paperwork to comply with these requirements (adding up individual commitments where more than one person was involved).

Table 5.18 opposite shows their responses; firstly the responses for all Welsh businesses, and then for businesses in the UK as a whole. Following this, the table looks in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as Welsh small businesses as a whole are concerned, the survey showed that:

- the largest proportion of businesses spent one to two hours per week on paperwork relating to complying with government regulations and taxes (34 per cent). This was also the case for businesses in the UK in general (38 per cent).
- the mean number of hours spent on this paperwork per week was 5.9 hours. This compares to an average of 5.5 for businesses in the UK as a whole.
- the majority of businesses spent under five hours a week on paperwork relating to government regulations and taxes. Approximately 60 per cent of businesses spent under five hours whereas approximately 38 per cent of businesses spent five or more hours on this. The remaining two per cent did not know how long they spent.

Looking just at those businesses in Wales that employed staff, it can be seen that:

- the mean number of hours per week spent on paperwork complying with government regulations and taxes was 8.4 hours. In comparison, businesses across the UK as a whole spent on average 8.3 hours per week.
- approximately 43 per cent of businesses spent under five hours on this paperwork per week, with approximately 55 per cent of businesses spending five or more hours a week on this.
- businesses with 50 or more employees, in comparison to businesses with fewer than ten employees, spent, on average per week, four times as many hours on paperwork complying with government regulations and taxes: 29.4 hours and 7.2 hours respectively.
- businesses that operate in the production sector, in comparison to those in the service sector, spend, on average, more time per week on paperwork relating to complying with government regulations and taxes – 11.0 hours and 8.2 hours respectively.

Table 5.18: Approximate amount of time businesses spend on paperwork relating to complying with government regulations and taxes in a week (hours) (Q84)

Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	With or without employees		All	With or without employees		All	Employment size			Industrial sector (grouped SICs)			
	All	Without		Without	With		Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
None	5%	6%	3%	6%	8%	3%	3%	1%	2%	2%	2%	1%	3%
1-2 hours	34%	40%	19%	38%	44%	24%	21%	11%	6%	19%	10%	9%	22%
3-4 hours	21%	22%	21%	18%	18%	18%	22%	13%	12%	25%	19%	19%	21%
5-9 hours	18%	14%	29%	19%	17%	24%	29%	28%	23%	35%	33%	37%	27%
10-30 hours	19%	17%	22%	14%	11%	23%	20%	34%	30%	19%	31%	28%	21%
31-60 hours	1%	0%	3%	1%	1%	3%	2%	7%	12%	*%	2%	3%	3%
More than 60 hours	*%	0%	1%	*%	*%	1%	*%	1%	9%	0%	1%	1%	1%
Don't know	2%	1%	3%	3%	3%	4%	2%	5%	5%	0%	2%	2%	3%
Base for mean hours calculation ^(a)	364	261	103	8,377	6,008	2,370	89	12	2	12	14	4	73
Mean number of hours	5.9	4.9	8.4	5.5	4.4	8.3	7.2	13.4	29.4	6.0	11.0	10.5	8.2
Standard error	0.3	0.4	0.5	0.1	0.2	0.2	0.5	1.2	6.8	0.7	1.6	1.9	0.6
Unweighted N =	1,005	162	843	8,640	1,430	7,210	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed. ^(a) The mean hours calculation has been calculated on a reduced base, as shown in this row, because any 'don't knows', not applicables' and refusals have been removed prior to calculation.

Base: All businesses; unweighted N = 1,005

5.7 Chapter summary

Whatever their objectives might be, small businesses might be constrained in reaching them by a range of barriers or obstacles. To assess what these might be, business owners were asked to say what they saw as the main obstacle to the success of their business.

Two factors were identified by nearly half of all small businesses in general; these were the economy (47 per cent of all businesses), and competition in the market (45 per cent). These were identified by some of the largest proportions of individuals as being the main obstacles to their business's success. After these, regulations (43 per cent), taxation (33 per cent) and cash flow (21 per cent) were the next most-frequently-identified obstacles.

Although competition was identified by many as a potential obstacle, most of these (66 per cent) felt that the competition was fair. Among this latter group, the most common type of unfair competition, cited by 19 per cent of businesses, was competition from cheaper priced imports. Competition from larger companies with more influence and resources was also felt to impact unfairly on the success of these businesses. Some 18 per cent of businesses felt this to be the case, and 32 per cent of those with employees. Unsurprisingly, this response was correlated negatively with the number of employees a business had; the largest businesses, with 50 or more employees, were the least likely to mention it (21 per cent).

A third of businesses felt that taxation was an obstacle to the success of their business. VAT was the most-frequently-identified tax (24 per cent). Nearly nine-tenths of businesses who felt that tax was an obstacle said that it took money out of the business that could be used for investment.

Some 43 per cent of all businesses thought that 'regulations' acted in some way to place obstacles in the way of their success. For the most part, when pressed more closely, these businesses frequently tended not to be able to identify specific or separate regulations which acted in this way. Thus, for example, over a quarter of them (28 per cent) could not cite any particular regulation, and as many again indicated that no single regulation constrained them in this way.

In addition, 17 per cent mentioned sector-specific regulations, 14 per cent mentioned health and safety regulations, and 13 per cent mentioned environmental regulations. Among small businesses with employees, sector-specific regulations (19 per cent) and health and safety regulations (16 per cent) were the two most often identified.

6 Financing the Business

Improving access to finance for small businesses is an important objective of the Welsh Assembly Government, since effective capital markets facilitate business start-ups, enable small businesses to finance potentially viable investments, and provide them with funding for innovation. By identifying and removing any unnecessary constraints that small businesses might face in securing finance, the overall efficiency of the capital market can be improved, and the opportunities for small business growth enhanced.

In this chapter, the experiences of respondents in financing their business are considered. The issues covered include the types and amount of finance sought, the reasons why it was sought, and the difficulties encountered in obtaining finance. The chapter goes on to consider small businesses' experiences of late payment, and related legislation.

Methodology for the survey is set out in Chapter 1. All the tables in this chapter are expanded upon in the relevant Appendix to include further breakdowns of the results, such as geographical location, age of business, intention to grow and gender of ownership.

6.1 Seeking finance

All of the Welsh small businesses that were surveyed were first asked whether they had tried to obtain finance for their business in the past 12 months. If the answer was 'yes', they were also asked whether they had tried once or more than once.

Table 6.1 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored. Table 6.1 includes the category, 'have tried to obtain finance at all'. This line shows the combined proportions of people who had applied for finance once and more than once. The following commentary is based on this grouping of businesses that had tried to obtain finance at least once (and possibly more occasions than this) in the past 12 months.

So far as small businesses as a whole are concerned, it shows that:

- the proportion of businesses without employees that had applied for finance was slightly lower, at 14 per cent, than the overall average for small businesses in Wales, but was higher than the average for businesses without employees across the UK as a whole (12 per cent).

Looking just at those businesses that employed staff, we can see that:

- one in six (15 per cent) had applied for finance in the previous 12 months, compared with 13 per cent across the UK as a whole (12 per cent cf ten per cent).
- slightly more of the small businesses in Wales that employed staff had applied for finance than was the case across the UK as a whole – 19 per cent compared to 17 per cent.
- the larger the company, the more likely they were to have applied for finance. Whereas just 17 per cent of micro businesses had tried to obtain finance, almost a third of small (30 per cent) and medium-sized businesses (32 per cent) had done so.
- comparing small businesses across industrial sector, businesses in the production and construction sectors were more likely to have applied for finance in the previous 12 months (26 and 22 per cent respectively).

Table 6.1: Proportion of businesses that have tried to obtain finance for their business in the past 12 months (Q90)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Have tried to obtain finance once only	12%	11%	15%	10%	9%	13%
Have tried to obtain finance more than once	3%	2%	5%	3%	2%	5%
Have tried to obtain finance at all	15%	14%	19%	13%	12%	17%
Have not tried to obtained finance	85%	86%	80%	86%	88%	82%
Don't know	*%	0%	1%	*%	*%	1%
Unwilling to answer	*%	0%	*%	*%	*%	*%
Unweighted N =	1,005	162	843	8,640	1,430	7,210

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Have tried to obtain finance once only	14%	19%	21%	18%	17%	14%	14%
Have tried to obtain finance more than once	3%	11%	12%	2%	9%	8%	4%
Have tried to obtain finance at all	17%	30%	32%	21%	26%	22%	18%
Have not tried to obtained finance	82%	68%	65%	77%	74%	77%	82%
Don't know	1%	1%	2%	2%	*%	0%	1%
Unwilling to answer	0%	1%	1%	0%	*%	*%	*%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

6.2 Reasons for seeking finance

Those businesses that had tried to obtain finance at least once were asked the reasons why.

Table 6.2 opposite their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- acquiring capital equipment or vehicles was the most frequently-cited reason (43 per cent) compared to the UK as a whole, where 30 per cent cited this reason.
- conversely, whilst across the UK 44 per cent cited working capital or cash flow as their reason for seeking finance, in Wales only 14 per cent of small businesses cited this as the reason.
- more small businesses in Wales had sought finance in order to buy land or buildings (19 per cent) compared to the UK as a whole (ten per cent).

Looking just at those businesses that employed staff, we can see that:

- quite similar levels of micro, small and medium-sized businesses had applied for finance in order to acquire capital equipment or vehicles – 30, 34 and 28 per cent respectively.
- again, broadly similar proportions of micro, small and medium-sized businesses had applied for finance for working capital and cashflow – 30, 33 and 25 per cent respectively.
- nearly twice as many of the small businesses operating in the production sector had sought finance in order to acquire capital equipment or vehicles than had those in the service sector (49 per cent versus 25 per cent).

Table 6.2: Reasons for seeking finance in the past 12 months - unprompted (Q91)

Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	With or without employees		All	With or without employees		All	Employment size			Industrial sector (grouped SICs)			
	All	Without		Without	With		Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Acquiring capital equipment or vehicles	43%	-	31%	30%	32%	26%	30%	34%	28%	-	49%	-	25%
Working capital, cashflow	14%	-	30%	44%	47%	40%	30%	33%	25%	-	29%	-	33%
Improving buildings	11%	-	14%	8%	8%	7%	14%	10%	21%	-	11%	-	11%
Buying land or buildings	19%	-	13%	10%	9%	11%	12%	16%	23%	-	2%	-	17%
Research & development	7%	-	4%	2%	1%	4%	4%	3%	8%	-	1%	-	5%
Buying another business	1%	-	4%	3%	2%	4%	4%	6%	4%	-	2%	-	5%
Acquiring intellectual property	1%	-	3%	1%	1%	1%	4%	0%	4%	-	0%	-	4%
Business expansion/growth	1%	-	3%	*%	0%	1%	4%	0%	2%	-	8%	-	2%
Overdraft facility/extend overdraft	1%	-	2%	*%	0%	1%	2%	1%	4%	-	8%	-	*%
Don't know	4%	-	2%	1%	1%	3%	2%	2%	0%	-	1%	-	*%
Protecting intellectual property	0%	-	0%	0%	0%	0%	0%	0%	0%	-	0%	-	0%
Training/staff development	3%	-	*%	2%	1%	2%	0%	2%	2%	-	0%	-	*%
Marketing	0%	-	0%	0%	0%	0%	0%	0%	0%	-	0%	-	0%
Other	0%	-	0%	0%	0%	0%	0%	0%	0%	-	0%	-	0%
Unwilling to answer	*%	-	*%	1%	*%	2%	0%	1%	0%	-	0%	-	0%
Unweighted N =	237	22	215	1,688	172	1,516	57	105	53	10	56	15	134

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where have tried to obtain finance in past 12 months; unweighted N = 237

6.2.1 Funding for specific programme of expenditure

Those businesses that had tried to obtain finance at least once were asked whether this finance had been intended to support a specific programme of expenditure for the introduction of new products, entry into new markets, or for the use of new technologies.

Table 6.3 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses as a whole are concerned, it shows that:

- over half of all businesses in Wales (54 per cent) had applied for finance to fund new products, markets or technologies, compared to under half (44 per cent) of all small businesses across the UK.

Looking just at those businesses that employed staff, we can see that:

- the larger the business, the more likely they were to have applied for finance to fund such programmes of expenditure. Nearly three-quarters (72 per cent) of medium-sized businesses had done so compared to just over half of micro (53 per cent) and small (54 per cent) businesses.
- roughly similar proportions of those in the production (53 per cent) and services (54 per cent) sectors had sought finance for this group of reasons.

Table 6.3: Proportion of businesses that tried to obtain finance to fund a specific programme of expenditure involving new products, markets or technologies in the past 12 months (Q92)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Wanted to fund new products, markets or technologies	54%	-	54%	44%	44%	44%
Did not want to fund new products, markets or technologies	42%	-	45%	54%	53%	55%
Don't know	1%	-	2%	2%	2%	1%
Unwilling to answer	3%	-	*%	*%	*%	*%
Unweighted N =	237	22	215	1,688	172	1,516

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Wanted to fund new products, markets or technologies	53%	54%	72%	-	53%	-	54%
Did not want to fund new products, markets or technologies	46%	44%	25%	-	47%	-	43%
Don't know	2%	1%	4%	-	*%	-	2%
Unwilling to answer	0%	1%	0%	-	0%	-	*%
Unweighted N =	57	105	53	10	56	15	134

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where have tried to obtain finance in past 12 months; unweighted N = 237

6.3 Type of finance sought

Those businesses that had tried to obtain finance at least once were asked from what source they had tried to secure it.

Table 6.4 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses as a whole are concerned, it shows that:

- a bank loan was the source of finance used by half of all small businesses in Wales (50 per cent), followed by a grant (18 per cent). While the proportion of small businesses in Wales using a bank loan was similar to that for the UK as a whole (54 per cent), respondents in Wales were three times as likely to have secured a grant than was the case across the UK as a whole (six per cent).
- after these two sources of finance, a bank overdraft (12 per cent) or leasing/hire purchase arrangement (11 per cent) were the other two main sources of finance that were reported as being used by small businesses in Wales. The proportion of small businesses in Wales that reported using bank overdrafts as a source of finance was half what it was across the UK as a whole, where 25 per cent of small businesses reported recourse to this source of funding. However, the proportion of businesses in Wales reporting the use of hire purchase or leasing arrangements was slightly above that seen in the UK as a whole, which was eight per cent.

Looking just at those businesses that employed staff, we can see that:

- a higher proportion of micro companies (18 per cent) had sought finance in the form of a bank overdraft than small (11 per cent) and medium (eight per cent) ones. The medium-sized businesses were more likely to have a grant (32 per cent) than were micro (16 per cent) and small businesses (24 per cent).

Table 6.4: Type of finance sought in the past 12 months - unprompted (multiple response) (Q93)

Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	With or without employees		All	With or without employees		All	Employment size			Industrial sector (grouped SICs)			
	All	Without		Without	With		Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Bank loan	50%	-	42%	54%	57%	48%	42%	43%	40%	-	31%	-	40%
Grant	18%	-	18%	6%	6%	6%	16%	24%	32%	-	37%	-	17%
Bank overdraft	12%	-	16%	25%	26%	23%	18%	11%	8%	-	12%	-	19%
Leasing or hire purchase	11%	-	7%	8%	6%	11%	5%	14%	9%	-	4%	-	7%
Mortgage for property purchase or improvements	8%	-	6%	7%	7%	5%	7%	2%	11%	-	1%	-	7%
Other	2%	-	6%	2%	2%	2%	7%	1%	4%	-	15%	-	5%
Equity investment from existing shareholders	1%	-	3%	*%	0%	*%	4%	1%	6%	-	9%	-	2%
Loan from a Community Development Finance Institution	7%	-	2%	2%	2%	2%	2%	4%	4%	-	2%	-	3%
Loan from family/business partner/directors	*%	-	1%	1%	0%	2%	2%	0%	0%	-	0%	-	2%
Equity investment from new shareholders	*%	-	*%	*%	0%	*%	0%	1%	4%	-	*%	-	*%
Factoring	*%	-	*%	1%	1%	1%	0%	1%	2%	-	1%	-	0%
Credit card finance	0%	-	0%	0%	0%	0%	0%	0%	0%	-	0%	-	0%
Don't know	1%	-	4%	1%	0%	2%	4%	4%	2%	-	1%	-	5%
Unwilling to answer	1%	-	2%	1%	1%	1%	2%	1%	0%	-	0%	-	*%
Unweighted N =	237	22	215	1,688	172	1,516	57	105	53	10	56	15	134

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where have tried to obtain finance in past 12 months; unweighted N = 237

6.4 Equity finance

As noted previously, in Table 6.4, the vast majority of businesses that had sought finance for their business in the past 12 months had not done so by seeking equity finance, but had instead looked at other sources. All businesses were also asked whether or not they had considered using equity funding for long-term investment and growth in their business.

Equity finance was defined as:

...finance that provides the investor with an ownership interest in the business, while providing the business with cash or some other assets...

Table 6.5 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses as a whole are concerned, it shows that:

- just two per cent of small businesses in Wales had considered but not used equity finance. This was half the figure for the UK as whole, which was four per cent. The survey showed that 94 per cent had not considered equity finance.
- businesses with employees were marginally more likely than those without employees to state that they had considered equity finance (three per cent compared to two per cent).

Looking just at those businesses that employed staff, we can see that:

- the larger the business, the more likely they were to have considered and used equity finance, but even among medium-sized businesses this figure was not large – six per cent compared to three per cent of both micro and small businesses.
- some seven per cent of businesses in the production sector had considered and used equity finance; the same proportion of businesses in this sector also said they had considered but not used this type of financing arrangement. In the service sector, three per cent of respondents had considered and used equity finance; again, the same proportion of respondents in this sector reported considering and not using equity finance. Some 98 per cent of respondents in the primary and construction sectors had not considered equity finance.

Table 6.5: Whether business has used or considered using equity finance (Q93 and Q102)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Have sought equity funding and obtained it in past 12 months	*%	0%	1%	*%	0%	*%
Have considered and used equity finance	1%	1%	3%	2%	2%	3%
Have considered but not used equity finance	2%	2%	3%	4%	4%	4%
Have not considered equity finance	94%	96%	91%	92%	93%	91%
Don't know	2%	2%	3%	1%	1%	2%
Unweighted N =	1,005	162	843	8,640	1,430	7,210

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Have sought equity funding and obtained it in past 12 months	1%	1%	2%	0%	2%	0%	*%
Have considered and used equity finance	3%	3%	6%	0%	7%	0%	3%
Have considered but not used equity finance	3%	5%	4%	0%	7%	0%	3%
Have not considered equity finance	91%	88%	87%	98%	81%	98%	91%
Don't know	2%	4%	2%	2%	2%	2%	3%
Unweighted N =	329	349	165	51	188	66	538

Notes: * = less than 0.5 per cent; 0% = no cases observed. It should be noted that across the UK as a whole, less than 0.5 per cent of respondents indicated that they had sought equity finance and failed to obtain it in the last 12 months; no businesses in Wales fell into this category.

