

Small Business Service

**Annual Survey of
Small Businesses: UK**

2005

Final Report

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Summary

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

Survey scope

The research methodology on which this telephone-based survey was based is 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 8,640 small and medium enterprises (SMEs). (For the purposes of this report, an SME is any business with zero to 250 employees, the term 'all businesses' refers to businesses in that size band, and 'employers' refers to businesses employing one to 250 people.)
- the whole of the UK was covered
- the sample was weighted to be representative of SMEs in the UK; and
- the fieldwork was undertaken between October 2005 and January 2006.

The characteristics of SMEs

Perhaps the most prominent characteristic of SMEs in the UK is the numerical dominance of businesses that have no, or very few, employees. Looking at all UK businesses with a headcount of up to 250 people, 71 per cent of them have no employees at all, and 24 per cent have fewer than ten. (Section 2.1).

Whether or not they had employees, the service sector accounted for the bulk of the sample; fully 72 per cent of businesses with employees were in the service sector, eight per cent in construction and 17 per cent in the production industries (Section 2.3).

A substantial proportion of these businesses were relatively young. Nine per cent of businesses with employees had been trading for less than four years, and as we might expect, this was rather higher among businesses with no employees (11 per cent) (Section 2.4).

About a fifth of employers (22 per cent) were exporters, conducting at least some of their business outside the UK. However, for most businesses, their principal markets were close to home, with exports providing no more than a minority of their turnover. Thus, only five per cent overall said that most of their business was conducted abroad. Just over a third of businesses with employees did most of their business within the local town or county. (Section 2.9).

Unfortunately, some 29 per cent of businesses could not, or would not, provide information on turnover. About three-quarters (76 per cent) of the employers who would tell us, had a turnover of between £61,000 (the VAT threshold at the time of the survey) and £1.5 million (Section 2.10).

Responses to a series of questions were used to identify those businesses that were 'social enterprises' in accordance with the government's definition of a social enterprise ('a business with primarily social/environmental objectives, whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners'.) Overall, five per cent of all businesses and six per cent of employers were social enterprises. (Section 2.14)

The characteristics of small business owners/managers

Sixty-two per cent of all businesses (51 per cent of businesses with employees) were managed solely by men. 17 per cent of all businesses (12 per cent of businesses with employees) were managed solely by, or by a majority of, women (Section 2.12.1).

People from minority ethnic group (MEG) backgrounds made up at least half of the owners, partners and directors among less than one in ten businesses (seven per cent), both with and without employees (Section 2.12.2).

Eight per cent of businesses had at least one owner, partner or director with a long-standing illness, disability or infirmity, of some kind. This was somewhat lower (at six per cent) among businesses with employees (Section 9.10).

About two-thirds (65 per cent) of businesses described themselves as family-owned. As we might expect, this proportion fell as the employment size of the business increased, and rose alongside the age of the business (Section 9.7).

New businesses

In this survey, the term 'recent start-up' encompasses all businesses that were less than four years old or had a change of ownership in the last three years, where the new owner was not involved in the businesses start-up. Twelve per cent of all businesses were found to be recent start-ups 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 of the actual percentage of recently started businesses in the SME population.

The survey showed quite a wide variety of rationales for starting up, or taking over the business. However, the most common, accounting for 28 per cent of the new businesses, was a wish to be independent and to be their own boss (Section 3.1.2).

Overwhelmingly, the owners, partners and directors of these new businesses had previously been in full-time employment (71 per cent, rising to 77 per cent for new businesses with employees) or self employment (13 per cent falling to 10 per cent of businesses with employees). Only seven per cent classed themselves as being unemployed previously (falling to five per cent amongst new businesses with employees), and even fewer were in part-time work (Section 3.1.1).

Just over a quarter, 26 per cent, of these new businesses had not sought advice from anybody before starting up, and a further 22 per cent had consulted only their friends, family or informal contacts. However, a sizable proportion of businesses had taken more formal advice, of which professional and/or commercial consultations with accountants (20 per cent), banks (16 per cent) and lawyers (five per cent) together constituted the largest source of advice. 18 per cent had taken advice from a public advice/support agency, and this was the same amongst new businesses with employees (18 per cent) (Section 3.1.6).

Forty per cent of these new businesses owners said that they had not faced any real obstacles in starting up, and this fell slightly to 37 per cent amongst new businesses with employees (Section 3.1.7). Where difficulties had been encountered, financial difficulties were the most prominent, with more than a quarter (28 per cent of recent start-ups) reporting obstacles in raising finance to start up their new businesses, and another 12 per cent facing difficulties with their cash flow. Competition was mentioned by four per cent as having been an obstacle to their starting up the business, and the same proportion mentioned 'regulations' as a constraint (four per cent, rising to seven per cent amongst new businesses with employees).

Business objectives and growth

In order to assess growth prospects, a general question was asked about whether or not business owners aimed to grow their businesses over the next two to three years.

Among all businesses (ie both with and without employees) the sample was split fairly evenly between those who aimed to grow (44 per cent) and those who did not (56 per cent) (Section 4.2).

The larger the business, the more likely it was to aim to grow during the coming two or three years. Thus, among those with no employees, the proportion aiming to grow was somewhat lower than average (at 39 per cent), but this rose consistently with size, reaching 77 per cent among medium-sized businesses (Section 4.2).

Among businesses with employees, some 56 per cent aimed to grow in the next two or three years, although this was lower in businesses in both the primary and construction sectors (39 and 42 per cent respectively). It was also the case that anticipated growth correlated negatively with the age of the business; younger businesses were much more likely to anticipate growth (Section 4.2).

By far the most common means by which the business was looking to achieve the anticipated growth was simply to increase the volume of turnover or sales within the existing market/product parameters. Ninety-two per cent of businesses aiming to grow saw this as a means to do so, whatever their employment size (Section 4.3).

Businesses aiming to grow were asked whether they expected to need to take various forms of action as a result of growth. The most common expectation was that they would need to take on more staff (61 per cent), and this expectation became more common the larger the business. Over half (58 per cent) of businesses without employees gave this response, which then rose consistently with size, reaching 79 per cent among the largest businesses, with 50 or more employees. This answer was also negatively correlated with the age of the business; younger businesses were more likely to expect to take on more staff as a result of their anticipated growth (Section 4.4).

The most widespread reason for not aiming to grow, cited by 41 per cent of businesses not seeking 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 39 per cent amongst businesses with no employees, to 52 per cent amongst the largest businesses, with 50 or more employees (Section 4.5).

However, the proprietor's wish to retire or close the business was a rationale which was fairly widespread among the smaller ones, with nearly a third (31 per cent) of businesses with no employees citing it. Further, as the number of employees rose, the proportion of businesses that gave this response declined, culminating in only five per cent of the largest businesses, with 50 or more employees, mentioning it (Section 4.5).

Obstacles to achieving business success

Whatever their objectives might be, businesses might be constrained in reaching them by a range of 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.

There was considerable agreement between employers and businesses in general about the main obstacles. Competition (20 per cent of all businesses, 22 per cent of employers), the economy (17 per cent of all businesses, 15 per cent of employers) and regulations (12 per cent of all businesses, 14 per cent of employers) were the main obstacles to their business's success. It may be worth noting that this 'success' may take many different forms, and is not necessarily synonymous with growth. The largest businesses were the most likely to mention competition in the market (25 per cent). Conversely, businesses with no employees were the most likely to mention the economy (18 per cent), with this proportion declining slightly as the number of employees increased, such that 14 per cent of the largest businesses cited it (Section 5.2).

Competition in the market as an obstacle to business

In total 44 per cent of all businesses thought competition in the market was an obstacle to their success (Section 5.1) and, as indicated above, for 20 per cent of businesses (22 per cent of businesses with employees) this was their main obstacle (Section 5.2).

These businesses were asked whether they considered this competition to be fair or unfair; the majority of businesses (69 per cent) identified it as fair competition, whereas 22 per cent of businesses stated that it was unfair competition, and a further eight per cent said they faced both fair and unfair competition (Section 5.3).

Among those who said they faced unfair competition, the most common reason for regarding it as unfair, cited by 26 per cent of businesses, was that competition from larger companies with more influence and resources unfairly impacted on their success. 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 (19 per cent) (Section 5.3).

Regulations as an obstacle to business

Altogether 32 per cent of all businesses thought that 'regulations' acted in some way to place obstacles in the way of their success (Section 5.1), and for 12 per cent this was their greatest obstacle (rising to 14 per cent amongst businesses with employees) (Section 5.2).

For the most part, when pressed more closely, these businesses frequently tended not to be able to identify specific or separate regulations that acted in this way. Thus, for

example, fully a fifth of them (22 per cent) said no specific regulation or all regulations were an obstacle. However, 19 per cent of businesses pointed to sector specific regulations and 14 per cent mentioned health and safety regulations (Section 5.6).

Among businesses with employees, regulations were more widely cited as an obstacle, with 39 per cent of businesses identifying them (Section 5.1). The two specific regulations, which were the most commonly mentioned by employers, were sector specific regulations (18 per cent) and health and safety regulations (18 per cent). (Section 5.6).

Financing the business

A minority of businesses (13 per cent overall, and 17 per cent among those with employees) had sought finance for their business in the past 12 months. Larger businesses, businesses in the production and construction sectors, businesses proposing growth, and younger businesses, were more likely to have sought such finance (Section 6.1).

The two reasons most frequently cited for seeking finance were for working capital/cashflow (44 per cent), and for capital equipment/vehicles (30 per cent) (Section 6.2). Over two-fifths (44 per cent) of businesses had applied for finance to fund a specific programme of expenditure involving new products, markets or technologies (Section 6.2.1).

Over half of the businesses seeking finance (54 per cent) said that they had sought a bank loan, while a quarter had sought a bank overdraft. Smaller proportions had sought finance through a grant, through leasing/hire purchase, or a mortgage (at six, eight and seven per cent respectively) (Section 6.3).

Few businesses had considered and used equity finance (two per cent), and only four per cent had considered but not used equity finance (Section 6.4).

Where businesses had sought finance, of whatever kind, the amount of money sought varied widely, although for nearly half of them (49 per cent), less than £25,000 had been sought. The amount tended to increase with the size of the business (Section 6.5).

Among those who had tried, few businesses reported any difficulty in raising finance. Over three-quarters (79 per cent) of those who had tried had succeeded without any difficulty, and this proportion tended to increase with the size of the business. A further seven per cent had obtained all the finance sought, but they had experienced problems in doing so. By contrast, some 13 per cent of those trying had failed to obtain any finance at all, although this amounts to just two per cent of all businesses (Section 6.6).