Base: All businesses; unweighted N = 1,005

Those businesses that had sought finance for their business in the past 12 months, but had not done so by seeking equity finance, were asked why they had not chosen to pursue this kind of finance.

Table 6.6 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses as a whole are concerned, it shows that:

- the most commonly cited reasons for not pursuing equity finance were that it was not necessary/no need (63 per cent), and it is irrelevant and not appropriate to the business (15 per cent). The proportions of respondents in Wales citing these reasons were very close to those for the UK as a whole. Some of the lesser cited reasons were that the business is too small (five per cent), they did not want to lose control and did not want to use it/no interest in scheme (both four per cent)¹ and the business did not need that much capital investment (three per cent).
- there were few differences between those with and those without employees.

Looking just at those businesses that employed staff, we can see that:

- micro employers were more likely than small, and small more likely than medium-sized businesses, to say that equity finance was not necessary, but the differences are not large (63, 58, 55 per cent, respectively).
- similarly, there were only slight differences between employers in the four sectors; slightly less than half of employers in the primary sector cited no necessity as a main reason for not seeking equity finance (48 per cent) compared to 57, 60 and 65 per cent of employers in production, construction and services.

¹ The extra responses combined into the 'other' category include: prefer other methods/happy with present arrangements; wasn't aware of it; self-financed the investment; never thought about it; don't have any equity; and don't want any loans.

Table 6.6: Reasons why businesses have not considered or used equity finance - unprompted (multiple response) (Q103)

Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	With or without employees		All	With or without employees		All	Employment size			Industrial sector (grouped SICs)			
	All	Without		Without	With		Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Wasn't necessary/no need	63%	63%	62%	62%	62%	63%	63%	58%	55%	48%	57%	60%	65%
Other	13%	11%	17%	13%	13%	13%	17%	16%	20%	12%	17%	25%	18%
Irrelevant/not appropriate to business	15%	15%	13%	13%	13%	12%	14%	9%	11%	22%	13%	10%	12%
Don't want to lose control	4%	4%	6%	4%	3%	7%	5%	11%	11%	2%	12%	3%	6%
Didn't want to use it/no interest in scheme	4%	4%	5%	4%	4%	5%	5%	6%	2%	5%	4%	1%	5%
Business is too small	5%	6%	5%	6%	7%	4%	5%	3%	1%	7%	8%	7%	4%
Business does not need that much capital investment	3%	3%	4%	3%	2%	4%	4%	4%	1%	2%	1%	7%	5%
Don't know how to raise equity finance/find an investor	1%	1%	2%	1%	1%	1%	2%	3%	2%	0%	5%	1%	2%
Don't want investors involved in running the business	1%	1%	2%	1%	1%	2%	2%	2%	2%	0%	3%	1%	2%
Investors would not be interested in my business	1%	1%	1%	1%	1%	1%	1%	1%	1%	2%	3%	0%	*%
Equity finance costs too much	1%	1%	1%	1%	1%	1%	1%	*%	1%	2%	3%	0%	1%
Nothing in particular	1%	1%	1%	1%	*%	1%	1%	2%	1%	2%	0%	8%	1%
Thought business would be turned down	*%	0%	*%	*%	*%	*%	0%	1%	0%	0%	0%	1%	*%
Terms and conditions are unacceptable	*%	0%	*%	*%	*%	1%	*%	0%	2%	0%	0%	0%	*%
Too much hassle to arrange an equity deal	1%	1%	*%	1%	1%	1%	0%	1%	0%	0%	1%	0%	*%
Don't know	1%	1%	2%	2%	2%	1%	2%	2%	3%	7%	1%	1%	1%
Unwilling to say	1%	1%	*%	1%	1%	*%	*%	0%	0%	0%	0%	0%	*%
Unweighted N =	941	158	783	8,159	1,382	6,777	310	324	149	50	170	64	499

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: Where have not considered/chosen equity finance; unweighted N = 941

6.5 Amount of finance sought

As noted above in Table 6.1, some 15 per cent of small businesses in Wales had sought finance for their business in the past 12 months. These businesses were asked how much finance they had sought.

Table 6.7 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses as a whole are concerned, it shows that:

- grouping those in the first four categories, nearly half (46 per cent) of the respondents reported that they had sought less than £25,000. The largest proportion (23 per cent) had sought between £5,000 and £10,000. Across the whole of the UK, 49 per cent had sought funding up to £24,999, and 23 per cent had sought between £10,000 and £25,000.
- the second largest proportion of responses in Wales (18 per cent) sought between £25,000 and £50,000. Over one in ten (13 per cent) had sought over £100,000.
- businesses with employees sought larger amounts of finance. One-fifth (20 per cent) of businesses with employees sought more than £100,000, compared to 14 per cent of all businesses.

Looking just at those businesses that employed staff, we can see that:

- the larger the business, the more finance they sought. Over two-thirds (67 per cent) of medium-sized businesses had sought more than £100,000, compared to a third (33 per cent) of small businesses and under a fifth (17 per cent) of micro businesses.

Table 6.7: Amount of finance sought in the past 12 months (Q101)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Less than £1,000	*%	-	*%	1%	*%	1%
£1,000 to £4,999	6%	-	2%	12%	17%	4%
£5,000 to £9,999	23%	-	8%	13%	15%	8%
£10,000 to £24,999	17%	-	15%	23%	23%	22%
£25,000 to £49,999	18%	-	19%	14%	15%	12%
£50,000 to £99,999	5%	-	15%	7%	5%	9%
£100,000 to £249,999	4%	-	11%	6%	3%	12%
£250,000 to £499,999	7%	-	5%	2%	2%	4%
£500,000 to £999,999	1%	-	1%	1%	*%	3%
£1 million to £2 million	1%	-	2%	1%	0%	2%
£2 million to £4 million	*%	-	*%	1%	0%	1%
More than £4 million	1%	-	1%	1%	1%	1%
Don't know	11%	-	5%	6%	5%	6%
Unwilling to answer	6%	-	16%	13%	12%	14%
Unweighted N =	237	22	215	1,688	172	1,516

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Less than £1,000	0%	1%	0%	-	1%	-	0%
£1,000 to £4,999	2%	1%	4%	-	8%	-	*%
£5,000 to £9,999	9%	4%	0%	-	18%	-	6%
£10,000 to £24,999	18%	9%	4%	-	19%	-	12%
£25,000 to £49,999	19%	18%	4%	-	16%	-	20%
£50,000 to £99,999	16%	12%	9%	-	19%	-	11%
£100,000 to £249,999	9%	17%	19%	-	8%	-	10%
£250,000 to £499,999	4%	9%	6%	-	2%	-	6%
£500,000 to £999,999	0%	4%	19%	-	4%	-	1%
£1 million to £2 million	2%	2%	11%	-	1%	-	3%
£2 million to £4 million	0%	1%	8%	-	0%	-	1%
More than £4 million	2%	0%	4%	-	0%	-	2%
Don't know	4%	12%	4%	-	2%	-	7%
Unwilling to answer	18%	10%	9%	-	2%	-	21%
Unweighted N =	57	105	53	10	56	15	134

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where have tried to obtain finance in past 12 months; unweighted N = 237

6.6 Difficulty in obtaining finance

Table 6.1 indicated that some 13 per cent of businesses had sought finance for their business in the past 12 months. These businesses were asked whether they had experienced any difficulty in obtaining this finance from the first source which they had approached.

Table 6.8 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses as a whole are concerned, it shows that:

- eight per cent had been unable to obtain finance from the first source they approached. The proportion of respondents in Wales reporting being unable to obtain finance was lower than for the UK as a whole, where 13 per cent of respondents reported this problem.
- combining those who had difficulties and obtained some but not all the finance required, or obtained some or all of the finance required with difficulty, we have an additional row in the table: '*Obtained some or all finance required with difficulty*'. From the survey we can see that an additional eight per cent had difficulty obtaining some or all of the finance required. If this group is combined with those who were unable to obtain finance, then some 16 per cent of businesses across Wales had problems accessing finance, slightly fewer than across the UK as a whole, for which the equivalent combined figure is 20 per cent.

Looking just at those businesses that employed staff, we can see that:

- there was little difference between smaller and larger businesses in gaining access to finance. Combined, 11 per cent of micro businesses were unable to obtain finance or obtained some with difficulty, compared to 13 per cent of small businesses and 11 per cent of medium-sized businesses.

Table 6.8: Proportion of businesses that experienced difficulties in obtaining finance from the first source they approached - unprompted (Q96)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Unable to obtain any finance	8%	-	7%	13%	15%	9%
Obtained some or all finance required with difficulty	8%	-	5%	7%	6%	10%
Yes, obtained some but not all of the finance required	4%	-	4%	2%	*%	4%
Yes, obtained all the finance required but with some problems	3%	-	1%	6%	5%	6%
No, had no difficulties in obtaining finance	79%	-	83%	79%	78%	79%
Don't know	5%	-	5%	1%	1%	1%
Unwilling to answer	*%	-	*%	*%	0%	1%
Unweighted N =	237	22	215	1,688	172	1,516

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Unable to obtain any finance	7%	9%	9%	-	3%	-	10%
Yes, obtained some but not all of the finance required	4%	5%	2%	-	3%	-	5%
Yes, obtained all the finance required but with some problems	0%	6%	8%	-	4%	-	1%
Obtained some or all finance required with difficulty	4%	10%	9%	-	7%	-	6%
No, had no difficulties in obtaining finance	84%	77%	81%	-	88%	-	77%
Don't know	5%	3%	0%	-	2%	-	7%
Unwilling to answer	0%	1%	0%	-	0%	-	*%
Unweighted N =	57	105	53	10	56	15	134

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where have tried to obtain finance in past 12 months; unweighted N = 237

As Table 6.8 shows, 79 per cent of businesses that had sought finance had experienced no difficulties in securing it from the first source they had tried. Those who, by contrast, reported encountering difficulties were asked what reasons they had been given for their application being turned down, or for receiving less finance than they had sought, or for any other kinds of problem in raising all their finance.

The sample sizes for Wales of businesses which struggled in some way to gain the finance required (and the associated impacts) were less than 100, which was too small to analyse. However, these results are published at the UK level, and can be found in Chapter 6 of the UK report, to be published on the Small Business Service website at:

(<http://www.sbs.gov.uk/sbsgov/action/detail?r.l3=7000000231&r.l2=7000000239&r.l1=700000229&r.s=sc&type=RESOURCES&itemId=7000027837>).

The results for Wales can nonetheless be found in the tables given in the Appendix, although these should be used with extreme caution, and note that all results based on less than 25 responses are suppressed for quality reasons.

6.7 Late payment

The survey also asked a series of questions about small businesses' experience of the problem of late payment by customers. The questions were asked to a random half of businesses.

6.7.1 Extent of problem of late payment

The businesses were first asked whether they had a problem with customers paying later than was required by the normal terms of business.

Table 6.9 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses as a whole are concerned, it shows that:

- over a quarter (29 per cent) of small businesses in Wales reported that they had a problem (either big or small) with late payment. This was only slightly above the average for the UK as a whole. A similar proportion of respondents in Wales (27 per cent) said that this was not relevant as the business does not provide credit. Again, this was similar to the response pattern for this question for the UK as a whole.
- very similar proportions of businesses in Wales with and without employees reported having had problems with late payment – 29 per cent and 30 per cent respectively.

Table 6.9: Extent to which late payment is a problem (Q106)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Big problem	10%	11%	10%	10%	9%	12%
Small problem	19%	19%	19%	18%	16%	23%
No problem	42%	43%	41%	43%	43%	41%
Not relevant, as don't provide them with credit	27%	27%	30%	28%	31%	23%
Don't know	1%	1%	0%	1%	1%	1%
Unweighted N =	498	75	423	4,236	670	3,566

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Big problem	8%	23%	21%	9%	25%	9%	7%
Small problem	18%	28%	23%	4%	36%	24%	18%
No problem	43%	34%	35%	55%	27%	30%	43%
Not relevant, as don't provide them with credit	32%	15%	21%	31%	12%	37%	32%
Don't know	0%	0%	0%	0%	0%	0%	0%
Unweighted N =	157	180	86	27	99	35	262

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: Random half of all respondents; unweighted N = 498

Looking just at those businesses that employed staff, we can see that:

- more of the larger-sized businesses reported experiencing problems with late payment. Whereas just over a quarter of micro businesses had problems of some scale, over two-fifths (44 per cent) of medium-sized, and 51 per cent of small and businesses had problems with late payment.
- businesses in the production sectors reported more problems with late payments than did businesses in the other sectors. Nearly two-thirds (61 per cent) of businesses in this sector had problems with late payments compared to a third (33 per cent) of construction sector businesses, a quarter of service sector and under a sixth (13 per cent) of primary sector companies.

6.7.2 Written terms regarding payment date

Leaving aside those businesses that said that the issue of late payment was not relevant to them as they did not provide customers with credit, the remaining businesses were asked whether they agreed written terms and conditions with their customers covering when they will pay.

Table 6.10 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses as a whole are concerned, it shows that:

- slightly fewer small businesses in Wales agree written terms and conditions with their customers covering payments than is the case across the UK more widely (55 per cent cf 68 per cent).
- businesses with employees were slightly more likely than those without to agree written terms (62 per cent compared to 53 per cent).

Looking just at those businesses that employed staff, we can see that:

- larger businesses were more likely than micro businesses to agree written terms. The vast majority of small (77 per cent) and medium-sized (75 per cent) businesses had agreed terms, compared to just 59 per cent of micro businesses.
- the majority of businesses in the production (89 per cent) sector had agreed written terms, as did 62 per cent of services.

Table 6.10: Proportion of businesses that agree written terms and conditions with their customers covering when they will pay you (Q107)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Agree written terms	55%	53%	62%	68%	67%	70%
Do not agree written terms	45%	47%	38%	32%	33%	30%
Unweighted N =	383	55	328	3,193	458	2,735

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Agree written terms	59%	77%	75%	-	89%	76%	62%
Do not agree written terms	41%	23%	25%	-	11%	24%	38%
Unweighted N =	107	153	68	19	86	28	195

Note: * = less than 0.5 per cent. - = result not shown, unweighted base < 25.

Base: Businesses that provide credit; unweighted N = 383

6.7.3 Customer taken to court

Again leaving aside those businesses that said that the issue of late payment was not relevant to them as they did not provide customers with credit, the remaining businesses were asked whether they had ever taken a customer to court for not paying their debts.

Table 6.11 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses as a whole are concerned, it shows that:

- in all, 21 per cent of respondents from small businesses in Wales reported that they had needed to resort to taking a customer to court for not paying their debts. This was slightly higher than for the UK as a whole, where the average is 18 per cent.
- businesses with employees were twice as likely as those without employees to have taken a customer to court. Over a quarter (33 per cent) of businesses with employees had done so compared to 16 per cent of those without employees.

Looking just at those businesses that employed staff, we can see that:

- the larger the businesses, the more likely they were to have taken a customer to court. Nearly half of small businesses (46 per cent) and over half (53 per cent) of medium-sized businesses had done so, compared to 30 per cent of micro businesses.
- similar proportions of businesses in the production and service sectors had taken a customer to court regarding their debts. Over two-fifths of businesses in production (41 per cent) and more than a third of those in services (37 per cent) had taken such action.

Table 6.11: Proportion of businesses that have ever taken a customer to court for not paying their debts (Q108)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Have taken customers to court	21%	16%	33%	18%	14%	28%
Have not taken customers to court	78%	82%	67%	81%	85%	71%
Don't know	1%	2%	0%	*%	*%	1%
Unwilling to answer	*%	0%	*%	*%	*%	*%
Unweighted N =	383	55	328	3,193	458	2,735

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Have taken customers to court	30%	46%	53%	-	41%	24%	37%
Have not taken customers to court	70%	54%	47%	-	58%	76%	63%
Don't know	0%	0%	0%	-	0%	0%	0%
Unwilling to answer	0%	1%	0%	-	1%	0%	0%
Unweighted N =	107	153	68	19	86	28	195

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Businesses that provide credit; unweighted N = 383

6.7.4 Awareness of late payment legislation

Still leaving aside those businesses that said that the issue of late payment was not relevant to them as they did not provide customers with credit, the remaining businesses were asked whether they were aware that there is legislation dealing with late payment.

Table 6.12 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses as a whole are concerned, it shows that:

- well over half (54 per cent) of all respondents from small businesses in Wales were aware of legislation dealing with late payment, only slightly lower than the proportion of small businesses across the UK that were aware of the legislation (58 per cent).
- businesses with employees were more likely to be aware of such legislation. Over three-fifths (62 per cent) of businesses with employees were aware of the legislation regarding late payment, compared to around half (51 per cent) of businesses without employees.

Looking just at those businesses that employed staff, we can see that:

- the larger the business, the more likely they were to be aware of the legislation. Around three-quarters of medium-sized businesses (75 per cent) and small businesses (73 per cent) were aware of the legislation, as were three-fifths (60 per cent) of micro businesses.
- more respondents from businesses in the production and construction sectors were aware of this legislation than those in the services sector. Over three-quarters of these employers were aware of the legislation, compared to 61 per cent of those in the services sector.

Table 6.12: Proportion of businesses that are aware that there is legislation dealing with late payment (Q109)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Aware	54%	51%	62%	58%	55%	63%
Not aware	44%	47%	37%	40%	42%	35%
Don't know	2%	2%	1%	2%	2%	2%
Unweighted N =	383	55	328	3,193	458	2,735

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Aware	60%	73%	75%	-	78%	76%	61%
Not aware	39%	25%	25%	-	21%	24%	37%
Don't know	1%	1%	0%	-	1%	0%	1%
Unweighted N =	107	153	68	19	86	28	195

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Businesses that provide credit; unweighted N = 383

6.7.5 Legal action under the late payment legislation

The following section leaves aside both those businesses that had said that the issue of late payment was not relevant to them as they did not provide customers with credit, and those businesses that were not aware of the late payment legislation. The remaining businesses – those that were aware of the late payment legislation – were asked whether they had taken any legal action against anyone under the late payment legislation in the last 12 months.

Table 6.13 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses as a whole are concerned, it shows that:

- one in ten had taken legal action against someone under the late payment legislation in the previous 12 months. This was a slightly higher proportion than for the UK as a whole, where the figure was eight per cent.