The main impact of difficulty in raising finance was that the business was not able to grow as quickly as it believed it might have done (19 per cent), or that productivity was affected (14 per cent). Overall only four per cent felt that the survival of the

business was threatened by the difficulty, but this rose to nine per cent among employers. (Section 6.7).

Late payment

Twenty-eight per cent of all businesses thought late payment was a big or a small problem. Twenty-eight per cent of businesses did not provide credit; so late payment was not a relevant question for them (Section 6.8.1).

Over two-thirds (68 per cent) of businesses that provide credit agreed written terms and conditions with their customers (Section 6.8.2). Almost a fifth (18 per cent) of businesses that provided credit had taken a customer to Court for not paying their debts (Section 6.8.3).

Overall, well over half (58 per cent) of managers of businesses that provided credit were aware of the legislation dealing with late payment, but the proportion was much higher among the larger businesses (74 per cent among those with 50 or more employees) (Section 6.8.4).

Of those businesses that knew about the legislation dealing with late payment, eight per cent of them had taken legal action under this legislation (Section 6.8.5). Almost one-fifth (18 per cent) of businesses for whom late payment was a problem reported that late payment caused an ongoing problem with cash flow, a further seven per cent found that it often caused such a problem and two-fifths (42 per cent) stated it caused such a problem on occasion (Section 6.8.6).

Seeking advice about business matters and regulation

About half (51 per cent) of businesses had not sought advice on regulation in the past year. Among businesses as a whole, the main source used for advice on regulation was their accountant (23 per cent of all businesses) (Section 7.2).

Among SMEs based in England, just 24 per cent had sought general advice or information for running their business from any sources during the past year. The likelihood of seeking such advice increases with the size of the business and also increases with their propensity to expect business growth in the coming two or three years (Section 7.1).

The most common reasons for not seeking general business advice were the lack of need for it (75 per cent) or the adequacy of internal sources (19 per cent) (Section 7.4).

Contact with and use of government services

Over half of all businesses (53 per cent) said that they had had contact with the government during the previous year. The larger the business, the more likely it was

to have had contact; just under three-quarters (73 per cent) of medium-sized businesses said that they had had contact (Section 8.1).

There was some negativity amongst businesses with regard to the range of government services delivered both locally and nationally. Around half those 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).

Thirty-six per cent of all businesses considered the government took no account at all of the concerns of small businesses (Section 8.4).

Public procurement

All businesses 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, less than one in ten (seven per cent) of all businesses had expressed an interest or bid for public sector work. This proportion varied according to size, with a quarter (25 per cent) of medium-sized businesses having expressed an interest or bid for work compared to six per cent of businesses with no employees (Section 8.5).

Of all businesses, only 15 per cent had actually done public sector work in the past 12 months. This proportion was higher for businesses with employees (21 per cent) than those without employees (12 per cent). These businesses' main public sector customers were local authorities (57 per cent), followed by the health service (15 per cent) (Section 8.6).

The most commonly cited barrier to selling more to the public sector was the effort involved in bidding or pre-qualifying (14 per cent of all businesses) (Section 8.7).

Other issues

Crime

When a randomly selected half of all businesses were asked about crime, 16 per cent cited it as a very big or fairly big problem. However a much higher proportion (54 per cent) did not view crime as a problem at all (Section 9.1.1).

The vast majority of these businesses had not been a victim of crime in the last 12 months (84 per cent of all businesses, or 78 per cent of businesses with employees). However, the likelihood of having been a victim of crime was positively correlated with the size of the business; the largest businesses, those with 50 or more employees, were the most likely to have been a victim (32 per cent) (Section 9.1.2).

Nearly a third of businesses with direct experience of crime indicated that this had not affected their business (32 per cent, rising to 37 per cent amongst businesses with employees). However, almost as many businesses stated that costs of replacements and repairs as a result of crime had impacted on their business (30 per cent amongst all businesses) (Section 9.1.5).

Staff training

A randomly selected half of businesses with employees were asked about staff training provision at their business. In the year before the survey, some 41 per cent of businesses had provided or funded training or development, and 59 per cent had not. Larger businesses were more likely to have offered training or development opportunities, with 77 per cent of medium-sized businesses with 50 or more employees stating this was the case. Providing or funding some form of staff training also correlated positively with age of business (Section 9.2.1).

Over half of those that had provided or funded training stated that this training leads to a formal qualification (55 per cent), and again larger and older businesses were more likely to have provided or funded staff training which leads to a formal qualification (Section 9.2.2).

Three-quarters (75 per cent) of businesses had not provided any training or development, to improve leadership and management skills, for their business managers in the past year. However, this was not the case amongst the largest businesses, with 50 or more employees, where only 39 per cent had not trained any of their business managers (Section 9.2.3).

Fourteen per cent of businesses with employees highlighted that a shortage of managerial skills or expertise was an obstacle to their success (Section 5.1, Table 5.1). Within these businesses, the most widely mentioned specific skill deficit was of job specific or technical skills (26 per cent) (Section 9.2.4).

Use of Internet technology

Over three-quarters (77 per cent) of all businesses use computers. The larger the business, the more likely they are to use computers – 98 per cent of medium-sized businesses use computers. Two-thirds (66 per cent) of all businesses use the Internet. The most commonly cited uses of the Internet were email (94 per cent), purchasing (64 per cent) and business website (62 per cent) (Section 9.3).