Looking just at those businesses that employed staff, we can see that:

- the larger the business, the more likely they were to have taken legal action. Nearly a third (31 per cent) of medium-sized businesses had done so, compared to a sixth (15 per cent) of small businesses and just eight per cent of micro businesses.
- businesses in the production sector were more likely to have taken action (19 per cent) than businesses in the service sector (eight per cent).

Table 6.13: Proportion of businesses that have taken legal action against anyone under the late payment legislation in the last 12 months (Q110)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Taken legal action under the late payment legislation	10%	11%	10%	8%	7%	9%
Have not taken legal action under the late payment legislation	84%	82%	87%	87%	89%	84%
Don't know	3%	4%	2%	4%	3%	6%
Unwilling to answer	3%	4%	1%	1%	1%	1%
Unweighted N =	255	28	227	2,085	247	1,838

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Taken legal action under the late payment legislation	8%	15%	31%	-	19%	-	8%
Have not taken legal action under the late payment legislation	89%	80%	65%	-	80%	-	90%
Don't know	2%	4%	2%	-	1%	-	1%
Unwilling to answer	2%	1%	2%	-	0%	-	2%
Unweighted N =	64	112	51	9	61	23	134

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where aware of late payment legislation; unweighted N = 255

6.7.6 Effects of late payment

We showed earlier, in Table 6.9, that 28 per cent of businesses said that they had experienced some kind of problem with customers paying them later than required in their normal terms of business. These businesses were asked whether the problem of late payment caused their business to experience cash flow problems.

Table 6.14 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses as a whole are concerned, it shows that:

- two-thirds (70 per cent) of all small businesses in Wales reported that late payment caused difficulties with cash flow to some extent: for 11 per cent it was an ongoing problem, for 12 per cent it was often a problem, and for 47 per cent it was an occasional problem. While fewer of the respondents in Wales felt this was an ongoing problem compared to respondents across the UK as a whole (11 per cent cf 18 per cent), slightly more respondents in Wales felt this to be an occasional problem than did respondents more widely (47 per cent cf 42 per cent).
- businesses with employees were more likely to say it is an ongoing problem – 16 per cent said as such, compared to 11 per cent of all businesses.

Looking just at those businesses that employed staff, we can see that:

- the impact of late payment on cash flow was seen as an ongoing problem by slightly fewer of the micro businesses (15 per cent) than the small and medium-sized employers (20 and 21 per cent respectively).

Table 6.14: Frequency with which late payment causes businesses to experience cash flow problems (Q111)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Yes, it's an ongoing problem	11%	-	16%	18%	17%	20%
Yes, often	12%	-	7%	7%	7%	9%
Yes, on occasion	47%	-	41%	42%	45%	38%
No	30%	-	36%	32%	31%	33%
Unweighted N =	192	22	170	1,551	173	1,378

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Yes, it's an ongoing problem	15%	20%	21%	-	15%	-	15%
Yes, often	5%	15%	13%	-	9%	-	8%
Yes, on occasion	45%	30%	13%	-	66%	-	31%
No	35%	35%	53%	-	9%	-	47%
Unweighted N =	40	92	38	4	60	19	87

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where have problems with late payment; unweighted N = 192

6.8 Chapter summary

The majority of businesses (85 per cent) had not sought external finance for their business at all in the past 12 months. Larger businesses were more likely to have sought such finance.

The two reasons most frequently cited for seeking finance were for acquiring capital equipment/vehicles (43 per cent). Nearly a fifth (19 per cent) of businesses had applied for finance to buy land or buildings. Over half of those who had sought finance had done so to fund new products, markets or technologies

Half of the businesses that had sought finance said that they had sought a bank loan, while 18 per cent had sought a grant. Few small businesses had considered and used (under two per cent), or considered but not used, equity finance (two per cent).

The amount of money that had been sought varied widely; however, for nearly half of them (46 per cent), it had amounted to less than £25,000. Businesses with employees, and larger businesses, tended to seek larger amounts of money.

Few businesses reported any difficulty in raising finance. Over three-quarters (79 per cent) of those who had tried had succeeded, and this proportion tended to increase with the size of the business. A further eight per cent had obtained some or all the finance sought, but they had experienced problems in doing so. Just eight per cent of those trying had failed to obtain any finance at all.

For 69 per cent of businesses, late payment was viewed as either not a problem or not relevant as they did not provide customers with credit facilities. However, 19 per cent thought it was a problem, albeit a small one, and ten per cent considered late payment to be a big problem. Nearly half (47 per cent) stated it was a problem on occasion. Small businesses with between ten and 49 employees were more likely to identify late payment as a big problem (23 per cent).

Amongst those who provided credit for their customers, over half (55 per cent) agreed written terms and conditions with their customers. Nearly four-fifths (78 per cent) of small businesses that provided credit had never taken a customer to court for failing to pay their debts.

Over half (54 per cent) of managers of small businesses that provided credit were aware of the legislation dealing with late payment, but the proportion was much higher among the larger businesses (75 per cent among those with 50 or more employees).

Of those small businesses that knew about the legislation dealing with late payment, ten per cent of them had taken legal action under this legislation.

7 Business Advice and Support

An important area for the Welsh Assembly Government is access to business advice and support to aid small businesses. A key method through which this, and other objectives, may be achieved is through encouraging improvements in awareness, accessibility and utility of the several sources of advice and support available to small businesses.

In this chapter, we move on to consider the use of different sources of advice, information and support which small businesses utilise. The chapter covers the use of general advice and information among small businesses, before turning to look in detail at the use of advice and support with regard to the impact of regulations on their business.

Methodology for the survey is set out in Chapter 1. All the tables in this chapter are expanded upon in the relevant Appendix to include further breakdowns of the results, such as geographical location, age of business, intention to grow and gender of ownership.

7.1 General advice and information on business matters

All the small businesses surveyed in Wales were asked whether they had sought general advice and information on business matters in the previous 12 months.

Table 7.1 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- a third had sought general advice and information on business matters in the previous 12 months; this is slightly higher than across the UK as a whole, for which the average figure is 25 per cent.
- businesses with employees were more likely than those without employees to have sought advice (40 per cent compared to 30 per cent); again, these figures are slightly higher than across the UK.

Looking just at those businesses that employ staff, we can see that:

- medium-sized businesses were slightly more likely to have sought advice and information (47 per cent) than were small (38 per cent) and micro (40 per cent) businesses.
- just under a half of businesses in the primary sector (49 per cent) had sought advice; slightly fewer businesses in production, construction and services had done so (42, 36 and 38 per cent respectively).

Table 7.1: Proportion of businesses that have sought general advice and information for running their business in the last 12 months (Q125-128)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Have sought information and advice	33%	30%	40%	25%	24%	28%
Have not sought information and advice	66%	69%	59%	74%	75%	71%
Don't know	1%	1%	1%	1%	1%	1%
Unwilling to answer	*%	0%	*%	*%	*%	*%
<i>Unweighted N =</i>	<i>1,005</i>	<i>162</i>	<i>843</i>	<i>8,640</i>	<i>1,430</i>	<i>7,210</i>

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Have sought information and advice	40%	38%	47%	49%	42%	36%	38%
Have not sought information and advice	60%	60%	51%	51%	57%	64%	61%
Don't know	1%	1%	1%	0%	*%	*%	1%
Unwilling to answer	0%	*%	1%	0%	*%	0%	*%
<i>Unweighted N =</i>	<i>329</i>	<i>349</i>	<i>165</i>	<i>51</i>	<i>188</i>	<i>66</i>	<i>538</i>

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

7.2 Reasons for not seeking external advice

Businesses that had not sought external advice or information at all during the previous 12 months were asked why this was the case. This included those who had not sought advice in general, nor with regard to regulations in particular (these last businesses are discussed in Section 7.4).

Table 7.2 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- the most common reason for not seeking advice was that the business did not need help at the time. Some 69 per cent of small businesses in Wales cited this as the reason, compared to the average of 75 per cent for the UK as a whole.
- one-fifth (21 per cent) of businesses said that they had not sought external advice because they had their own in-house advice available to them; this is similar to the proportion of businesses citing this as a reason across the UK as a whole.

Looking just at those businesses that employ staff, we can see that:

- micro businesses were more likely than small and medium-sized businesses to report that they had in-house expertise (28 per cent, compared to 18 and seven per cent respectively); note, though, that there are only 27 companies in the medium-sized category that responded to this question, and so this finding should be treated with caution.
- nearly one-third of businesses in the services sector said they had in-house expertise (32 per cent) compared with 15 per cent in the production sector. However, the base for the production sector is small and therefore this finding should be treated with caution.

Table 7.2: Reasons why businesses have not sought advice or information (both in general and regarding regulations) from external sources - unprompted (multiple response) (Q129)

Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	With or without employees		All	With or without employees		All	Employment size			Industrial sector (grouped SICs)			
	All	Without		Without	With		Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Don't need help at the moment	69%	67%	79%	75%	75%	74%	80%	70%	74%	-	81%	-	75%
Have in-house expertise	21%	19%	27%	19%	19%	18%	28%	18%	7%	-	15%	-	32%
Outsider couldn't help	7%	6%	10%	4%	4%	4%	11%	6%	0%	-	2%	-	13%
Couldn't find suitable advice	5%	6%	3%	1%	1%	2%	3%	5%	4%	-	2%	-	3%
No reason given	1%	0%	2%	2%	2%	1%	2%	4%	15%	-	10%	-	2%
It would have cost too much	*%	0%	1%	2%	2%	3%	1%	2%	0%	-	0%	-	2%
Like to be independent	1%	1%	1%	1%	1%	2%	1%	1%	0%	-	0%	-	1%
Bad experience in the past	1%	1%	1%	1%	2%	1%	1%	1%	0%	-	0%	-	1%
Didn't know any advice was available	*%	0%	1%	1%	*%	2%	1%	0%	0%	-	0%	-	1%
Unwilling to answer	1%	1%	1%	2%	1%	3%	1%	2%	0%	-	1%	-	1%
Other	1%	1%	0%	*%	*%	*%	0%	0%	0%	-	0%	-	0%
Don't know	2%	3%	0%	1%	1%	2%	0%	0%	0%	-	0%	-	0%
Insufficient time	1%	1%	*%	3%	3%	3%	0%	4%	4%	-	2%	-	*%
No one understands my business	3%	4%	*%	2%	2%	1%	0%	1%	0%	-	1%	-	0%
Unweighted N =	278	69	209	2,633	609	2,024	100	82	27	16	41	16	136

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where not sought any advice or information in last 12 months; unweighted N = 278

7.3 General advice and information on running business

All those businesses in Wales that had sought advice on business matters in the previous 12 months were asked what sources they had consulted for general advice and information for running their business.

Table 7.3 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are not shown for this table. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- two-thirds of all businesses in Wales had not sought advice about business matters.
- those who had sought advice were most likely to have sought it from an accountant (13 per cent).
- after an accountant, the bank or customers were the sources of advice next most likely to be consulted (four per cent in both cases).
- one per cent of all small businesses in Wales had sought advice from Welsh Trade International, the Welsh Development Agency and from the Wales Tourist Board; however, less than one per cent had consulted the Welsh Assembly, National Assembly for Wales or the Welsh Office.

Looking just at those businesses that employ staff, we can see that:

- micro businesses were slightly more likely to have consulted an accountant (14 per cent) than had small and medium-sized organisations (12 per cent in each case).
- far more of the medium-sized employers had consulted the Welsh Assembly, National Assembly for Wales or Welsh Office (five per cent) than had small or micro employers (one per cent in each case).
- around half of employers operating in the production and service sectors were more likely to have sought the advice of an accountant (16 and 15 per cent respectively) than had those in construction or the primary sector (three and seven per cent).

Table 7.3: Sources businesses have consulted for general advice and information for running their business in the last 12 months - unprompted (multiple response) (Q126)

Proportions who said...	Wales: All businesses			Wales: Businesses with employees only						
	With or without employees		All	Employment size			Industrial sector (grouped SICs)			
	Without	With		Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
None	66%	69%	59%	60%	60%	51%	51%	57%	64%	61%
Accountant	13%	12%	14%	14%	12%	12%	7%	16%	3%	15%
Bank	4%	4%	4%	5%	3%	8%	5%	7%	7%	4%
Trade/Business Association	2%	1%	5%	5%	8%	5%	3%	1%	7%	6%
Business Eye	*%	0%	1%	1%	1%	2%	0%	1%	6%	1%
Consultant	2%	2%	4%	3%	4%	8%	7%	4%	1%	3%
Chamber of Commerce	*%	0%	1%	1%	1%	1%	0%	*%	0%	1%
HMRC - Customs and Excise functions	*%	0%	*%	*%	0%	0%	0%	0%	0%	*%
Internet/library/press	3%	3%	4%	4%	5%	5%	7%	6%	6%	3%
Customers/suppliers/other small businesses/friends/family/mentor	4%	3%	5%	5%	3%	5%	9%	5%	15%	4%
Solicitor	1%	0%	2%	2%	2%	4%	0%	*%	0%	3%
Enterprise Agency	1%	1%	*%	*%	*%	0%	0%	*%	0%	*%
HMRC - Inland Revenue functions	*%	0%	*%	*%	*%	1%	0%	0%	1%	*%
Local Authority	2%	2%	2%	2%	1%	2%	5%	*%	0%	2%
Other regulators (HSE/Environment Agency etc.)	2%	2%	1%	2%	1%	0%	9%	*%	1%	*%
DTI/SBS/other government	1%	1%	1%	1%	1%	1%	2%	2%	1%	1%
Welsh Assembly Government/ National Assembly for Wales/Welsh Office	*%	0%	1%	1%	1%	1%	5%	2%	0%	*%
Welsh Trade International	1%	1%	1%	1%	1%	1%	0%	3%	0%	1%
Welsh Development Agency (WDA)	1%	1%	2%	1%	3%	2%	*%	1%	1%	2%
Wales Tourist Board	1%	1%	*%	*%	1%	2%	0%	1%	0%	*%
Education and Learning Wales (ELWa)	*%	0%	*%	*%	*%	0%	0%	0%	0%	*%
Don't know	1%	1%	1%	1%	1%	1%	0%	*%	*%	1%
Unwilling to answer	*%	0%	*%	0%	*%	1%	0%	*%	0%	*%
Unweighted N =	1,005	162	843	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses in Wales only; unweighted N = 1,005

7.4 Advice on regulations

All businesses were also asked whether they had sought advice in the previous 12 months about how regulations might affect their business, and if so, what sources they had consulted.

Table 7.4 shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- nearly half (49 per cent) had not sought any advice about regulations; similar to the proportion of businesses across the UK that had not sought any advice about regulations (51 per cent).
- the most commonly cited source of advice about regulations was accountants (16 per cent of Welsh businesses, compared to 23 per cent across the UK as a whole). Businesses with employees were slightly more likely to have used accountants than those without employees (22 per cent compared to 14 per cent).
- more of the businesses without employees had consulted no external bodies (52 per cent) than those with employees (39 per cent).
- after accountants, the external body that was next most likely to have been consulted for advice on regulations was a trade or business association. Overall, some eight per cent of small businesses in Wales had consulted a trade or business association. Slightly more businesses with employees (11 per cent) cited this source of advice than did businesses without employees (seven per cent).

Small businesses in Wales also mentioned a range of bodies that are specific to Wales and hence were not mentioned by businesses elsewhere in the UK: the Welsh Assembly Government, Welsh Development Agency, Welsh Trade International, Wales Tourist Board, and Education and Learning Wales. Inspection of this group of responses reveals that:

- three per cent of all Welsh businesses mentioned that they had consulted the Welsh Assembly Government in the past 12 months. Four per cent of businesses without employees had done so, and two per cent of those with employees.
- one per cent of small businesses in Wales had consulted the Welsh Development Agency; however, these consisted entirely of businesses that had employees, and some two per cent of these had done so.
- one per cent of small businesses without employees had consulted the Wales Tourist Board, but less than one per cent of small businesses with employees;

across Welsh businesses as a whole, then, this amounted to less than one per cent of all businesses.

Looking just at those businesses that employ staff, we can see that:

- identical levels of small and medium-sized businesses were more likely to have sought advice from accountants (22 per cent in each case). Slightly more of the small businesses had sought advice from an accountant (18 per cent) than had employers in medium-sized enterprises (12 per cent) and micro businesses (ten per cent).
- just 12 per cent of businesses in the primary sector had sought advice from accountants compared to between a fifth and a quarter of businesses in the other three sectors. The same percentage of respondents from the primary sector said that they had consulted regulators such as the HSE or Environment Agency, while just six per cent of employers in the production sector had done so, and three per cent and two per cent of employers in construction and services respectively.

Turning again to the response categories that were used for the Welsh survey only, and looking just at those businesses that employ staff, we can see that:

- identical proportions of micro, small and medium-sized businesses (two per cent in each case), reported that they had sought advice from the Welsh Assembly.
- one per cent of micro, small and medium-sized businesses reported they had sought advice from Welsh Trade International.
- employers in the primary sector were more likely to have approached the Welsh Assembly Government for advice (seven per cent) than those in production (two per cent) and services (one per cent). No employers in construction had sought advice from this body.
- some four per cent of small businesses had approached the Welsh Development Agency for advice, compared with three per cent of medium-sized businesses and two per cent of micro businesses.