VAT

Over two-thirds (68 per cent) of all businesses were VAT registered. The likelihood of being VAT registered increases with size of business. Whereas 95 per cent of medium-sized businesses were registered, this was the case for three-fifths (61 per cent) of

businesses without employees. Overall, more than half (55 per cent) of all small businesses were VAT registered at the time of start-up. Another quarter (26 per cent) were registered prior to start-up (Section 9.4).

Home working

Home was the main business or work premises for two-fifths (41 per cent) of all businesses (Section 9.5).

Amongst those whose home was not the main business or work premises, 15 per cent worked from home at least once a week (Section 9.5).

The main reasons given for working from home at all were that it is convenient for working purposes (31 per cent), that respondents live at the business premises (24 per cent), and cost (21 per cent) (Section 9.5).

Innovation in products and processes

One quarter of businesses (26 per cent) had introduced some kind of new or improved product or service in the year before the survey, while 15 per cent had introduced some kind of new process or way of working in that year (Section 9.6).

Family businesses

Two-thirds (65 per cent) of businesses were family owned. For the most part, these were controlled by the first generation (77 per cent), first and second generation (six per cent), or second generation (ten per cent) (Section 9.7).

Transfer/sale/closure of the business

All respondents were asked what they intended would happen to the business when they retired. The most common expectation about the future of the business, was that it would remain in the family's hands (25 per cent), although over a fifth (22 per cent) said that they would probably sell the business when they retired.

Over one-fifth (22 per cent) of all businesses anticipated a full transfer of ownership or closure of the business in the next five years. The smaller the business, the more likely they were to anticipate a full transfer or closure within the next five years (Section 9.8).

Insolvency

Over half (53 per cent) of all businesses considered the current provisions for dealing with insolvency do not protect the public effectively from reckless and dishonest individuals, while one-fifth (19 per cent) thought they do give effective protection.

Businesses were asked whether they would be willing to have dealings with bankrupts, both discharged and undischarged. One-quarter (25 per cent) of businesses would be willing to have dealings with a discharged bankrupt, while 15 per cent were willing to have dealings with an undischarged bankrupt (Section 9.9).

SMEs among under-represented groups

In terms of business ownership in the UK, there are two large sections of society that are not represented to the extent that might be expected given their numbers in the population: women and particular minority ethnic groups. Chapter 10 looks at businesses that are MEG-led or women-led. Overall, the survey found that the employment structure of these businesses looks broadly similar to their UK 'average' counterparts, although women-led businesses are somewhat less likely to employ any staff (79 per cent have no employees, compared with a UK average of 71 per cent) (Section 10.1).

The remainder of the chapter looks just at small businesses with employees, and shows that MEG-led (19 per cent) and women-led (15 per cent) employers were less inclined than average (22 per cent) to engage in exporting; most strongly so in the case of women-led employers. However, their sectoral composition will impact on the likelihood of the business to engage in exporting; for example, both MEG-led (87 per cent) and women-led employers (83 per cent) are more concentrated in the service sector than is the case with other employers (UK average is 72 per cent) (Section 10.1).

Women-led employers are less likely than small employers overall to be aiming for business growth in the next two or three years (50 per cent of women-led employers are aiming for growth compared with a UK average of 56 per cent) (Section 10.1.3). Reasons given for not seeking growth do not vary much from employers as a whole (Section 10.2.1). MEG-led employers (34 per cent) are more likely to cite competition in the market as an obstacle than are employers in general (22 per cent), or women-led employers (23 per cent) (Section 10.2.2).

MEG-led (14 per cent) and women-led (12 per cent) employers were slightly less likely than the UK average (17 per cent) to have sought finance in the past year (Section 10.2.3). Where these employers had sought it, however, MEG-led businesses were more likely to experience problems (42 per cent compared with a UK average of 19 per cent), and MEG-led businesses were much less likely to secure any funding than were businesses in general (14 per cent compared with a UK average of 9 per cent) (Section 10.2.4). The extent of contact between MEG-led (57 per cent) and women-led (53 per cent) employers and government departments or agencies was slightly lower than for employers in general (61 per cent) (Section 10.2.7).

MEG-led employers were much less likely to have funded or arranged training than were employers in general (30 per cent of MEG-led businesses had funded or arranged training, compared with a UK average of 41 per cent) (Section 10.2.10).

The spatial dimension: Regions and localities

The observed characteristics of employers are strongly influenced by the socio-economic structures of the regions and localities that they operate within. In particular, the proportion of employers located in deprived areas varies greatly across the English regions, broadly on a north-south axis, and ranging from 33 per cent in the North East, to five per cent in the East of England Region, six per cent in the South West and two per cent in the South East. The old industrial heartlands still have slightly smaller proportions of service sector employers in their economies than other areas of the UK (Section 11.1).

There are some variations between regions' experiences of employment growth; for example, employers in the West Midlands and the North East are more likely to report recent employment growth than other regions (Section 11.2).

There are large differences in the extent to which late payment is deemed a problem by employers, although this may be in part an effect of the relatively small number of cases observed. Thus, businesses are more inclined to see late payment as a problem in North East England (38 per cent), Eastern England (38 per cent) and the East Midlands (42 per cent) than they are, for example, in the West Midlands (27 per cent) or Yorkshire & The Humber (28 per cent) (Section 11.5).