Table 7.4: Summary table: Sources businesses have consulted in the last 12 months for advice about how regulations may affect their business - unprompted (multiple response) (Q117, Q119, Q121, Q123)

Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	All		With or without employees	All		With or without employees	Employment size			Industrial sector (grouped SICs)			
	All	Without	With	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
None	49%	52%	39%	51%	55%	44%	41%	31%	24%	41%	40%	47%	39%
Accountant	16%	14%	22%	23%	22%	25%	22%	22%	22%	12%	22%	27%	23%
Trade/business association	8%	7%	11%	5%	5%	6%	10%	18%	12%	9%	8%	13%	11%
Bank	4%	3%	5%	3%	3%	4%	5%	5%	7%	5%	6%	3%	5%
Consultant	3%	2%	5%	2%	2%	3%	4%	9%	15%	5%	8%	8%	5%
Internet/library/press	3%	3%	4%	5%	5%	5%	4%	6%	5%	2%	6%	1%	4%
Customers/suppliers/other small businesses/friends/family/mentor	6%	6%	4%	3%	3%	3%	4%	4%	8%	7%	2%	2%	4%
Solicitor	1%	1%	4%	2%	2%	4%	3%	5%	12%	0%	3%	8%	4%
Local authority	5%	6%	4%	3%	3%	3%	5%	3%	3%	7%	1%	0%	5%
Other regulators (HSE/ Environment Agency etc.)	5%	5%	4%	2%	2%	2%	3%	5%	6%	12%	6%	3%	2%
DTI/SBS/other government	3%	2%	4%	1%	1%	3%	5%	3%	6%	2%	5%	2%	5%
Welsh Assembly Government	3%	4%	2%	0%	0%	0%	2%	2%	2%	7%	2%	0%	1%
Welsh Development Agency	1%	0%	2%	0%	0%	0%	2%	4%	3%	0%	1%	1%	3%
Don't know	2%	2%	2%	1%	1%	2%	2%	1%	2%	0%	*%	0%	2%
Welsh Trade International	*%	0%	1%	0%	0%	0%	1%	1%	1%	0%	1%	0%	1%
Business support organisations	1%	1%	1%	2%	2%	3%	2%	1%	2%	0%	*%	0%	2%
Chamber of Commerce	*%	0%	1%	1%	1%	2%	1%	1%	2%	0%	2%	*%	1%
HMRC Customs and Excise	1%	1%	1%	*%	*%	1%	1%	1%	1%	0%	*%	1%	1%
Wales Tourist Board	*%	1%	*%	0%	0%	0%	0%	0%	1%	0%	0%	0%	*%
Education and Learning Wales	*%	0%	*%	0%	0%	0%	*%	0%	2%	0%	*%	0%	*%
Enterprise Agency	1%	1%	*%	*%	*%	*%	*%	0%	0%	0%	0%	0%	*%
HMRC Inland Revenue functions	1%	1%	*%	1%	1%	1%	*%	1%	1%	0%	*%	0%	*%
Other	*%	0%	*%	*%	*%	1%	*%	0%	0%	0%	0%	0%	*%
Unwilling to answer	*%	0%	*%	*%	*%	*%	0%	0%	1%	0%	*%	0%	0%
Unweighted N =	1,005	162	843	8,640	1,430	7,210	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

7.5 Satisfaction with advice on regulations

Businesses that had sought advice on how regulations might affect them were asked for their levels of satisfaction with the different sources of advice they had consulted regarding regulations.

Businesses were asked to rate their satisfaction on a scale of one to five, where one was very dissatisfied and five was very satisfied. The sample sizes for the businesses in Wales that had sought advice from each of these sources and subsequently given satisfaction ratings were all less than 100, which was too small to analyse and are not reported here. However, these results are available at the UK level, and can be found in Chapter 7 of the UK report, to be published on the Small Business Service website at:

(<http://www.sbs.gov.uk/sbsgov/action/detail?r.l3=7000000231&r.12=7000000239&r.11=700000229&r.s=sc&type=RESOURCES&itemId=7000027837>).

The results for Wales can nonetheless be found in the tables given in the Appendix, although these should be used with extreme caution and note that all results based on less than 25 responses have been suppressed for quality reasons.

7.6 Business support from the private sector

All businesses were asked for their views on the provision of business support from private sector organisations.

Table 7.5 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- just under a quarter (23 per cent) of businesses felt that private sector organisations provide as much business support as was needed – slightly higher than for across the UK as a whole, where the figure was 21 per cent. Nearly a fifth (19 per cent) thought there were some gaps in provision, while just over a quarter (27 per cent) thought there were some big gaps in local provision.
- slightly more of the businesses with employees felt that provision was sufficient (26 per cent) than did those without employees (22 per cent). Similarly, more of the businesses with employees said there were some gaps (23 per cent cf 17 per cent). Similar numbers of those with and without employees reported big gaps (27 and 28 per cent respectively).

Looking just at those businesses that employ staff, we can see that:

- more of the medium-sized businesses said they had as much support as they needed than did micro and small employers (35 per cent, compared to 26 and 25 per cent).
- more employers in the construction sector (44 per cent) said there were big gaps in provision than did those in production and primary (33 and 30 per cent) or services (24 per cent).

Table 7.5: Extent to which businesses feel that private sector organisations provide business support that meets their needs (Q144)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
As much as you need	23%	22%	26%	21%	21%	22%
Mostly, but there are some gaps	19%	17%	23%	18%	17%	20%
There are some big gaps in local provision	27%	28%	27%	23%	23%	24%
Don't know	29%	31%	23%	36%	38%	32%
Unwilling to answer	1%	1%	1%	1%	1%	1%
Unweighted N =	1,005	162	843	8,640	1,430	7,210

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
As much as you need	26%	25%	35%	28%	29%	24%	25%
Mostly, but there are some gaps	23%	21%	30%	26%	14%	10%	25%
There are some big gaps in local provision	26%	31%	16%	30%	33%	44%	24%
Don't know	24%	22%	20%	17%	24%	16%	25%
Unwilling to answer	1%	*%	0%	0%	*%	6%	1%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

7.7 Are businesses aware of Business Eye?

All businesses in Wales were asked if they were aware that there was an information and advice service for small businesses, including a national contact centre and network of local operators called 'Business Eye'.

Table 7.6 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. For this and the following tables in this chapter, no comparison data are given for the UK, since employers in the rest of the UK were not asked this set of questions. After reporting the responses for all businesses in Wales, variations between the different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- over three-fifths (61 per cent) were aware of the service.
- nearly two-fifths (38 per cent) were not aware of Business Eye.
- one per cent of small businesses in Wales were not sure if they were aware of Business Eye.

Looking just at those businesses that employ staff, we can see that:

- more of the medium-sized businesses (70 per cent) were aware of the service than small (68 per cent) and micro businesses (62 per cent).
- more employers in the production sector were aware of the service than in other sectors. Over three-quarters of production employers (77 per cent) were aware of the service, compared to 61 per cent in services, 60 per cent in primary and 57 per cent in construction.

Table 7.6: Proportion of businesses that are aware of an information and advice service for small business including a national contact centre and network of local operators called 'Business Eye' (Q146)

Proportions who said...	Wales: All businesses		
	All	Without employees	With employees
Aware	61%	60%	63%
Not aware	38%	39%	37%
Uncertain	1%	1%	1%
Unweighted N =	1,005	162	843

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Aware	62%	68%	70%	60%	77%	57%	61%
Not aware	38%	31%	27%	37%	23%	43%	39%
Uncertain	1%	1%	3%	2%	*%	0%	*%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

7.8 Have businesses used Business Eye?

All businesses in Wales that had indicated that they were aware of Business Eye were asked if they had used it.

Table 7.7 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. After reporting the responses for all businesses in Wales, variations between the different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- a total of 11 per cent of small businesses in Wales had used Business Eye.
- more of the businesses with employees had used the service (14 per cent) than had those without employees (ten per cent).

Looking just at those businesses that employ staff, we can see that:

- similar proportions of micro, small and medium-sized businesses had used the service).
- more employers in the construction sector had made use of the service than in other sectors. Nearly a quarter of construction employers (24 per cent) had used the service, compared to 19 per cent in production, 14 per cent in services and five per cent in the primary sector.

Table 7.7: Proportion of businesses that had used Business Eye (Q147)

Proportions who said...	Wales: All businesses		
	All	Without employees	With employees
Used	11%	10%	14%
Have not used	87%	88%	84%
Uncertain	2%	2%	2%
Unwilling to answer	*%	0%	*%
Unweighted N =	1,005	162	843

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Used	14%	15%	15%	5%	19%	24%	14%
Have not used	84%	83%	80%	90%	81%	70%	85%
Uncertain	2%	1%	5%	5%	1%	6%	1%
Unwilling to answer	0%	*%	0%	0%	0%	0%	*%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

7.9 Have businesses heard of services to which Business Eye provides a signposting service?

All businesses in Wales were asked if they had heard of services to which the Welsh Development Agency Business Eye provides a signposting service.

Table 7.8 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. After reporting the responses for all businesses in Wales, variations between the different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- a total of 17 per cent of small businesses in Wales had heard of or used SMART Cymru.
- nearly a quarter of all businesses (24 per cent) had heard of or used Funding via Finance Wales.
- just over a fifth (22 per cent) had heard of or used Regional Selective Assistance.
- a total of 16 per cent of businesses had heard of or used the Business Debt Line.

Looking just at those businesses that employ staff, we can see that:

- more of the medium-sized employers had heard of all of these services than had employers in small and micro businesses.
- fewer employers in the construction sector had heard of or used all of these services except the Assembly Investment Grant, which a greater proportion of employers in construction (43 per cent) had heard of than in all other sectors.

Table 7.8: Whether businesses have heard of services signposted by Business Eye - prompted (multiple response) (Q149)

Proportions who said they had heard of ...	Wales: All businesses		
	All	Without employees	With employees
Assembly Investment Grant	32%	32%	33%
Funding via Finance Wales	24%	23%	29%
Regional Selective Assistance	22%	22%	23%
SMART Cymru	17%	18%	14%
Business Debt Line	16%	17%	14%
Unweighted N =	1,005	162	843

Proportions who said they had heard of ...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Assembly Investment Grant	32%	36%	41%	40%	32%	43%	31%
Funding via Finance Wales	28%	34%	37%	33%	31%	15%	28%
Regional Selective Assistance	22%	31%	35%	24%	35%	16%	21%
SMART Cymru	12%	22%	24%	17%	23%	6%	12%
Business Debt Line	14%	17%	20%	17%	13%	4%	15%
Unweighted N =	329	349	165	51	188	66	538

Base: All businesses; unweighted N = 1,005

7.10 Have businesses used the services to which Business Eye provides a signposting service?

Next, all businesses in Wales were asked if they had used any of the services to which the Welsh Development Agency Business Eye provides a signposting service.

Table 7.9 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. After reporting the responses for all businesses in Wales, variations between the different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- only one per cent of small businesses in Wales had used SMART Cymru.
- two per cent of all businesses had used funding via Finance Wales.
- one per cent had used Regional Selective Assistance.
- two per cent of businesses had used the Assembly Investment Grant.
- less than one per cent of businesses had used the Business Debt Line.

Looking just at those businesses that employ staff, we can see that:

- in general, more of the medium-sized employers had used these services than smaller employers.
- only small numbers of employers in the primary, construction and services sectors had used these services. The production sector was the only sector in which a sizeable proportion of employers had used any of these services. Some 11 per cent had used Regional Selective Assistance and 13 per cent had used the Assembly Investment Grant.

Table 7.9: Whether businesses have used the services signposted by Business Eye - prompted (multiple response) (Q149)

Proportions who said they had used...	Wales: All businesses		
	All	Without employees	With employees
Assembly Investment Grant	2%	1%	4%
Regional Selective Assistance	1%	1%	3%
Funding via Finance Wales	2%	1%	2%
SMART Cymru	1%	1%	1%
Business Debt Line	*%	0%	*%
Unweighted N =	1,005	162	843

Proportions who said they had used...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Assembly Investment Grant	3%	9%	8%	5%	13%	2%	3%
Regional Selective Assistance	2%	6%	11%	0%	11%	1%	2%
Funding via Finance Wales	2%	4%	7%	0%	4%	0%	2%
SMART Cymru	1%	2%	4%	0%	6%	0%	*%
Business Debt Line	*%	1%	2%	0%	3%	0%	*%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

7.11 Chapter summary

Among small businesses as a whole, a third had sought advice or information from any external sources during the past year about regulations which might affect them. The likelihood of seeking such advice increases sharply with the size of the business – among medium-sized businesses, nearly a half (47 per cent) had done so.

The most commonly cited reason for not seeking advice was that the business did not need help at the moment (69 per cent). One-fifth (21 per cent) stated that they have in-house expertise.

Among small businesses as a whole, the main sources used for advice on regulation were their accountant (16 per cent of all businesses) or trade/business association (eight per cent). Just small numbers of respondents cited other sources: four per cent said their bank and a further six per cent mentioned customers, suppliers, other small businesses, friends, family or mentor. Five per cent mentioned the local authority and other regulators such as the HSE and Environment Agency.

Nearly two-thirds of businesses in Wales had heard of Business Eye, the information and advice centre for small businesses in Wales. Over one in ten of all businesses surveyed had used the facility. Furthermore, between 17 and 32 per cent of businesses had heard of the services that were signposted by Business Eye, but only a very few – around one or two per cent in each case – had used these services so far.

8 Contact With and Use of Government Services

In this chapter, we turn to look specifically at the relationship between small businesses and the public authorities. The chapter begins with an analysis of relationships with government, before turning to focus on small businesses' experiences of working with the public sector.

Methodology for the survey is set out in Chapter 1. All the tables in this chapter are expanded upon in the relevant Appendix to include further breakdowns of the results, such as geographical location, age of business, intention to grow and gender of ownership.

8.1 Contact with government departments and agencies

All businesses were asked whether they had had any contact with government departments or agencies at a local, national or regional level in the previous 12 months with regard to a number of key areas.

Table 8.1 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- over half (55 per cent) had had contact with government departments or agencies in the previous 12 months. This is slightly above the figure for the UK as a whole, which is 53 per cent.
- businesses with employees were more likely to have had contact with government departments. Three-fifths (61 per cent) had done so, compared to just over half of those without employees (52 per cent).

Looking just at those businesses that employ staff, we can see that:

- the likelihood of having contact with government departments increases with size of business. Whereas three-quarters (74 per cent) of medium-sized businesses had had contact, this was the case for 69 per cent of small businesses and 60 per cent of micro businesses in Wales.
- there were few differences between the production, construction and service sectors; however, businesses in the primary sector were slightly less likely than those in the other sectors to have had contact with government departments (54 per cent).

Table 8.1: Proportion of businesses that have had any contact with government departments or agencies in the past 12 months (Q155)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Have had contact	55%	52%	61%	53%	50%	61%
No contact	42%	44%	38%	44%	47%	37%
Don't know	1%	1%	1%	2%	2%	2%
Unwilling to answer	2%	2%	*%	1%	1%	1%
Unweighted N =	1,005	162	843	8,640	1,430	7,210

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Have had contact	60%	69%	74%	54%	60%	60%	63%
No contact	40%	29%	22%	46%	40%	38%	36%
Don't know	1%	1%	4%	0%	1%	2%	1%
Unwilling to answer	0%	1%	0%	*%	0%	0%	*%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

8.2 Satisfaction with government contact

Those businesses that had had contact with government agencies during the previous 12 months were asked how satisfied they were with the way government handled the contact. An index of satisfaction was calculated, based on the method outlined previously in Section 7.5. Again, scores potentially could range from -200 (very dissatisfied) to +200 (very satisfied).

Table 8.2 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown.

So far as small businesses in Wales as a whole are concerned, it shows that:

- the majority of respondents were moderately satisfied. Companies House was the contact that gained the highest satisfaction score across businesses both with and without employees, with scores just over 90. Although contact regarding employee matters was rated highly by employers without employees, it gained a lower approval rating from businesses with employees.
- contact in the context of the planning permission process gained the lowest overall score, although contact regarding the patent process gained the lowest score of all from businesses without employees.

Table 8.2: Summary table: Index of satisfaction with the way the government handled the contact; all businesses that had had contact with government agencies in previous 12 months; maximum score = +200, minimum score = -200 (Q156)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	With or without employees		All	With or without employees	
		Without	With		Without	With
Processes with Companies House (N = 72)	90	94	91	89	92	89
Processes concerning the employee related matters (N = 37)	82	111	79	69	98	66
Processes over Patenting (N = 43)	66	-34	75	74	57	75
VAT processes (N = 78)	76	81	74	74	82	73
Processes concerned with consultations or surveys (N = 32)	53	46	55	54	62	53
Processes over obtaining Business Advice (N = 63)	48	32	52	60	54	61
Regulation enforcement processes (N = 29)	35	15	38	39	44	37
Process for claiming grants or loans (N = 25)	34	39	34	40	33	40
Planning permission process (N = 53)	14	13	15	16	32	15
Processes over other taxes (N = 5)	-	-	-	-	-	-

Note: - = results not shown, unweighted base < 25.

Base: All businesses contacting government agencies in last 12 months

8.3 Range of government services

All businesses were asked for their views on the range of government services available to businesses, locally and nationally.

Table 8.3 opposite shows the responses for businesses with employees in Wales and comparison figures for the UK as a whole.

Looking at these figures, we can see that:

- over half the businesses surveyed in Wales agreed or strongly agreed with the following statement: *'There are too many government agencies offering similar services'* (57 per cent); this was slightly higher than across the UK as a whole, where 51 per cent agreed with this.
- just under half of businesses surveyed in Wales (47 per cent) agreed that *'There is inconsistency in the quality of services delivered to business'*, compared to 50 per cent of businesses across the UK as a whole.
- a similar proportion of small businesses in Wales agreed that they *'would like government support to develop my business but struggle to find out what is available,'* as did businesses across the UK as a whole (52 per cent compared to 51 per cent).
- some 44 per cent of small businesses in Wales disagreed or strongly disagreed with the statement: *'I find government services easily accessible'*, close to what is seen across the UK as a whole (43 per cent).
- slightly fewer small businesses in Wales said that they strongly disagreed or disagreed with the statement: *'I know which government department or agency to go to for most business matters'* (38 per cent compared to 41 per cent for the UK as a whole).

Table 8.3: Summary table: Extent to which respondents agree with statements about the range of government services available for businesses that are delivered locally and nationally (Q158)

	Rating									
	Wales: All businesses					UK: All businesses				
	1 - Strongly disagree	2 - Disagree	3 - Agree	4 - Strongly agree	Don't know	1 - Strongly disagree	2 - Disagree	3 - Agree	4 - Strongly agree	Don't know
I know which department or agency to go to for most business matters	5%	33%	41%	5%	16%	7%	34%	43%	4%	12%
I find government services easily accessible	6%	38%	35%	3%	18%	7%	36%	41%	2%	14%
There are too many government agencies offering similar services	1%	16%	41%	16%	27%	2%	19%	40%	11%	28%
There is inconsistency in the quality of services delivered to business	2%	17%	37%	10%	35%	1%	17%	39%	11%	32%
I would like government support to develop my business but struggle to find out what is available	5%	23%	40%	12%	21%	4%	27%	38%	13%	18%
Unweighted N =	843					7,210				

Base: Businesses with employees only; unweighted N = 843

8.4 Government consideration of small business concerns

All businesses were asked how much they felt the government took the concerns of small businesses into account.

Table 8.4 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- over a third (38 per cent) of all small businesses thought government took no account of their concerns, similar to the pattern seen across the UK as a whole, where 36 per cent of respondents believed this to be the case.
- businesses with employees were slightly more likely to say government took no account of small business concerns (41 per cent) – a slightly higher proportion than across the UK as a whole.

Looking just at those businesses that employ staff, we can see that:

- the smaller the business, the more likely they were to think the government took no account of their concerns. Over two-fifths (42 per cent) of micro businesses thought this, compared to around a third of small (36 per cent) and medium-sized businesses (30 per cent).
- while just over a third of businesses in the productions sector thought government took no account of their concerns, over two-fifths (42 per cent) of businesses in the other sectors believed this to be the case.