Beyond this, there do not seem to be major variations in the perceptions and experiences of businesses from one region to the next. There is, for example, only small variation between regions in the propensity for small businesses to seek external finance (Section 11.4), and there are few differences in the kinds of factors perceived to be the most important obstacles to meeting business objectives, with 'competition' being the most frequently cited obstacle in almost all areas, and 'the economy' running at a close second almost everywhere (Section 11.3).

The remainder of the chapter explores findings at a local spatial scale (Section 11.6), considering a range of issues facing business owners operating in localities, with a particular focus on businesses in deprived areas and businesses in rural areas. Employers in deprived areas are more likely than small businesses as a whole to judge crime to be a big problem in relation to their premises and surrounding area. Among employers in deprived areas the proportion seeing crime as a big or fairly big problem virtually doubles to 30 per cent.

1 Introduction

Small and medium enterprises (SMEs) make a vital contribution to the overall health of the UK economy and to improving the productivity of UK business. The government has a clear vision — 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 SMEs finding it easy to respond to government and to access its services.

It is the task of the Small Business Service (SBS), as an agency of the Department of Trade and Industry (DTI), to work with the rest of government to deliver this vision.

In 2003 and 2004, SBS have undertaken an annual survey of the experiences and opinions of the owners of SMEs, which built on its earlier Omnibus Survey of SMEs. This document is the report of the third, 2005 sweep of the new survey. Fieldwork for this survey took place between October 2005 and January 2006.

The survey seeks to:

- monitor the needs of SMEs, 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 SMEs; and
- record SMEs' 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 SME 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 SMEs' 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
- 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:

- the characteristics of SMEs, and how these differ between different kinds of business
- new businesses
- SMEs among under-represented groups and in disadvantaged communities
- crime
- staff training
- use of internet technology
- VAT
- home working
- innovation
- family businesses
- transfer/sale/closure of the business
- insolvency.

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 in the UK, it was initially structured according to the key feature of SMEs which our previous research has shown to be a critical influence on their perspectives and behaviours; that is, size in terms of number of employees. Therefore, the sample was 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 (two to nine for limited companies)
- small businesses, with ten to 49 employees
- medium businesses, with 50 to 250 employees. Although formally SMEs are defined as businesses with less than 250 employees, survey respondents often provide rounded estimates of employment numbers, and so 250 is a more convenient upper limit for practical purposes than 249 would be. We therefore use 250 as the upper employment size limit throughout.

Within these parameters, more micro, small and medium size businesses were sampled than would be required to match the proportion in the UK, so that businesses in these size bands could also be studied separately in detail.

In constructing the sample frame we made sure we had a spread of legal statuses (companies, sole proprietorships or partnerships) and industries to match the UK business population. In addition, more businesses from Wales, Scotland and the South West were sampled than would be required, to match the proportion in the UK. This was so that colleagues in the Welsh Assembly, Scottish Executive and the South West had a large enough sample to be able to analyse their areas' businesses in detail. Although the sample for Scotland covers (and the Scottish report distinguishes

between) the Scottish Enterprise and the Highlands and Islands Enterprise areas, the sample was not selected on this basis.

A boost to the Northern Ireland sample was undertaken. A proportion of these additional respondents were selected because they were existing clients of Invest Northern Ireland, and this portion of the boosted sample was therefore kept separate from the main sample and not included in the main data set. However, the majority of the Northern Ireland sample was selected randomly from Dun and Bradstreet, including a proportion of interviews with Invest Northern Ireland clients consistent with their representation amongst the SME business population of Northern Ireland which were included in the main sample.

The survey covered 8,640 UK SMEs, broken down as follows:

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

	England	Scotland	Wales	NI	Total
Zero	997	167	162	104	1,430
Micro	2,031	336	329	204	2,900
Small	2,007	332	349	201	2,889
Medium	992	167	165	97	1,421
<i>Total</i>	<i>6,027</i>	<i>1,002</i>	<i>1,005</i>	<i>606</i>	<i>8,640</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, with no interviews being conducted over the Christmas holiday period (when response rates are typically low). Interviews lasted on average about 32 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 69 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.

1.2.3 Questionnaire

The questionnaire was developed to investigate the seven themes contained in the Government Action Plan for Small Business, published in 2004, with some additional coverage of topics of ad hoc interest. Because of the large sample size, the opportunity was taken to increase the range of topics covered by the research. Questions concerning late payment, innovation, crime and training issues were asked to a random half of the England sample.

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 [via a link at the bottom of webpage http://www.sbs.gov.uk/evidence](http://www.sbs.gov.uk/evidence)

Weighting

As the sample was not constructed to reflect the distribution of businesses by size in the UK, the results were weighted. A consistent approach was taken to weighting across all four nations, with the results 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 businesses in that size band in that country
- divided by
- number of businesses 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 businesses in Wales (6,500), divided by
- number of businesses in that size band in that country in the sample (350)
- $= 6,500/350 = 19.29$.

In England additional weighting factors were applied to take account of an intentionally disproportionately high number of interviews amongst businesses based in the South West region. The England sample was effectively split into two – South West and Not South West – and the weighting factors weighted down for South West interviews.

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.

1.2.4 Analysis variables

The main variable definitions used in the main and appendix data tables are presented in Table 1.2, and with them the associated 'standard errors'.

1.2.5 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 the very smallest businesses in the UK. To aid readers' understanding of the substantive results, most of the subsequent tables in this report distinguish between:

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

In many cases, the results for this last group (businesses with employees) are of more interest and importance economically – these businesses account for 73 per cent of SME employment and 84 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. The reader is advised to refer to Table 1.2 below, for guidance on statistical confidence limits.

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.

Table 1.2: Definitions of key analytical variables and sample confidence limits applying to them

	Heading	Variable definition (from Questionnaire)	Weighted sample base	Unweighted sample base	Standard error (max. at 95% confidence)*
All businesses		ALL	8,640	8,640	+/-1.05
With or without employees	Without	22/1=0 and/or Q23/1 or Q24/1	6,167	1,430	+/-2.59%
	With	22/1>0 and/or 23/2 - 4 or 24/2 - 6	2,473	7,210	+/-1.15%
Employment size (businesses with employees only)	Micro 1-9	22/1-9 or 23/2 and 24/2	2,071	2,900	+/-1.82%
	Small 10-49	22/10-49, 23/3 and 24/3-4	346	2,889	+/-1.82%
	Medium 50-250	22/50-250, 23/4 and 24/5-6	56	1,421	+/-2.60%
Industrial sector (grouped SICs) (businesses with employees only)	Primary AB	15/AB	102	228	+/-6.49%
	Production CDE	15/CDE	409	1,476	+/-2.55%
	Construction F	15/F	189	595	+/-4.02%
	Services G-O	15/G-O	1,772	4,911	+/-1.40%
Proposing growth in 2 or 3 years (businesses with employees only)	Yes	60/1	1,385	4,517	+/-1.46%
	No	60/2	1,087	2,693	+/-1.89%
Age of business (businesses with employees only)	< 4 years	17/1-4	228	465	+/-4.54%
	4-10 years	17/5-7	745	1,826	+/-2.29%
	> 10 years	17/8-9	1,500	4,919	+/-1.40%
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

2 Key Characteristics of SMEs

In this chapter, we set out a number of key features of SMEs in the UK. This is done for two reasons. Firstly, in themselves they provide a good description of some of the more important features of SMEs. Secondly, in the remainder of the report, we use these features as the main analytical variables against which we will describe and discuss SMEs' responses to more substantive questions about their policies, practices, experiences and beliefs.

The chapter is divided into two parts, each focusing 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 SMEs are found
- whether or not the business anticipates growth in the next two or three years
- the age of the business.

The chapter then moves on to consider other characteristics of SMEs, most of which are used as cross breaks in the appendix tables. These cover the locations of the businesses, whether or not they export outside the UK, their financial turnover, legal forms of the businesses, the composition of the management teams (in terms of women-led businesses, and businesses led by people from minority ethnic groups [MEG led]), recent experiences of employment and business growth, and finally the physical characteristics of the main locations of the businesses (in terms of whether or

not located in a rural area; whether or not located in a socially and economically disadvantaged area).¹

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. The reader is advised to refer to Table 1.2 which provides guidance on statistical confidence limits applying to survey sub-samples.

2.1 Number of staff employed

The defining characteristic of the SME is that it has relatively few employees. In sampling for this survey, we included businesses with a current UK 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. In practice, however, at the top end of this size distribution, where some businesses were unclear about the precise number employed and said ‘250’, they were included in the results. Thus, in the tables which follow, the medium-sized businesses are labelled as ‘50-250 employees’.

It is important to recall that employment size was one of the variables used to weight the achieved sample to make it representative of small businesses in the UK. This weighting was applied according to the Small Business Service (SBS) Small and Medium-sized Enterprise (SME) Statistics, and Table 2.1 shows the size distribution of businesses in the survey after weighting. It accurately reflects the size distribution of the UK SME population.

Table 2.1: Distribution of current employment (Q22, Q23, Q24)

All businesses	
Zero	71%
Micro (1-9 employees)	24%
Small (10-49 employees)	4%
Medium (50-250 employees)	1%
<i>Unweighted base</i>	<i>8,640</i>

Base: All businesses (weighted data); unweighted N = 8,640

¹ Definitions of ‘MEG-led’ and ‘women-led’ businesses can be found at the beginning of Chapter 10, which examines these businesses in more detail.

We can see that:

- there is an enormous preponderance of businesses that employ nobody except the owner or partners. Thus, 71 per cent of the businesses covered have no employees
- even where there are employees, the number employed in most of the businesses is very modest. Thus, just under a quarter (24 per cent) of them have between one and nine employees, and only 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 just 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, most SMEs have no employees, so the survey necessarily covers them. However, in order that the perspective of the distinct and smaller group of employing businesses is not absorbed entirely within the whole, much of the analysis that follows distinguishes between two groups of SME; that is:

- all SMEs, including those with no employees, and
- 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:

- column one covers all SMEs (including those with no employees). It is labelled 'all businesses'
- columns two and three cover businesses without employees and with at least one employee (labelled 'without' and 'with' respectively)
- the remaining columns cover just businesses with at least one employee (labelled 'firms with employees only').

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 Industrial and commercial sectors covered

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

In order to facilitate analysis by industrial sector in the remainder of the report, we have grouped businesses 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, including agriculture, hunting, forestry and fishing. We can see that this group makes up eight per cent of all SMEs, but just four per cent of those with employees.
- Production industries, including mining and quarrying; manufacturing; and electricity, gas and water supply. Production industries account for 11 per cent of all small SMEs, but 17 per cent of those with employees.