Table 8.4: Extent to which respondents feel that the government takes into account the concerns of small businesses (Q157)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
1 - Not at all	38%	37%	41%	36%	36%	37%
2 - A little	44%	44%	44%	46%	46%	48%
3 - Quite a lot	9%	9%	10%	8%	8%	8%
4 - Very much	2%	1%	2%	1%	1%	1%
Don't know	6%	7%	2%	8%	9%	5%
Unwilling to answer	1%	1%	*%	0%	0%	0%
Unweighted N =	1005	162	843	8,640	1,430	7,210

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
1 - Not at all	42%	36%	30%	42%	35%	41%	41%
2 - A little	43%	52%	55%	37%	45%	52%	45%
3 - Quite a lot	10%	7%	9%	7%	14%	6%	10%
4 - Very much	2%	3%	4%	5%	3%	0%	2%
Don't know	2%	3%	2%	9%	3%	1%	1%
Unwilling to answer	*%	*%	1%	0%	*%	0%	*%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

8.5 Interest in public sector contracts

All businesses were asked whether, in the previous 12 months, they had expressed an interest or bid in any contract advertised by the public sector, such as the local authority or health service.

Table 8.5 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- very few small businesses in Wales had expressed an interest in, or bid for any contract advertised by the public sector: just six per cent. This is just under the figure for the UK as a whole, which was seven per cent.
- nine per cent of businesses with employees had expressed an interest or bid, compared to four per cent of businesses without employees. These figures are both slightly less than those for the UK as a whole.

Looking just at those businesses that employ staff, we can see that:

- the larger the business, the more likely they were to have expressed an interest or bid. While just seven per cent of micro businesses had expressed an interest or bid for work some 22 per cent of small businesses and 23 per cent of medium-sized businesses had done so.
- no businesses in the primary sector reported that they had expressed an interest or bid; however, over a third of businesses in the construction sector had expressed an interest or put in a bid (37 per cent), as had 14 per cent of businesses in production and eight per cent in services.

Table 8.5: Proportion of businesses that have expressed an interest, or bid for, any contract advertised by the public sector in the last 12 months (Q159)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Have expressed an interest, but did not bid	2%	2%	2%	2%	2%	3%
Have bid	4%	2%	7%	5%	4%	7%
Neither expressed an interest, nor bid	91%	92%	89%	91%	92%	88%
Don't know	2%	2%	1%	2%	2%	2%
Unwilling to answer	*%	1%	*%	1%	1%	*%
Unweighted N =	1,005	162	843	8,640	1,430	7,210

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Have expressed an interest, but did not bid	1%	6%	7%	0%	1%	6%	2%
Have bid	6%	16%	16%	0%	13%	31%	6%
Neither expressed an interest, nor bid	91%	77%	75%	98%	85%	57%	91%
Don't know	1%	1%	1%	2%	1%	6%	1%
Unwilling to answer	0%	1%	0%	0%	0%	0%	*%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

8.6 Procurement of public sector contracts

All businesses were asked whether in the previous 12 months they had actually done any work for the public sector.

Table 8.6 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- 15 per cent had done some work for the public sector; this is the same proportion as is seen across the UK as a whole.
- businesses with employees were more likely to have done work for the public sector – nearly a fifth (19 per cent) had done so, compared to 13 per cent of businesses without employees.

Looking just at those businesses that employ staff, we can see that:

- the larger the business, the more likely they were to have done some work for the public sector. Over a third (36 per cent) of medium-sized businesses had procured some public sector work, and a similar proportion (34 per cent) of small businesses had done so, while just 16 per cent of micro businesses in Wales had done work for the public sector.
- the proportion of businesses doing public sector work was highest in the construction (38 per cent) and production (33 per cent) sectors. Some 17 per cent of businesses in the service sector had done public sector work in the previous 12 months, while just seven per cent in the primary sector had done so.

Table 8.6: Proportion of businesses that have actually done any business for the public sector in the past 12 months (Q160)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Have done some work for the public sector	15%	13%	19%	15%	12%	21%
Have not done any work for the public sector	83%	84%	80%	83%	86%	78%
Don't know	2%	2%	1%	1%	1%	1%
Unwilling to answer	*%	1%	0%	1%	1%	*%
Unweighted N =	1,005	162	843	8,640	1,430	7,210

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Have done some work for the public sector	16%	34%	36%	7%	33%	38%	17%
Have not done any work for the public sector	83%	65%	64%	91%	66%	61%	83%
Don't know	1%	1%	0%	2%	1%	1%	1%
Unwilling to answer	0%	0%	0%	0%	0%	0%	0%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

Those businesses that had done some work for the public sector in the previous 12 months were asked what part of the public sector was their main customer.

Table 8.7 opposite shows their responses; firstly for all businesses in Wales that had undertaken some public sector work and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- the most commonly cited public sector customers were local authorities, for which over two-thirds (67 per cent) had undertaken some work. This proportion is some ten percentage points higher than across the UK as a whole. After this, the second largest public sector customer group in Wales was higher/further education institutions, for which some 12 per cent of these organisations had undertaken some work.
- compared to all businesses, businesses with employees were more likely to have done work for the health service: ten per cent of business with employees had done work for the health service compared to four per cent of all businesses.

Looking just at those businesses that employ staff, we can see that:

- there were only slight differences in the proportions of the different sizes of small businesses that had done work for any public sector bodies. Some eight per cent of micro and small businesses had undertaken work for Departments of State, compared to 12 per cent of medium-sized businesses. While just three per cent of small businesses had undertaken work for higher or further education institutions, eight per cent of medium-sized and nine per cent of micro businesses had done so.
- comparison between businesses in the four sector groups is rendered difficult by small numbers in two of these groupings: just four respondents in the primary sector and 29 in construction. Some 66 per cent of service sector respondents and 58 per cent of production sector businesses reported that local authorities had been their customer. Ten per cent of service sector respondents said that they had done business with health service organisations, as did 13 per cent of production sector respondents.

Table 8.7: Businesses' main public sector customer - prompted (Q161)

Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	With or without employees		All	With or without employees		All	Employment size			Industrial sector (grouped SICs)			
	All	Without		Without	With		Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Local authorities, eg local council	67%	-	67%	57%	56%	58%	68%	65%	64%	-	58%	82%	66%
Health Service, including primary, secondary trusts etc.	4%	-	10%	15%	15%	16%	9%	14%	10%	-	13%	10%	10%
Departments of State (but not Ministry of Defence), including Central Government, the Scottish Executive and the National Assembly for Wales	9%	-	8%	7%	7%	6%	8%	8%	12%	-	*%	2%	12%
Higher/further education institutions	12%	-	8%	11%	12%	9%	9%	3%	8%	-	13%	4%	7%
Ministry of Defence	1%	-	2%	4%	3%	5%	2%	4%	2%	-	7%	2%	1%
Overseas government	3%	-	0%	*%	*%	*%	0%	0%	0%	-	0%	0%	0%
Other	*%	-	*%	2%	3%	1%	0%	1%	0%	-	0%	0%	*%
Don't know	4%	-	4%	4%	5%	3%	4%	4%	3%	-	9%	0%	3%
Unwilling to answer	*%	-	*%	*%	0%	1%	0%	1%	0%	-	1%	0%	0%
Unweighted N =	250	21	229	2,061	177	1,884	53	117	59	4	59	29	137

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where have worked for public sector; unweighted N = 250

8.7 Barriers to public sector contracts

All businesses were asked what they felt were the main barriers to selling more to the public sector.

Table 8.8 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- some 31 per cent of Welsh businesses said that this was because selling to the public sector was not applicable for their business, similar to the number of small businesses across the UK as a whole that said this (29 per cent). After this, the barrier to selling more to the public sector that was most commonly cited by businesses in Wales was the effort involved in bidding or pre-qualifying (16 per cent). Some eight per cent cited red tape/regulations, while a further four per cent felt excluded through framework contracts and approved supplier lists. Fifteen per cent of all Welsh businesses surveyed said that none of these were a barrier, while a further 11 per cent gave some other response, with the 'other' category including: level of competition, small size of business/limited facilities, and lack of interest in selling.
- businesses with employees were less likely to say that selling to the public sector was not applicable to their business than were businesses without employees (24 per cent compared to 34 per cent).

Looking just at those businesses that employ staff, we can see that:

- slightly more of the small and medium-sized employers cited red tape/regulations than did micro employers (ten per cent compared to eight per cent), while more of the micro employers (25 per cent) said the public sector customer market was not applicable for their business than did small and medium-sized enterprises (18 per cent in both cases).
- somewhat more of the businesses in the construction sector identified the effort involved in bidding as a barrier (21 per cent), compared to those in primary (16 per cent), production (15 per cent) and services (14 per cent). Far more of the employers engaged in business in the primary and production sectors cited red tape or regulations (16 and 14 per cent respectively) than did respondents in the construction and service sectors (two and six per cent respectively).

Table 8.8: Barriers to selling (more) to the public sector - unprompted (multiple response) (Q164)

Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	With or without employees		All	With or without employees		All	Employment size			Industrial sector (grouped SICs)			
	All	Without		Without	With		Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Not applicable to my business	31%	34%	24%	29%	30%	27%	25%	18%	18%	28%	13%	18%	25%
Effort involved in bidding or pre-qualifying	16%	16%	15%	14%	14%	15%	14%	19%	16%	16%	15%	21%	14%
Red tape/regulations	8%	7%	8%	8%	7%	8%	8%	10%	10%	16%	14%	2%	6%
Lack of information about opportunities	3%	1%	7%	5%	4%	7%	6%	8%	5%	7%	7%	2%	7%
Feel excluded through framework contracts, approved suppliers list etc.	4%	4%	5%	3%	2%	4%	6%	4%	0%	2%	5%	13%	6%
Lack of understanding of the procurement process	1%	1%	3%	2%	2%	2%	3%	3%	4%	2%	3%	1%	3%
Difficulties engaging with prime contractors	1%	1%	2%	1%	1%	2%	2%	3%	1%	2%	3%	1%	2%
Specifications exclude my business	1%	1%	2%	2%	2%	2%	2%	3%	2%	0%	10%	*%	*%
Lack of consistency in the tendering process	2%	2%	2%	2%	2%	3%	2%	5%	4%	2%	3%	9%	2%
Procurers' perceptions of risk of dealing with SMEs	1%	1%	1%	1%	1%	*%	1%	1%	0%	0%	3%	7%	*%
Dissatisfied with post-tender debriefing process	1%	1%	1%	1%	1%	1%	1%	1%	0%	0%	0%	1%	1%
Difficulties in selling an innovative product	*%	0%	*%	1%	1%	1%	*%	1%	1%	0%	*%	1%	1%
Other	11%	7%	19%	13%	13%	14%	19%	17%	18%	5%	18%	26%	21%
None of these	15%	14%	19%	18%	17%	18%	19%	22%	19%	19%	15%	9%	21%
Don't know/unwilling to answer	22%	24%	17%	15%	15%	14%	17%	13%	18%	21%	13%	25%	16%
Unweighted N =	1005	162	843	8,640	1,430	7,210	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

8.8 Advertising public-sector tendering opportunities

All businesses in Wales were asked whether they were aware of the Sell2Wales (www.sell2wales.co.uk) website, which is used to advertise public sector tender opportunities.

Table 8.9 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. For this table, comparison figures for the UK are not shown, as this question was not asked elsewhere in the UK. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- the great majority of small businesses in Wales were unaware of this website.
- slightly more of the businesses that had employees were aware of it (23 per cent) than were those that did not have employees (19 per cent).

Looking just at those businesses that employ staff, we can see that:

- small (39 per cent) and medium-sized businesses (38 per cent) were more likely to be aware of the website than were micro-businesses (21 per cent).
- Some 39 per cent of these had heard of the website, compared to 28 per cent in construction, 21 per cent in services and 17 per cent in the primary sector.

Table 8.9: Proportion of businesses that were aware of the Sell2Wales website (Q163)

Proportions who said...	Wales: All businesses		
	All	Without employees	With employees
Aware	20%	19%	23%
Not aware	80%	81%	77%
Unweighted N =	1,005	162	843

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Aware	21%	39%	38%	17%	39%	28%	21%
Not aware	79%	61%	62%	83%	61%	72%	79%
Unweighted N =	329	349	165	51	188	66	538

Base: All businesses; unweighted N = 1,005

8.9 Chapter summary

Over half of all businesses owners (55 per cent) said that they had had contact with the government during the previous year. As the size of the business increased, they were more likely to have had contact; three-quarters (74 per cent) of medium-sized businesses said that they had had contact.

There was some negativity amongst small businesses with regard to the range of government services delivered both locally and nationally. Around half of those businesses with employees agreed or strongly agreed with the following statements: 'There are too many government agencies offering similar services'; 'There is inconsistency in the quality of services delivered to business', and 'I would like government support to develop my business but struggle to find out what is available'.

All business owners were asked whether they had sought any work from the government or public sector in the past 12 months, and whether they had actually done any business for the public sector in the same period.

Overall, only six per cent of all businesses had expressed an interest or bid for public sector contracts and nine per cent of those with employees. This proportion varied according to size, with 16 per cent of medium-sized businesses having bid for work compared with six per cent of businesses with no employees.

Of all small businesses, only 15 per cent had actually done public sector work in the past 12 months. This proportion was higher for businesses with employees (19 per cent) than those without employees (13 per cent). Their main public sector customers were local authorities (67 per cent), followed by further and higher education institutions (12 per cent).

Nearly a third of businesses in Wales said that selling to the public sector was not applicable to their business. The most commonly-cited barrier to selling more to the public sector was the effort involved in bidding or pre-qualifying (16 per cent).

Many of the small businesses were unaware of the Sell2Wales website, which is used to advertise public sector opportunities. Just 20 per cent had heard of the website at the time of the survey.

9 Other Issues

In this chapter of the report, a number of issues which are considered to be of importance both for understanding small businesses, and for the businesses themselves are considered. Each year some of these issues covered are the same, and in others they vary to provide some consistency with greater breadth.

This year, the issues covered are:

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Methodology for the survey is set out in Chapter 1. All the tables in this chapter are expanded upon in the relevant Appendix to include further breakdowns of the results, such as geographical location, age of business, intention to grow and gender of ownership.

9.1 Crime

An important further aspect of the research was to assess the extent and strength of small businesses' concerns about crime. In order to contain the length of the interview, this series of questions was not asked of all businesses. Rather, it was asked of just half of them, selected on a wholly random basis.

9.1.1 Perceptions of the crime problem

The businesses selected were asked, firstly, how big a problem crime was in relation to their premises and the area around them.

Table 9.1 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- the majority of businesses felt that crime was not a problem at all (59 per cent). This was a larger proportion than across the UK as a whole, for which 54 per cent of respondents felt crime not to be a problem. This was closely followed by just under a third of businesses perceiving crime to not be a very big problem that affected them (30 per cent). In total, only ten per cent of businesses thought crime was either a very big problem or a fairly big problem; this was lower than across the UK as a whole.
- more of the businesses without employees felt crime not to be a problem in relation to their premises and the area around them than did businesses with employees (61 per cent compared to 53 per cent).

Looking just at those businesses that employed staff, it can be seen that:

- more of the micro (16 per cent) and small (20 per cent) businesses felt that crime was either a fairly big, or big, problem, compared to just eight per cent of medium-sized businesses.
- Some 18 per cent of businesses in the services sector and 16 per cent of those in the production sector mentioned that crime was either a fairly or very big problem.

Table 9.1: Extent to which businesses feel crime is a problem in relation to their premises and the area around them (Q165)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
A very big problem	2%	1%	5%	5%	5%	5%
A fairly big problem	8%	7%	12%	11%	12%	11%
Not a very big problem	30%	30%	30%	29%	29%	29%
Not a problem at all	59%	61%	53%	54%	54%	54%
Unwilling to answer	1%	1%	0%	*%	*%	*%
Don't know	0%	0%	0%	*%	*%	1%
Unweighted N =	523	89	434	4,238	674	3,564

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
A very big problem	4%	8%	1%	-	8%	6%	5%
A fairly big problem	12%	12%	7%	-	8%	4%	13%
Not a very big problem	30%	32%	33%	-	35%	33%	31%
Not a problem at all	54%	49%	59%	-	49%	57%	51%
Unwilling to answer	0%	0%	0%	-	0%	0%	0%
Unweighted N =	179	173	82	22	97	30	285

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Random half of all businesses; unweighted N = 523

9.1.2 Incidence of crime

To follow up these perceptions, businesses were asked a question which considered their individual experience of crime. They were asked whether they had been a victim of crime in the previous year.

Table 9.2 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- the majority of businesses, (89 per cent), had not been a victim of crime in the last 12 months. Slightly more of the respondents from businesses in Wales reported having been crime-free in the past 12 months than was the case for the UK as a whole.
- 11 per cent in total had been a victim, either just once or on several occasions. This, too, was lower than for the UK as a whole, where some 16 per cent of small businesses had fallen victim to crime once or on several occasions in the last 12 months.
- more of the businesses with employees had been victims of crime than had businesses without employees. Eight per cent of businesses with employees had been a victim of crime once in the past 12 months, compared to three per cent of businesses without employees; 13 per cent of businesses with employees had been victims of crime on more than one occasion, compared to three per cent of businesses without employees.

Looking just at those businesses that employed staff, it can be seen that:

- the experience of crime varied according to the number of employees a business had, with businesses with fewer employees being less likely to have been a victim of crime. Nearly a third of businesses with 50 or more employees had been a victim of crime (32 per cent) in comparison to just under a fifth of businesses with fewer than ten employees (19 per cent).
- more of the medium-sized business had been a victim of crime once or on several occasions (34 per cent) than had small businesses (32 per cent) and micro businesses (20 per cent).

Table 9.2: Proportion of businesses that have been a victim of crime in the last 12 months (Q166)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Victim on several occasions	6%	3%	13%	8%	7%	11%
Victim once	5%	3%	8%	8%	7%	10%
Not a victim	89%	93%	78%	84%	86%	78%
Don't know	*%	0%	1%	*%	0%	1%
Been a victim of crime (1+2)	11%	7%	21%	16%	14%	21%
Unweighted N =	523	89	434	4,238	674	3,564

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Victim on several occasions	12%	19%	23%	-	15%	12%	14%
Victim once	8%	13%	11%	-	6%	3%	10%
Not a victim	80%	68%	66%	-	79%	83%	76%
Don't know	1%	1%	0%	-	0%	2%	0%
Been a victim of crime (1+2)	20%	32%	34%	-	21%	15%	24%
Unweighted N =	179	173	82	22	97	30	285

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Random half of all businesses; unweighted N = 523

9.1.3 Reporting of crime

Businesses that had experienced crime in the previous year, were asked whether or not they had reported some or all of the incidents to the police.