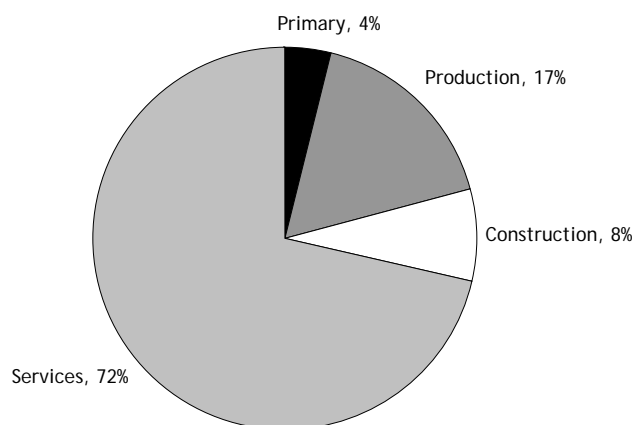
Table 2.2: Businesses' main business activity (Q15)

Proportions who said...	All businesses		
	All	Without employees	With employees
A - Agriculture, hunting and forestry	8%	10%	4%
B - Fishing	*%	*%	*%
C - Mining and quarrying	*%	*%	*%
D - Manufacturing	11%	8%	16%
E - Electricity, gas and water supply	*%	0%	*%
F - Construction	10%	11%	8%
G - Wholesale and retail trade, repair of motor vehicles and motorcycles	27%	28%	27%
H - Hotels and restaurants	5%	4%	8%
I - Transport, storage and communication	4%	3%	5%
J - Financial intermediation	2%	1%	2%
K - Real estate, renting and business activities	25%	26%	23%
L - Public admin, defence, social security	*%	0%	*%
M - Education	*%	0%	*%
N - Health and social work	*%	*%	1%
O - Other community, social and personal activities	7%	8%	6%
<i>Unweighted bases</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 = 8,640

Figure 2.1: Distribution of business activities (Q15)



Base: Businesses with employees; weighted data; unweighted N = 7,210

- Construction, which accounts for ten per cent of all small businesses, and eight per cent of those with employees.
- Service sector businesses, including retailing, hotels and restaurants, transport and communications, financial services, business services, education, health and social work, and other services. The service sector accounts for the bulk of the sample, at 72 per cent of all businesses and a similar proportion of those without.

Due to rounding, there are some minor inconsistencies between the sectoral breakdown shown in Table 2.2 and summarised in Figure 2.1.

2.4 The age of the business

Businesses were asked how long they had been trading. We might imagine that those businesses that had been trading for the shortest time might be more likely to have no employees, simply because they had had less time to build up the volume of business and hence their need for labour. To take this possibility into account, we show in Table 2.3 the results for all businesses (both with and without employees) as well as for just the employers.

Table 2.3: Age of business, by current employment status (Q17) (this includes all ownerships and legal statuses)

	All businesses		
	All	Without employees	With employees
Less than four years	11%	11%	9%
Four to ten years	32%	33%	30%
More than ten years	58%	56%	61%
Unweighted N =	8,640	1,430	7,210

Base: UK weighted data; all businesses and all employers

We can see that slightly fewer businesses with employees (nine per cent) have been trading for less than four years, compared with 11 per cent for those without employees. In both cases, though, the majority of the businesses had been trading for more than ten years, although this was slightly more marked in the case of businesses with employees (61 per cent) than among the whole sample (58 per cent). Thus, it seems likely that focussing on businesses with employees serves to increase the average age of the cohort, but not excessively so; both samples are dominated by businesses that have been trading for more than ten years.

It should be kept in mind that, in the actual UK business population, there may be more young businesses than this. However, because these take time to appear on Dun & Bradstreet's records (which were used as the sample frame), the sample may have a smaller proportion of young businesses than actually exists.

2.5 Business growth intentions

The survey sought details from SMEs about their intentions to grow during the next two or three years. These are discussed in some detail in Chapter 4, but for the moment we note that it is possible to divide our sample into businesses that were aiming to grow and those that were not. This is the distinction used in the tables throughout the rest of this report.

We note that:

- 44 per cent of all businesses were aiming to grow, and this rises to 56 per cent among businesses with employees
- conversely, those not aiming to grow constitute 56 and 44 per cent of all businesses and those with employees respectively.

Among businesses not aiming to grow, however, it is possible to distinguish between those who simply didn't want to grow, and those who were constrained from doing so in some way. For analytical purposes, we have devised a four-fold distinction based on the quite different perspectives which these businesses held towards possible future growth. The four categories are:

- aiming to grow
- not aiming to grow, because:
 - ☐ I am happy with the size we are
 - ☐ I want to remain independent
 - ☐ I want to reduce the number of hours worked
 - ☐ I am looking to retire or close down the business
 - ☐ I haven't thought about it
 - ☐ no reason/other reason.
- market constrained; not aiming to grow, because:
 - ☐ market wouldn't support growth.
- other constraints; not aiming to grow, because:
 - ☐ it is too complicated to take on staff
 - ☐ regulations prevent me
 - ☐ it would cost too much/would need to get into debt
 - ☐ too risky

- don't have the resources to grow – for example: space, people
- fear of financial failure
- I want to remain below the VAT threshold
- cost of insurance.

The distinction here is essentially between businesses that are aiming to grow, those who do not want to grow, those who don't think the conditions are right for growth, and those who are, to some extent, prevented from growing.

Table 2.4 shows how the sample of all businesses is spread across the four groups.