Table 9.3 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- the majority of businesses had reported all of the incidents of crime they had experienced (66 per cent). This was slightly lower than for the UK as whole. Nearly a fifth of businesses (19 per cent) said that they reported some but not all of these incidents, while 15 per cent of respondents said that they had not reported them.

Looking just at those businesses that employed staff, it can be seen that:

- just under two-thirds of businesses , (66 per cent), reported all incidents of crime they had experienced, while a further 21 per cent of businesses had reporting only some of them.
- some 13 per cent of businesses did not report any of the incidents of crime they had experienced.
- the more employees a business had, the more likely it was to have reported all incidents of crime – 86 per cent of businesses with 50 or more employees stated this, in comparison to 76 per cent of businesses with between ten and 49 employees, and 63 per cent of businesses with a headcount of less than ten.
- businesses with fewer than ten employees were more likely to have reported some of the incidents of crime, in comparison to businesses with more than ten employees and more than 50 employees.

Table 9.3: Proportion of businesses that reported incident(s) to the police (Q167)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Yes - reported it/all of the incidents	66%	-	66%	71%	70%	71%
Yes - reported some of the incidents	19%	-	21%	14%	14%	13%
No - didn't report	15%	-	13%	15%	15%	16%
Don't know	*%	-	*%	*%	0%	*%
Unweighted N =	124	6	118	1,004	86	918

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Yes - reported it/all of the incidents	63%	76%	86%	-	-	-	67%
Yes - reported some of the incidents	23%	13%	11%	-	-	-	21%
No - didn't report	14%	9%	4%	-	-	-	12%
Don't know	0%	2%	0%	-	-	-	*%
Unweighted N =	35	55	28	1	20	8	89

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where have been a victim of crime; unweighted N = 124

9.1.4 Type of crime

Businesses, who had some direct experience of crime in the past year, were then asked about the type of crime, and (in the next section) its effect on the business.

Looking first at the type of crime, Table 9.4 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- the type of crime experienced by the highest proportion of businesses was theft by others (ie not theft by staff); this was mentioned by 44 per cent of businesses. This was considerably higher than across the UK as a whole, where just over a third of employers reported this type of crime (34 per cent).
- over a third of businesses (36 per cent) stated that the type of crime they had been the recipient of was burglary. Again, this was a substantially higher reporting rate than for the UK as a whole, for which less than a quarter, 24 per cent, reported this type of crime. Although the data suggest that far more of the businesses without employees had suffered from this type of crime than had those with employees, in fact the number of respondents in this group of employers (those without employees) for this question is so small that no real comparison can be made.
- a further 23 per cent reported that the type of crime they been a victim of was criminal damage. This is close to the reporting rate for the UK as a whole, where 24 per cent of employers reported being a victim of this type of crime. However, it should be noted that, in Wales, these responses emanated solely from businesses that had employees; some 41 per cent of these reported having been a victim of criminal damage, far higher than the reports of this crime from this employer group across the UK as a whole.

Looking just at those businesses that employed staff, it can be seen that:

- overall, amongst small businesses in Wales that had employees, criminal damage was the most frequently-cited crime (41 per cent); this was followed by theft by others (39 per cent) and then burglary (25 per cent).
- more of the small and medium-sized businesses had reported theft by others than had micro employers; however, there are small numbers of respondents in both the medium and micro-sized groups of employers, so it is not possible to form any firm conclusions from these data. The same can be said for the apparent differences in the reporting rates from micro, small and medium-sized businesses for burglary and criminal damage.

Table 9.4: Type of crime experienced - unprompted (multiple response) (Q168)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Criminal damage	23%	-	41%	24%	22%	27%
Theft by others	44%	-	39%	34%	31%	38%
Burglary	36%	-	25%	24%	24%	23%
Vehicle crime	4%	-	7%	12%	13%	10%
Robbery	10%	-	5%	8%	10%	5%
Anti-social behaviour	3%	-	5%	3%	3%	4%
Violent crime	1%	-	2%	5%	6%	3%
Fraud	*%	-	*%	2%	0%	4%
Theft (unspecified)	*%	-	*%	2%	2%	4%
Unweighted N =	124	6	118	1,004	86	918

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Criminal damage	46%	22%	36%	-	-	-	42%
Theft by others	37%	45%	46%	-	-	-	39%
Burglary	26%	24%	18%	-	-	-	28%
Vehicle crime	6%	11%	4%	-	-	-	7%
Robbery	6%	4%	0%	-	-	-	6%
Anti-social behaviour	6%	2%	11%	-	-	-	3%
Violent crime	3%	0%	0%	-	-	-	3%
Fraud	0%	2%	0%	-	-	-	*%
Theft (unspecified)	0%	2%	4%	-	-	-	*%
Unweighted N =	35	55	28	1	20	8	89

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where have been a victim of crime; unweighted N = 124

9.1.5 Effect on business

Table 9.5 opposite shows businesses' responses when questioned about the effect of crime; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- across the UK as a whole, the most common response was that crime had not affected their business in any way (32 per cent). However, in Wales, some 40 per cent referred to the cost of replacements and repairs being the main impact of crime. Nearly as many, 39 per cent, said that the crime had not had any impact.
- nearly one-tenth of businesses that had been victims of crime (nine per cent) stated that crime had resulted in a loss of income from closure, and seven per cent said it had resulted in an increased insurance premium.

Looking just at those businesses that employed staff, it can be seen that:

- micro businesses were more likely to refer to the costs of replacements and repairs than were medium-sized businesses (49 per cent compared to 21 per cent), although the relatively small numbers of respondents in these groups should be noted.

Table 9.5: Ways in which crime has affected businesses - unprompted (multiple response) (Q169)

Proportions who said...	Wales: All businesses			UK: All businesses			Wales: Businesses with employees only						
	With or without employees		All	With or without employees		All	Employment size			Industrial sector (grouped SICs)			
	All	Without		Without	With		Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Costs of replacements and repairs	40%	-	45%	30%	31%	28%	49%	33%	21%	-	-	-	42%
No effect	39%	-	31%	32%	30%	37%	31%	25%	43%	-	-	-	31%
Increased insurance premium	7%	-	13%	4%	4%	4%	14%	7%	4%	-	-	-	15%
Cost of increased security	3%	-	5%	5%	3%	9%	3%	15%	11%	-	-	-	5%
General business costs	3%	-	5%	4%	5%	4%	6%	0%	7%	-	-	-	3%
Loss of income from closure	9%	-	4%	5%	6%	4%	3%	7%	0%	-	-	-	4%
Working behaviour affected by fear of crime	2%	-	3%	11%	15%	4%	3%	2%	4%	-	-	-	3%
Loss of custom through fear of crime	2%	-	3%	2%	2%	3%	3%	4%	7%	-	-	-	4%
Inconvenience	2%	-	3%	5%	5%	5%	3%	5%	4%	-	-	-	4%
Don't know	2%	-	3%	2%	2%	3%	3%	4%	4%	-	-	-	4%
Loss of time	1%	-	2%	1%	1%	1%	3%	0%	0%	-	-	-	0%
General annoyance/frustration/hassle	*%	-	1%	*%	0%	*%	0%	4%	0%	-	-	-	1%
Absence of staff	*%	-	*%	*%	0%	*%	0%	0%	4%	-	-	-	*%
Loss of profit	*%	-	*%	1%	0%	3%	0%	2%	0%	-	-	-	*%
Minor impact	*%	-	*%	3%	4%	1%	0%	0%	4%	-	-	-	*%
Unweighted N =	124	6	118	1,004	86	918	35	55	28	1	20	8	89

Notes: * = less than 0.5 per cent; 0% = no cases observed. Two ways in which crime had affected business were identified by a very small proportion of respondents elsewhere in the UK but not in Wales: 'difficulty in recruitment' and 'slowed down business'. - = result not shown, unweighted base < 25.

Base: Where have been a victim of crime; unweighted N = 124

9.2 Staff training

A second area of interest in this chapter is the issue of small businesses and staff training. This was again pursued with a randomly-selected half of the respondent businesses, but this time including only those businesses with employees.

9.2.1 Extent of training undertaken

These businesses were first asked whether, over the past 12 months, the business had funded or arranged any training, including any formal on-the-job training and development for staff employed at the location in question.

Table 9.6 opposite shows their responses; firstly for all businesses that employed staff, along with comparison figures for the UK as a whole, and then looking in more detail at variations between different kinds of business that employed staff.

So far as small businesses in Wales that employed staff are concerned, the survey showed that:

- although slightly more businesses in Wales that had funded or arranged training and development was higher than across the UK as a whole, it was still less than half. Some 47 per cent of business in Wales had funded or arranged training and development compared with 41 per cent across the UK.
- as might be expected, the larger a business is, the more likely it is to have arranged or funded training or development. Nearly three-quarters of medium-sized businesses (72 per cent) had arranged or funded training and development compared to just 43 per cent of micro businesses.
- The data suggest that employers in the construction and production sectors are more likely to fund or arrange training and development than are employers in the service sector. However, the base for the construction sector is small and therefore this finding should be treated with caution.

Table 9.6: Proportion of businesses that have funded or arranged any training, including any informal on the job training and development, for staff in the past 12 months (Q174)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Have funded or arranged training or development	47%	-	47%	41%	-	41%
Have not funded or arranged any training or development	53%	-	53%	59%	-	59%
Don't know	*%	-	*%	*%	-	*%
Unwilling to answer	*%	-	*%	*%	-	*%
Unweighted N =	444	0	444	3,572	0	3,572

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Have funded or arranged training or development	43%	71%	72%	-	63%	66%	48%
Have not funded or arranged any training or development	57%	28%	27%	-	37%	34%	52%
Don't know	0%	1%	1%	-	0%	0%	*%
Unwilling to answer	0%	1%	0%	-	0%	0%	0%
Unweighted N =	161	189	94	22	103	38	281

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: Random half of all businesses where employ any staff; unweighted N = 444

9.2.2 Extent of staff training designed to lead to a qualification

Those businesses that had funded or arranged any training at the location in question were asked whether or not any of this training and development was designed to lead to a formal qualification.

Table 9.7 opposite shows their responses; firstly for all businesses that employed staff, along with comparison data from the UK as a whole, and then looking in more detail at variations between different kinds of business that employed staff.

So far as small businesses in Wales that employed staff are concerned, the survey showed that:

- the majority of businesses stated that most of the training and development they arranged or funded led to a qualification (61 per cent). This was higher than across the UK as a whole, where 55 per cent of training led to a qualification.
- larger businesses were more likely to report that most of their training led to a qualification than either small or micro employers, with some 81 per cent of medium-sized enterprises reporting this, compared to 73 per cent and 57 per cent for small and micro employers respectively.
- The data suggest that construction sector businesses are more likely to train towards qualification than are those in services or production. However, the base for the construction sector is small and therefore this finding should be treated with caution.

Table 9.7: Whether any of the training and development was designed to lead to a formal qualification (Q175)

	Wales: All businesses			UK: All businesses			
Proportions who said...	All	Without employees	With employees	All	Without employees	With employees	
Leads to a qualification	61%	-	61%	55%	-	55%	
Does not lead to a qualification	40%	-	40%	45%	-	45%	
Unweighted N =	271	0	271	2,018	0	2,018	
	Wales: Businesses with employees only						
	Employment size			Industrial sector			
Proportions who said...	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Lead to a qualification	57%	73%	81%	-	48%	93%	61%
Does not lead to a qualification	43%	28%	19%	-	52%	7%	40%
Unweighted N =	69	134	68	3	74	27	167

Note: * = 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where have funded training and development; unweighted N = 271

9.2.3 Training for SME managers

Those businesses that had funded or arranged any training at the location in question were asked what proportion of the managers in the business had received training or development to improve their leadership and management skills.

Table 9.8 opposite shows their responses; firstly for all businesses that employed staff, along with comparison figures for the whole of the UK, and then looking in more detail at variations between different kinds of business that employed staff.

So far as small businesses in Wales that employed staff are concerned, the survey showed that:

- the majority of businesses, 73 per cent, stated that their business managers had not received any training or development.
- in total, approximately 23 per cent of businesses, had trained or developed one per cent or more of their business managers; with nine per cent of businesses having done this for all their business managers.
- businesses with 50 or more employees were the only sub-category in which the majority of businesses (61 per cent) had trained or developed one per cent or more of their business managers. For all the other sub-categories, regardless of employment size, industrial sector, whether or not proposing growth and the age of the business, the majority of businesses had not trained or developed any of their business managers.
- the fewer employees a business had, the more likely it was that none of its business managers had received any training or development. Just 20 per cent of businesses with fewer than ten employees reported that they had trained or developed their business managers, compared with 39 per cent of small businesses.

Table 9.8: Proportion of businesses' managers that have received some training and development to improve their leadership and management skills (Q176)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
None	73%	-	73%	75%	-	75%
1%-9%	2%	-	2%	4%	-	4%
10%-24%	2%	-	2%	3%	-	3%
25%-49%	2%	-	2%	2%	-	2%
50%-74%	7%	-	7%	4%	-	4%
75%-99%	1%	-	1%	*%	-	*%
All	9%	-	9%	10%	-	10%
Don't know	3%	-	3%	1%	-	1%
Refused	1%	-	1%	1%	-	1%
Any managers received some training	24%	-	24%	23%	-	23%
Unweighted N =	444	0	444	3,572	0	3,572

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
None	76%	61%	37%	-	78%	56%	73%
1%-9%	2%	5%	4%	-	5%	0%	2%
10%-24%	2%	4%	14%	-	1%	4%	3%
25%-49%	1%	6%	7%	-	1%	16%	2%
50%-74%	7%	6%	11%	-	3%	16%	7%
75%-99%	1%	3%	5%	-	1%	2%	1%
All	7%	14%	19%	-	11%	7%	9%
Don't know	3%	0%	2%	-	0%	0%	2%
Refused	1%	1%	0%	-	0%	0%	1%
Any managers received some training	20%	39%	61%	-	22%	44%	24%
Unweighted N =	161	189	94	22	103	38	281

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Random half of all businesses; unweighted N = 444

9.2.4 Shortage of managerial skills/expertise

A number of businesses had identified a shortage of managerial skills or expertise as being the biggest obstacle to the success of their business. These respondents were asked to say more about the kinds of skill that they lacked.

The sample sizes for Wales of businesses which reported a shortage of managerial skills or expertise was less than 100, which was too small to analyse. However, these results are published at the UK level, and can be found in Chapter 9 of the UK report, to be published on the Small Business Service website at:

(<http://www.sbs.gov.uk/sbsgov/action/detail?r.l3=7000000231&r.12=7000000239&r.11=700000229&r.s=sc&type=RESOURCES&itemId=7000027837>).

9.3 Use of internet technology

All respondents to the survey were asked whether or not their business used technology such as computers and the internet.

Table 9.9 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- over two-thirds of businesses (67 per cent) use computers. This is ten percentage points lower than across the UK as a whole.
- businesses with employees were more likely to use ICT – 77 per cent did so, compared to 62 per cent of businesses without employees.

Looking just at those businesses that employed staff, we can see that:

- the larger the business, the more likely they are to use computers. Nearly all (98 per cent) of medium-sized businesses use ICT compared to 74 per cent of micro businesses.
- a higher proportion of businesses in the production and construction sectors used computers than in any other sector – 98 and 97 per cent respectively, compared to 76 per cent in services and 49 per cent in primary.

Table 9.9: Summary table: Proportion of businesses that use computers (ICT) at all (Q181 and Q181c)

	Wales: All businesses			UK: All businesses			
Proportions who said...	All	Without employees	With employees	All	Without employees	With employees	
Use computers	67%	62%	77%	77%	74%	86%	
Do not use computers	33%	38%	23%	23%	26%	14%	
Unweighted N =	1,005	162	843	8,640	1,430	7,210	
	Wales: Businesses with employees only						
	Employment size			Industrial sector			
Proportions who said...	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Use computers	74%	93%	98%	49%	98%	97%	76%
Do not use computers	26%	7%	2%	51%	2%	3%	24%
Unweighted N =	329	349	165	51	188	66	538

Base: All businesses; unweighted N = 1,005

All respondents to the survey were also specifically asked whether or not their business used the internet.

Table 9.10 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- some 54 per cent of all businesses in Wales used the internet, in comparison with two-thirds of businesses across the UK as a whole.
- two-thirds of businesses with employees (66 per cent) used the internet compared to just under a half (49 per cent) of those without employees.

Looking just at those businesses that employed staff, we can see that:

- the likelihood of using the internet increased with size of business. Thus, while under two-thirds of micro businesses (62 per cent) used the internet, 87 per cent of small businesses and 94 per cent of medium-sized businesses did.
- businesses in the construction sector were most likely to have used the internet – 91 per cent had done so.

Table 9.10: Proportion of businesses that use the internet (Q181)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Yes	54%	49%	66%	66%	62%	77%
No	45%	49%	34%	34%	38%	23%
Don't know	1%	1%	*%	*%	*%	*%
Unweighted N =	1,005	162	843	8,640	1,430	7,210

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Yes	62%	87%	94%	40%	88%	91%	65%
No	38%	13%	5%	60%	12%	9%	35%
Don't know	0%	1%	1%	0%	*%	0%	*%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

Those businesses that did use the internet were subsequently asked how they used it.

Table 9.11 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not.

Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- the most commonly cited reasons for using the internet were email (91 per cent), purchasing (64 per cent), business website (56 per cent) and sales (43 per cent). These were also the most frequently-cited uses across the UK.
- businesses with employees were more likely to have used the internet for a business website (67 per cent compared with 50 per cent of those without employees).

Looking just at those businesses that employed staff, we can see that:

- the larger the organisation, the more likely they were to use the internet for all the main purposes listed above.
- businesses in the production sector were more likely to use the internet for sales (59 per cent), purchasing (65 per cent), and for a business website (81 per cent).

Table 9.11: Purposes for which the internet is used - prompted (multiple response) (Q181b)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Email	91%	90%	92%	94%	93%	94%
Business website	56%	50%	67%	62%	58%	69%
Purchasing	64%	65%	61%	64%	63%	67%
Sales	43%	41%	45%	49%	47%	54%
Other	27%	24%	29%	20%	17%	25%
Don't know	2%	3%	2%	1%	2%	1%
Unweighted N =	743	80	663	6,824	839	5,985

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Email	91%	94%	98%	-	97%	98%	89%
Business website	64%	77%	87%	-	81%	56%	66%
Purchasing	60%	64%	74%	-	65%	61%	61%
Sales	41%	60%	66%	-	59%	39%	45%
Other	29%	28%	24%	-	31%	29%	32%
Don't know	2%	1%	0%	-	*%	1%	2%
Unweighted N =	205	303	155	23	172	62	406

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where use the internet; unweighted N = 743

9.4 VAT

The survey began this area of questioning by inquiring whether or not businesses were registered for VAT.

Table 9.12 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- three-quarters (75 per cent) of businesses were VAT registered. This is higher than across the UK as a whole.
- businesses with employees were more likely than those without employees to be VAT registered. Over four-fifths (89 per cent) of businesses with employees were VAT registered, compared to 70 per cent of businesses without employees.

Looking just at those businesses that employed staff, we can see that:

- higher proportions of small (97 per cent) and medium-sized (96 per cent) businesses were VAT registered than were micro businesses (87 per cent).
- businesses in the production (100 per cent) and construction (94 per cent) sectors were more likely to be VAT registered. However, in the remaining two sectors, VAT registration remained high – in the primary sector 91 per cent of employers were VAT registered as were 86 per cent in the service sector.

Table 9.12: Proportion of businesses that are VAT registered (Q189)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
VAT registered	75%	70%	89%	68%	61%	87%
Not VAT registered	24%	29%	11%	31%	38%	12%
Unwilling to answer	1%	1%	1%	1%	1%	1%
Unweighted N =	1,005	162	843	8,640	1,430	7,210

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
VAT registered	87%	97%	96%	91%	100%	94%	86%
Not VAT registered	12%	3%	2%	9%	0%	6%	13%
Unwilling to answer	1%	*%	1%	0%	*%	0%	1%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

Those businesses that were registered for VAT were asked how long it had been since starting their business that they had registered for VAT.

Table 9.13 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not.

Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- over half (54 per cent) of small businesses were VAT registered at the time of start up/at the introduction of VAT. This is close to the UK figure of 55 per cent. A further 31 per cent were registered prior to start up. This is higher than the UK figure of 26 per cent prior to start up.
- businesses with employees were slightly less likely to have registered prior to start up – 30 per cent had done so compared to 31 per cent of businesses without employees or at time of start up/at the introduction of VAT (53 per cent cf 54 per cent).

Looking just at those businesses that employed staff, we can see that:

- there was little variation between businesses with regard to their employment size.
- variation between businesses in terms of industrial sector was modest: rather more of the primary sector businesses had been registered prior to start up (39 per cent compared to 27-29 per cent) while more of the construction sector companies had registered at start up or introduction of VAT (66 per cent compared to 52-55 per cent).

Table 9.13: Time following start up from which businesses were VAT registered (Q190)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
At the time of start up/at the introduction of VAT	54%	54%	53%	55%	55%	54%
Prior to start up	31%	31%	30%	26%	26%	28%
Within 6 months of start up	2%	1%	4%	5%	5%	4%
Don't know	3%	3%	4%	4%	3%	5%
After 4 years	6%	7%	3%	4%	5%	2%
7-12 months	1%	1%	2%	2%	1%	2%
After 2 years but no more than 4 years	2%	2%	2%	2%	1%	2%
After 1 year but no more than 2 years	2%	2%	1%	3%	4%	2%
Unwilling to answer	*%	0%	1%	*%	*%	*%
Unweighted N =	896	113	783	7,486	874	6,612

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
At the time of start up/at the introduction of VAT	53%	55%	57%	54%	55%	66%	52%
Prior to start up	30%	30%	26%	39%	27%	29%	29%
Within 6 months of start up	5%	1%	0%	0%	4%	0%	5%
7-12 months	2%	2%	1%	0%	3%	1%	3%
After 1 year but no more than 2 years	1%	2%	1%	0%	*%	1%	2%
After 2 years but no more than 4 years	2%	1%	0%	0%	2%	1%	3%
After 4 years	3%	1%	3%	3%	*%	0%	3%
Don't know	3%	8%	12%	5%	6%	2%	4%
Unwilling to answer	1%	*%	1%	0%	2%	0%	1%
Unweighted N =	287	337	159	47	187	65	484

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: VAT registered businesses; unweighted N = 896

9.5 Home working

All businesses were asked about homeworking. The inquiry began by asking whether or not respondents mainly worked from their homes.

Table 9.14 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- home is the main business or work premises for just over half (51 per cent) of all small businesses in Wales. This is higher than across the UK as a whole, where 41 per cent of small businesses are based at home.
- as would be expected, far fewer of the businesses with employees are based at home: 31 per cent compared with 59 per cent of business without employees. However, both these figures are higher than the equivalent proportions for the UK as a whole.

Looking just at those businesses that employed staff, we can see that:

- micro businesses are more likely to say home is the main business or work premises. Over a third (35 per cent) reported this was the case compared to nine per cent of small and none of the medium-sized businesses.
- more than twice as many businesses in the services sector were based at home (26 per cent) than those in production (12 per cent).

Table 9.14: Proportion of businesses for whom home is their main business or work premises (Q191)

	Wales: All businesses			UK: All businesses			
Proportions who said...	All	Without employees	With employees	All	Without employees	With employees	
Home is main business/work premises	51%	59%	31%	41%	49%	21%	
Home is not main business/work premises	48%	40%	68%	58%	50%	78%	
Unwilling to answer	1%	1%	1%	1%	1%	*%	
Unweighted N =	1,005	162	843	8,640	1,430	7,210	
	Wales: Businesses with employees only						
	Employment size			Industrial sector			
Proportions who said...	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Home is main business/work premises	35%	9%	0%	83%	12%	33%	26%
Home is not main business/work premises	64%	91%	99%	17%	87%	67%	73%
Unwilling to answer	1%	1%	1%	*%	*%	0%	1%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

The survey went on to ask those respondents who did not normally work from home whether or not they usually worked from their homes at least one day a week.

Table 9.15 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not.

Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- some 23 per cent of these respondents reported that they work from home, on average, at least once a week. This is a higher figure than for the UK as a whole.
- more of those without employees said this than did those that employed people (25 per cent and 18 per cent respectively).

Looking just at those businesses that employed staff, we can see that:

- respondents in micro businesses were more likely to report working from home – 19 per cent did so, compared to 16 per cent of small and eight per cent of respondents from medium-sized businesses.

Table 9.15: Proportion of businesses that work at home, on average, at least one day of each week (Q192)

	Wales: All businesses			UK: All businesses			
Proportions who said...	All	Without employees	With employees	All	Without employees	With employees	
Work at home at least one day a week	23%	25%	18%	15%	15%	14%	
Do not work at home at least one day a week	75%	70%	81%	84%	84%	85%	
Unwilling to answer	3%	4%	*%	1%	1%	*%	
Unweighted N =	765	67	698	7,009	718	6,291	
	Wales: Businesses with employees only						
	Employment size			Industrial sector			
Proportions who said...	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Work at home at least one day a week	19%	16%	8%	-	14%	7%	20%
Do not work at home at least one day a week	80%	84%	92%	-	86%	93%	80%
Unwilling to answer	*%	*%	0%	-	0%	0%	1%
Unweighted N =	214	319	165	13	180	54	451

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where home is not main business/work premises; unweighted N = 765

Finally, the survey asked those respondents who worked from home at all (ie usually or at least one day a week) why they did this.

Table 9.16 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not.

Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- the most commonly cited reason for working from home was that the respondent lived at the business premises. Over half of respondents who worked from home in Wales said this, compared to only 24 per cent across the UK as a whole.
- other reasons given were that it was convenient for working purposes (15 per cent) and cost (12 per cent).
- respondents within business without employees were more likely to say they lived at the business premises (54 per cent compared to 47 per cent) although nearly double the number of businesses with employees cited convenience than did those without employees (23 per cent compared with 12 per cent). Businesses with employees were more likely to cite being able to catch up with work/heavy workload (12 per cent compared to six per cent).

Looking just at those businesses that employed staff, we can see that:

- nine per cent of micro businesses said the reason for working from home was cost, compared to two per cent of small businesses.
- businesses in the production sector were more likely to cite convenience as a reason for working from home (52 per cent). Those in the primary sector were more likely to say that they lived at the premises (76 per cent).

Table 9.16: Reasons for working from home - unprompted (multiple response) (Q193)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Live at business premises	52%	54%	47%	24%	24%	24%
Convenient for working purposes	15%	12%	23%	31%	32%	29%
To catch up with work/heavy workload	7%	6%	12%	6%	4%	11%
Cost	12%	12%	9%	21%	22%	18%
Comfort - prefer to work in home environment	4%	4%	5%	5%	4%	7%
Saves time travelling to and from business premises	4%	4%	3%	6%	6%	6%
Productivity - can get more done at home	2%	2%	3%	3%	2%	5%
No/reduces need for business premises	4%	4%	3%	10%	12%	4%
Technology makes it possible	3%	4%	1%	2%	2%	2%
Improved family/personal life balance (or work-life balance)	1%	1%	1%	1%	1%	1%
More time for family/leisure	1%	1%	1%	1%	1%	1%
Can choose when to work	1%	1%	*%	2%	2%	1%
Don't know	1%	1%	0%	*%	*%	*%
Unwilling to answer	1%	2%	*%	1%	1%	*%
Unweighted N =	362	112	250	2,524	829	1,695

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Live at business premises	49%	23%	-	76%	9%	-	43%
Convenient for working purposes	22%	26%	-	8%	52%	-	24%
To catch up with work/heavy workload	11%	22%	-	0%	7%	-	17%
Cost	9%	2%	-	10%	16%	-	6%
Comfort - prefer to work in home environment	5%	7%	-	5%	18%	-	4%
Saves time travelling to and from business premises	3%	6%	-	3%	3%	-	4%
Productivity - can get more done at home	3%	11%	-	0%	9%	-	3%
No/reduces need for business premises	3%	2%	-	0%	0%	-	3%
Technology makes it possible	1%	2%	-	0%	0%	-	2%
Improved family/personal life balance (or work-life balance)	1%	1%	-	0%	0%	-	1%
More time for family/leisure	1%	2%	-	0%	2%	-	2%
Can choose when to work	0%	1%	-	0%	1%	-	0%
Don't know	0%	0%	-	0%	0%	-	0%
Unwilling to answer	0%	1%	-	0%	0%	-	*%
Unweighted N =	156	81	13	41	30	18	161

Notes: * = less than 0.5 per cent; 0% = no cases observed. A very small proportion of respondents elsewhere in the UK cited the cost of IT as a reason and also that there was no reason for working from home; no-one in Wales gave these responses. - = result not shown, unweighted base < 25.

Base: Where work from home at all; unweighted N = 362

9.6 Innovation

All respondents in Wales were asked a series of questions about the extent and character of any innovations which they had introduced in the previous year. We sought information about both product and process innovation, and these are discussed in turn below.

9.6.1 Product innovation

The survey began by asking whether or not businesses had introduced new or significantly improved products or services in the past 12 months.

Table 9.17 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- a quarter (26 per cent) of all businesses had introduced new or significantly improved products or services in the previous 12 months. This is the same as the proportion of businesses across the UK that has introduced new or improved products or services in the past 12 months.
- businesses with employees were more likely than those without employees to have introduced new products or services. Nearly two-fifths (39 per cent) of business with employees had done so compared to one-fifth (20 per cent) of businesses without employees. Far more businesses with employees in Wales had introduced new products or services than had businesses with employees across the UK as a whole (39 per cent compared to 32 per cent).

Looking just at those businesses that employed staff, we can see that:

- the likelihood of product innovation increased with size. Over half (52 per cent) of medium-sized businesses had improved products or services in the previous 12 months, compared to 41 per cent of small and 38 per cent of micro businesses.

Table 9.17: Proportion of businesses that have introduced new or significantly improved products or services in the past 12 months (Q112)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Have introduced new/ significantly improved products or services	26%	20%	39%	26%	23%	32%
Have not introduced new/ significantly improved products or services	74%	79%	60%	73%	76%	67%
Don't know	*%	0%	1%	1%	1%	1%
Unwilling to answer	1%	1%	*%	*%	*%	*%
Unweighted N =	1,005	162	843	5,530	911	4,619

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Have introduced new/ significantly improved products or services	38%	41%	52%	9%	49%	41%	42%
Have not introduced new/ significantly improved products or services	61%	59%	47%	91%	51%	57%	57%
Don't know	1%	*%	0%	0%	0%	1%	1%
Unwilling to answer	*%	0%	1%	0%	0%	*%	*%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses in Wales, Scotland and Northern Ireland, random half of all businesses in England; unweighted N = 1,005

- businesses that had been in operation for between four and ten years showed a slightly higher propensity to innovate than business in the other two age groups. While 41 per cent of businesses aged between four and ten years had improved their products or services, 38 per cent of businesses over ten years and under four years had done so.

The survey went on to ask those who had introduced new or significantly improved products or services, whether such product innovation was completely new, or simply new to the business in question.

Table 9.18 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- a fifth (21 per cent) of small businesses reported that the product or service was completely new to the business. This is slightly less than across the UK as a whole, where just over a quarter (26 per cent) of businesses reported that the product or service was completely new.
- there was no difference between the proportion of businesses with or without employees on this question – 21 per cent of both said the product or service was completely new. Again, this is in contrast to the wider pattern across the UK as a whole, where some 27 per cent of businesses without employees said this was the case, along with 24 per cent of businesses with employees.

Looking just at those businesses that employed staff, we can see that:

- rather more of the small businesses reported that they had introduced a completely new product or service (29 per cent) than did respondents from micro businesses (19 per cent) and medium-sized enterprises (24 per cent).
- Far more employers in the production sector said that the innovation was completely new compared to those in services – 48 versus 16 per cent.

Table 9.18: Whether products or services introduced were new to the business, or completely new (ie not introduced by anybody before them) (Q113)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
New to the business	75%	73%	79%	71%	70%	73%
Completely new	21%	21%	21%	26%	27%	24%
Don't know	4%	6%	1%	3%	4%	3%
Unweighted N =	388	33	355	1,963	210	1,753

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
New to the business	80%	69%	74%	-	52%	-	83%
Completely new	19%	29%	24%	-	48%	-	16%
Don't know	1%	1%	1%	-	1%	-	1%
Unweighted N =	126	143	86	6	96	17	236

Note: * = 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where have introduced new/significantly improved products or services; unweighted N = 388

9.6.2 Process innovation

The survey went on to ask all respondents in Wales whether or not their business had introduced new or significantly improved processes in the past 12 months.

Table 9.19 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- 13 per cent of all small businesses had introduced new or significantly improved processes in the previous 12 months, just below the UK figure of 15 per cent.
- businesses with employees were more than twice as likely than those without employees to have introduced new or improved processes (21 per cent compared to ten per cent).

Looking just at those businesses that employed staff, we can see that:

- the likelihood of introducing new or improved processes increases with employment size. Nearly a third of medium-sized (32 per cent) and small businesses (31 per cent) had introduced new processes compared to 19 per cent of micro businesses.
- businesses in the production and services sectors were more likely to have introduced new or significantly improved processes. A third of businesses in production (33 per cent) and over a fifth of those in services (22 per cent) had innovated processes, compared to five per cent of those in the primary sector and seven per cent in construction.

Table 9.19: Proportion of businesses that have introduced new or significantly improved processes in the past 12 months (Q114)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Have introduced new/significantly improved processes	13%	10%	21%	15%	12%	22%
Have not introduced new/significantly improved processes	86%	89%	78%	83%	86%	76%
Don't know	1%	1%	1%	2%	2%	1%
Unweighted N =	1,005	162	843	5,530	911	4,619

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Have introduced new/significantly improved processes	19%	31%	32%	5%	33%	7%	22%
Have not introduced new/significantly improved processes	80%	67%	68%	95%	67%	92%	76%
Don't know	1%	2%	1%	0%	*%	1%	1%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses in Wales, Scotland and Northern Ireland, random half of all businesses in England; unweighted N = 1,005

The survey went on to ask those who had introduced new or significantly improved processes whether such process innovation was completely new, or simply new to the business in question.

Table 9.20 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- a quarter of all small businesses had introduced completely new processes in the previous 12 months. This is higher than across the UK as a whole, where the figure is 20 per cent.

Looking just at those businesses that employed staff, we can see that:

- there was very little variation with size of the business. While 17 per cent of micro and medium-sized businesses had introduced completely new processes, just two per cent more of small businesses had done so.
- Twice as many employers in the production sector (34 per cent) had introduced completely new processes in the previous 12 months than had employers in the services sector (14 per cent).

Table 9.20: Whether processes introduced were new to the business, or completely new (ie not introduced by anybody before them) (Q115)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
New to the business	74%	-	80%	77%	75%	80%
Completely new	25%	-	18%	20%	21%	18%
Don't know	1%	-	3%	3%	3%	2%
Unweighted N =	240	16	224	1,336	108	1,228

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
New to the business	80%	80%	81%	-	65%	-	83%
Completely new	17%	19%	17%	-	34%	-	14%
Don't know	3%	1%	2%	-	*%	-	3%
Unweighted N =	64	108	52	3	66	8	147

Note: * = less than 0.5 per cent; 0% = no cases observed. - = result not shown, unweighted base < 25.

Base: Where have introduced new/significantly improved processes; unweighted N = 240

9.7 Family businesses

The survey went on to ask about the ownership structure of small businesses, and in particular, the extent to which they were owned by members of the same family. A family-owned business was defined as one which is majority owned by members of the same family. Using this definition of a family-owned businesses, the respondents were asked whether or not their business was family owned.

Table 9.21 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- over three-quarters (77 per cent) of all small businesses were family owned. This is higher than across the UK as a whole, where the figure is 65 per cent.
- rather more of the businesses without employees than with were family owned – 79 per cent compared to 71 per cent.

Looking just at those businesses that employed staff, we can see that:

- the smaller the business, the more likely it was to be family owned. Nearly three-quarters (72 per cent) of micro businesses were family owned compared to 67 per cent of small businesses and 48 per cent of medium businesses.
- family ownership was most common in the primary sector, where 95 per cent reported being family owned. However, family ownership was common across the other three sectors too – 74 per cent of construction sector businesses were family-owned, 68 per cent of services businesses and 66 per cent of production businesses.

Table 9.21: Proportion of businesses that are family owned (Q194)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Family-owned business	77%	79%	71%	65%	65%	65%
Not a family-owned business	23%	21%	29%	35%	35%	35%
Unweighted N =	1,005	162	843	8,640	1,430	7,210

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Family-owned business	72%	67%	48%	95%	66%	74%	68%
Not a family-owned business	28%	33%	52%	5%	34%	26%	32%
Unweighted N =	329	349	165	51	188	66	538

Base: All businesses; unweighted N = 1,005

Those businesses that indicated that they were family owned, were asked which generation was in control of the business.

Table 9.22 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- the vast majority of family-owned businesses were controlled by first or second generation family members. Nearly two-thirds (64 per cent) of these businesses were controlled by the first generation. This was a lower proportion than across the UK as a whole, where 77 per cent of businesses surveyed reported that this was the case. Sixteen per cent were controlled by the second generation (higher than in the UK generally) and four per cent by the first and second generation (lower than across the UK).
- there was only a slight difference in the proportions of businesses with and without employees that were controlled by the first generation – 66 per cent compared to 63 per cent respectively. There was little difference between these companies either in terms of the likelihood of their being controlled by first and second, or second generation families (five per cent compared to four per cent) and none for their likelihood of being controlled by the second generation, which was 16 per cent in both cases.

Looking just at those businesses that employed staff, we can see that:

- micro businesses were more likely to be controlled by first generation families (68 per cent) compared to 60 per cent and 35 per cent for small and medium-sized companies.
- small businesses were twice as likely as micro businesses to be controlled by both the first and second generation (ten per cent compared with five per cent) and medium-sized businesses were three times as likely as micro businesses (15 per cent).
- control by the first generation was more prevalent in the service (73 per cent) and production (71 per cent) sectors than in construction (51 per cent) and primary (48 per cent).

Table 9.22: Generation in control of family-owned businesses (Q195)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
1st	64%	63%	66%	77%	79%	72%
1st and 2nd	4%	4%	5%	6%	6%	8%
2nd	16%	16%	16%	10%	9%	13%
2nd and 3rd	1%	2%	*%	*%	*%	1%
3rd	9%	10%	6%	3%	3%	4%
3rd and 4th	1%	1%	1%	*%	*%	*%
4th	2%	3%	1%	1%	1%	1%
Other	2%	2%	2%	*%	*%	1%
Don't know	1%	0%	2%	1%	1%	1%
Unwilling to answer	*%	0%	*%	*%	*%	*%
Unweighted N =	679	128	551	5,308	971	4,337

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
1st	68%	60%	35%	37%	71%	55%	73%
1st and 2nd	5%	10%	15%	3%	3%	5%	7%
2nd	15%	20%	24%	29%	21%	29%	11%
2nd and 3rd	*%	1%	1%	0%	3%	0%	*%
3rd	6%	6%	16%	14%	1%	11%	5%
3rd and 4th	1%	1%	1%	5%	1%	0%	1%
4th	*%	2%	4%	*%	1%	0%	1%
Other	2%	*%	1%	5%	0%	0%	1%
Don't know	3%	0%	1%	7%	0%	0%	2%
Unwilling to answer	*%	0%	0%	0%	0%	0%	1%
Unweighted N =	237	235	79	48	107	52	344

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: Family owned businesses; unweighted N = 679

9.8 Transfer/sale/closure of the business

The survey went on to seek information about the ways in which businesses, whether family owned or not, might (in due course) be transferred from generation to generation over time. It began by asking whether the respondent intends to sell the business or keep it in the family when they retire.

Table 9.23 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- over a third of respondents proposed to keep the business in the family when they retire (38 per cent). This is higher than across the UK as a whole, where the figure was 25 per cent. One-fifth (22 per cent) proposed to sell the business when they retire, the same as across the UK in general.
- far more of the businesses without employees planned to keep the business in the family when they retired than did businesses with employees (41 per cent compared with 30 per cent). Rather more of the businesses with employees were planning to sell the business (28 per cent) than were businesses without employees (19 per cent).

Looking just at those businesses that employed staff, we can see that:

- micro businesses were more likely than the small and medium businesses to be planning the sale of their business (27 per cent, compared to 24 per cent and 20 per cent). Micro businesses were also more likely to be intending to sell the business – six per cent planned to, compared to two per cent of small businesses and one per cent of medium businesses.
- higher proportions of businesses in the primary sector planned to keep the company in the family at retirement. Over half (58 per cent) of businesses in the primary sector said this, compared to 35 per cent of businesses in the construction sector, 30 per cent of businesses in production and 25 per cent of services.

Table 9.23: Proportion of businesses that intend to sell their business or keep it in the family when they retire (Q196)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Sell the business	22%	19%	28%	22%	20%	26%
Keep it in the family	38%	41%	30%	25%	24%	28%
Close the business	7%	9%	4%	12%	15%	5%
No plans at the moment	30%	28%	34%	36%	36%	35%
Don't know	3%	3%	3%	5%	4%	5%
Unwilling to answer	*%	0%	*%	1%	*%	1%
Unweighted N =	1,005	162	843	8,640	1,430	7,210

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Sell the business	30%	22%	11%	16%	27%	20%	31%
Keep it in the family	29%	32%	31%	58%	30%	35%	25%
Close the business	4%	1%	1%	5%	4%	6%	3%
No plans at the moment	33%	39%	46%	19%	35%	37%	37%
Don't know	3%	6%	9%	2%	4%	1%	3%
Unwilling to answer	*%	*%	2%	0%	*%	0%	*%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

Looking to the immediate future, respondents were asked whether they envisaged a closure or full transfer of the business's ownership during the next five years.

Table 9.24 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not.

Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- nearly one-quarter (24 per cent) of all businesses anticipated a full transfer of ownership in the next five years. Across the UK as a whole the figure was 22 per cent.
- businesses without employees were slightly more likely than those with employees to anticipate the full transfer of ownership (25 per cent compared to 22 per cent).

Looking just at those businesses that employed staff, we can see that:

- the smaller the business, the more likely they were to anticipate a full transfer of ownership. One-fifth (22 per cent) of micro businesses reported this to be the case compared to 21 per cent of small businesses and 12 per cent of medium-sized businesses.
- businesses in the services sector were most likely to anticipate the full transfer of ownership – 23 per cent anticipated this compared to just under a fifth of businesses in the other three sectors.

Table 9.24: Proportion of businesses that anticipate a full transfer of the ownership or closure of their business in the next five years (Q197)

	Wales: All businesses			UK: All businesses			
Proportions who said...	All	Without employees	With employees	All	Without employees	With employees	
Anticipate full transfer of ownership in next five years	24%	25%	22%	22%	23%	21%	
Do not anticipate full transfer of ownership in next five years	76%	75%	78%	78%	77%	79%	
Unweighted N =	1,005	162	843	8,640	1,430	7,210	
	Wales: Businesses with employees only						
	Employment size			Industrial sector			
Proportions who said...	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Anticipate full transfer of ownership in next five years	22%	21%	12%	19%	17%	18%	23%
Do not anticipate full transfer of ownership in next five years	78%	79%	88%	81%	83%	82%	77%
Unweighted N =	329	349	165	51	188	66	538

Base: All businesses; unweighted N = 1,005

Some businesses draw up a written transfer plan which details how the business will be prepared for a change of ownership in the future. Respondents to the survey were asked whether or not they had such a plan, regardless of whether or not they envisaged any change of ownership.

Table 9.25 opposite shows their responses; firstly for all businesses, and then looking in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as small businesses as a whole are concerned, it shows that:

- four per cent of all small businesses had a written transfer plan. One-fifth were aware of such a plan but did not have one. These proportions are identical to those across the UK as a whole.
- businesses with employees were more likely to either have a plan (six per cent), or be aware of a plan but not have one (24 per cent), than businesses without employees (four and 19 per cent respectively). These figures are close to those for the UK as a whole.

Looking just at those businesses that employed staff, we can see that:

- the larger the business, the more likely they were to have a written transfer plan. Eleven per cent of medium businesses and seven per cent of small businesses had such a plan compared to six per cent of micro businesses.
- nine per cent of businesses in the primary sector had a transfer plan compared to six per cent in services, four per cent in production and three per cent in construction.

Table 9.25: Whether businesses are aware of and/or have a written transfer plan (Q198)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
They have such a plan	4%	4%	6%	4%	3%	5%
They are aware of such a plan but do not have one	20%	19%	24%	20%	18%	23%
They are not aware of such a plan	72%	73%	68%	73%	75%	68%
Don't know	4%	4%	2%	4%	4%	4%
Unweighted N =	1,005	162	843	8,640	1,430	7,210

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
They have such a plan	6%	7%	11%	9%	4%	3%	6%
They are aware of such a plan but do not have one	23%	27%	27%	26%	30%	13%	23%
They are not aware of such a plan	69%	62%	55%	65%	63%	83%	68%
Don't know	2%	4%	7%	0%	3%	1%	2%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

9.9 Insolvency

The survey now turned to ask all respondents some questions about insolvency with regard to business reputation. It began by asking to what extent the current provisions for dealing with insolvency protected the public effectively from reckless and dishonest individuals.

Table 9.26 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- over half (54 per cent) of all small businesses felt that the current provisions for dealing with insolvency are not effective. This is line with the general view across the UK, where 53 per cent of respondents felt this was the case. Just under a fifth (18 per cent) of small businesses thought the provisions are adequate.
- there was only a slight difference in the proportions of small businesses with and without employees who felt that the current provisions for insolvency are not effective (and conversely, who feel they are).

Looking just at those businesses that employed staff, we can see that:

- medium-sized businesses were more likely to feel that the current provisions for insolvency are effective. Nearly a quarter of this group felt this was the case (24 per cent), compared to 20 per cent of small businesses and 19 per cent of micro businesses.
- far more of the businesses in the construction sector considered the provisions on insolvency to be effective (36 per cent) than did those in services (20 per cent), production (18 per cent) or primary (16 per cent).

Table 9.26: Proportion of businesses that feel that the current provisions for dealing with insolvency protect the public effectively from reckless and dishonest individuals (Q199)

Proportions who said...	Wales: All businesses			UK: All businesses		
	All	Without employees	With employees	All	Without employees	With employees
Yes	18%	17%	20%	19%	19%	18%
No	54%	53%	55%	53%	51%	59%
Don't know	29%	30%	25%	28%	29%	23%
Unweighted N =	1,005	162	843	8,640	1,430	7,210

Proportions who said...	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Yes	19%	20%	24%	16%	18%	36%	20%
No	55%	59%	55%	56%	61%	58%	54%
Don't know	26%	21%	21%	28%	20%	6%	27%
Unweighted N =	329	349	165	51	188	66	538

Base: All businesses; unweighted N = 1,005

Following this theme about insolvency with regard to business reputation, the survey went on to ask whether respondents would be willing to have business dealings with a discharged or undischarged bankrupt.

Table 9.27 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- small business were more willing to have dealings with a discharged bankrupt than an undischarged bankrupt. Of all small businesses, 18 per cent would be willing to have dealings with a discharged bankrupt and 12 per cent would be willing to have dealings with an undischarged bankrupt. Both these figures are lower than for the UK as a whole.
- businesses with employees were slightly more likely to have dealings with a discharged bankrupt (26 per cent, compared to 15 per cent for businesses without employees) and with an undischarged bankrupt (16 per cent, compared to ten per cent).

Looking just at those businesses that employed staff, we can see that:

- small businesses appeared more willing to consider having business dealings with both discharged and undischarged bankrupts (discharged: 31 per cent compared to 28 per cent of medium-sized, and 26 per cent of micro-businesses; undischarged: 22 per cent compared to 18 per cent of medium-sized, and 16 per cent of micro-businesses).

Table 9.27: Proportion of businesses that would be willing to have business dealings with a discharged bankrupt or an undischarged bankrupt (Q200)

	Wales: All businesses			UK: All businesses			
	All	Without employees	With employees	All	Without employees	With employees	
Proportions willing to deal with a discharged bankrupt							
Yes	18%	15%	26%	25%	24%	27%	
No	57%	59%	53%	53%	53%	53%	
Unsure	25%	26%	21%	22%	23%	21%	
Proportions willing to deal with an undischarged bankrupt							
Yes	12%	10%	16%	15%	15%	16%	
No	62%	62%	61%	61%	60%	63%	
Unsure	26%	28%	23%	24%	25%	21%	
Unweighted N =	1,005	162	843	8,640	1,430	7,210	
	Wales: Businesses with employees only						
	Employment size			Industrial sector			
	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Proportions willing to deal with a discharged bankrupt							
Yes	26%	31%	28%	12%	39%	37%	25%
No	53%	50%	52%	70%	45%	32%	52%
Unsure	22%	19%	20%	18%	16%	30%	22%
Proportions willing to deal with an undischarged bankrupt							
Yes	16%	22%	18%	10%	20%	16%	17%
No	61%	60%	62%	72%	58%	53%	60%
Unsure	23%	17%	20%	18%	22%	30%	23%
Unweighted N =	329	349	165	51	188	66	538

Base: All businesses; unweighted N = 1,005

9.10 Disability among SME managers

Finally, the survey turned to the issue of health and disability among small business owners and managers, and asked all the respondents whether they, or any of the partners/directors, had any long-standing illness, disability or infirmity. By 'long-standing' was meant anything that has troubled them over a period of time or that is likely to affect them over a period of time.

Table 9.28 opposite shows their responses; firstly for all businesses in Wales, and then looking in more detail at businesses that employed staff and those that did not. Comparison figures for the UK are shown. After this, variations between different kinds of business that employed staff are explored.

So far as small businesses in Wales as a whole are concerned, it shows that:

- seven per cent of all small businesses had partners with long-standing illness, disability or infirmity. Across the UK the figure was eight per cent.
- businesses without employees were less likely to have a partner with a long-standing illness – six per cent of businesses without employees said this was the case, compared to eight per cent of businesses with employees. Again, these figures were slightly lower than for the UK as a whole.

Looking just at those businesses that employed staff, we can see that:

- micro and small businesses were slightly more likely to have partners with a long-standing illness (eight per cent compared to six per cent of medium-sized businesses).
- businesses in the construction and production sectors were more likely to report having partners or directors with a long-standing illness (19 and 12 per cent, respectively) compared to those in services (seven per cent) and the primary sector (two per cent).

Table 9.28: Proportion of businesses that have any partners/directors with any long-standing illness, disability or infirmity (Q231)

	Wales: All businesses			UK: All businesses		
Proportions who said...	All	Without employees	With employees	All	Without employees	With employees
Have partners/directors with long-standing illness, disability or infirmity	7%	6%	8%	8%	9%	6%
Do not have partners/directors with long-standing illness, disability or infirmity	93%	93%	92%	91%	91%	93%
Unwilling to answer	1%	1%	*%	*%	*%	1%
Unweighted N =	1,005	162	843	8,640	1,430	7,210

	Wales: Businesses with employees only						
	Employment size			Industrial sector			
Proportions who said...	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Production CDE	Construction F	Services G-O
Have partners/directors with long-standing illness, disability or infirmity	8%	8%	6%	2%	12%	19%	7%
Do not have partners/directors with long-standing illness, disability or infirmity	92%	91%	93%	98%	88%	80%	93%
Unwilling to answer	0%	1%	1%	0%	0%	*%	*%
Unweighted N =	329	349	165	51	188	66	538

Note: * = less than 0.5 per cent; 0% = no cases observed.

Base: All businesses; unweighted N = 1,005

9.11 Chapter summary

For many of the businesses in Wales, in fact the majority, crime was not seen as a very big problem. Only ten per cent overall viewed crime as a fairly big or big problem, and 17 per cent of businesses with employees.

The vast majority of these businesses had not been a victim of crime in the last 12 months (89 per cent of all small businesses, or 78 per cent of businesses with employees). However, the larger businesses were more likely than the micro-businesses to have been a victim of crime: while 23 per cent of the largest businesses had been a victim on one or more occasions, this had happened to only 12 per cent of the micro-businesses.

The crime was most likely to have involved criminal damage, burglary or robbery of some type. Although over a third of businesses with direct experience of crime indicated that this had not affected their business (39 per cent), 40 per cent stated that the subsequent costs of replacements and repairs as a result of crime had impacted on their business.

A randomly selected half of small businesses with employees were asked about staff training provision at their business. In the year before the survey, some 47 per cent of businesses had provided or funded training or development, and 53 per cent had not. Larger businesses were more likely to have offered training or development opportunities, with 72 per cent of the largest businesses, with 50 or more employees, stating this was the case.

Out of the 47 per cent of businesses that had provided or funded some form of staff training, over half stated that this training leads to a qualification (61 per cent). Again, the larger businesses were more likely to have provided or funded staff training which leads to a qualification.

Looking in detail at the provision of training for business managers, it was found that three-quarters of businesses had not provided any training or development for their business managers in the past year. However, this was not the case amongst the largest businesses, with 50 or more employees, where the majority of businesses, 61 per cent, had trained at least one per cent of their business managers. Nonetheless, a lack of training and development provision for business managers was the general trend across employers, irrespective of type of business.

Over three-quarters (77 per cent) of all small businesses use computers. The larger the business, the more likely they are to use computers – 98 per cent of medium-sized businesses use computers. Just over half of all small businesses use the internet. The most commonly-cited purposes for which businesses used the internet were email (91 per cent), purchasing (64 per cent) and for providing a business website (56 per cent).

Three-quarters of all small businesses were VAT registered, and large businesses were more likely to be VAT registered. Overall, more than half (54 per cent) of all small businesses had been VAT registered at the time of start-up. A further third (31 per cent) were registered prior to start-up.

Home is the main business or work premises for over half (51 per cent) of all small businesses. Amongst those whose home is not the main business or work premises, 23 per cent worked from home at least one day a week.

The main reasons given for working from home at all were that the respondent lives at the business premises (52 per cent), and convenience (15 per cent).

One quarter of small businesses (26 per cent) had introduced some kind of new or improved product or service in the year before the survey, while 13 per cent had introduced some kind of new process or way of working in that year.

Over three-quarters (77 per cent) of business owners described their business as a family-owned one. For the most part, these were controlled by the first generation (64 per cent) or second generation (16 per cent).

The most common expectation about the future of the small businesses, was that they would remain in the families' hands (38 per cent), although over a fifth (22 per cent) said that they would probably sell the business at some point in the future.

Nearly a quarter (24 per cent) of all small businesses anticipated a full transfer of ownership in the next five years. The larger the business, the less likely they were to anticipate a full transfer.

There was some dissatisfaction among small businesses with the current provisions for dealing with insolvency. Over half (54 per cent) of all small businesses considered the current provisions to be inadequate, while less than one in five (18 per cent) felt them to be adequate.

Small businesses were asked whether they would be willing to have dealings with bankrupts, both discharged and undischarged. Fewer than one-fifth of businesses would be willing to have dealings with a discharged bankrupt, while just 12 per cent were willing to have dealings with an undischarged bankrupt.

The prevalence of long-standing illness, disability or infirmity among partners and directors in small businesses was reported as seven per cent. Businesses with employees were slightly more likely to have partners/directors with health issues than were those without employees (eight per cent compared to six per cent).