Table 2.4: SME perspectives on growth: all businesses (Q60 and Q64)

	All businesses		
	All businesses	Without employees	With employees
Aiming to grow	44%	39%	56%
Do not want to grow	39%	43%	29%
Market constrained	5%	5%	5%
Otherwise constrained	12%	13%	10%
<i>Unweighted bases</i>	<i>8,640</i>	<i>1,430</i>	<i>7,210</i>

Base: All businesses; weighted data; unweighted N = 8,640

We can see that:

- most of the sample is taken up by the first two categories: most SMEs either want to grow and aim to, or don't want to and don't aim to
- there is only a minority of SMEs that might be thought of as being prevented from growing
- only about one in 20 SMEs (five per cent) cite their market circumstances as something preventing them from growth
- roughly twice as many, at 12 per cent, cite non-market factors which may, in some way, be preventing them from growing.

2.6 Recent employment growth and prospects for future growth

SMEs 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, we asked businesses about their anticipated employment growth. This may be thought of as an important forward indicator in its own terms, but may well indicate a rising or falling level of business confidence. Although this may not be as direct an indicator as, say, financial turnover,

we had some concerns about businesses' receptivity to, and ability to answer accurately, a series of questions about changes in business turnover, and for this reason we focus here on employment growth.

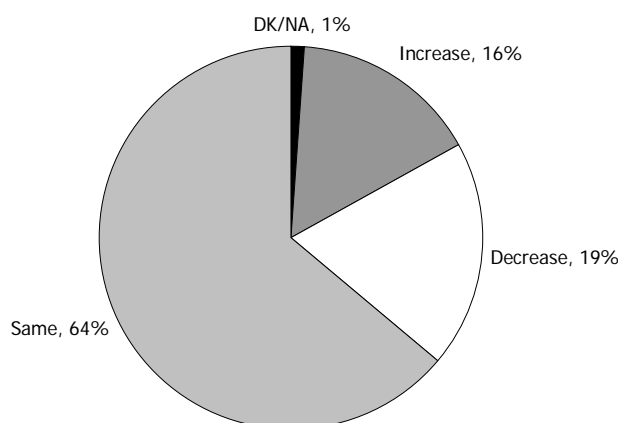
The survey looked at both past and anticipated job growth. Looking first at job growth in the past year, and looking just at businesses that employed people, we found that:

- 19 per cent of employers had increased their employment
- 69 per cent had stayed the same; and
- 12 per cent had reduced their headcount.

Looking to expected job growth in the year to come, Figure 2.2 shows that:

- 16 per cent of employers expected to increase their employment
- 64 per cent expected employment to stay the same
- 19 per cent expected to reduce their headcount
- one per cent of these businesses were unable to answer this question.

Figure 2.2: Distribution of employment growth prospects (Q25-Q27)



Base: All employers, weighted data; unweighted N = 7,210

2.7 Recent experiences of employment growth

In order to derive a possibly wider indicator of growth trends among these small employers, we combined these two indicators of past and anticipated job growth into a single indicator, as follows, and as shown in Table 2.5.

Table 2.5: Recent experiences of employment growth

	All businesses		
	All businesses	Without employees	With employees
Sustained growth	2%	0%	6%
Contained growth	4%	0%	13%
New growth	19%	22%	10%
No growth	76%	78%	71%
<i>Unweighted bases</i>	<i>8,554</i>	<i>1,422</i>	<i>7,132</i>

Note: 0% = no cases observed.

Base: All businesses; weighted data; unweighted N = 8,554

- **Sustained growth:** Employment grew in the past year and was expected to grow again in the next one; only two per cent of businesses overall fell into this grouping, and they were all among businesses that had employees, where they constituted six per cent of businesses.
- **Contained growth:** Employment grew in the past year but was not expected to grow again in the next one; some 13 per cent of businesses with employees fell into this grouping. Note that both these categories of business, demonstrating sustained or contained growth, must (by definition) employ staff.
- **New growth:** Employment did not grow in the past year but was expected to grow again in the next one; among businesses with employees, some ten per cent fell into this group, and the proportion was twice as high (22 per cent) among businesses without employees; and
- **No growth:** By far the largest single group of businesses overall (76 per cent) had experienced no employment growth in the past year, nor expected any in the next one. This was somewhat more widespread among businesses without employees (78 per cent) than with them (71 per cent).

While allowing that growth expectations may not be realised, this suggests that the experience of employment growth is not widespread among SMEs, and where it is experienced it is frequently not sustained for two years running. Altogether some 29 per cent of businesses with employees had experienced or expected to experience employment growth in the two-year period concerned, but for only six per cent of them did this extend to both years.

2.8 Location of the businesses

Although there are separate reports looking in more detail at SMEs in Scotland and Wales, this report takes in the whole of the UK. In the appendix tables, results are shown separately for the four constituent countries, and for the nine English regions.

Table 2.6 shows how the sample of businesses with employees is distributed geographically. Although they are small, many of these businesses operate from more than one site, and in some cases, therefore, in more than one country. In this case, we have allocated them according to their main site.

The numerical dominance of employers located (or mainly located) in England is marked, at 86 per cent. However, there are significant numbers also in Wales and Scotland (constituting four and seven per cent respectively), and rather fewer in Northern Ireland (three per cent).

Table 2.6: Distribution of the businesses by country and region

Country/region	Businesses with employees
England	86%
East Midlands	6%
Eastern England	10%
London	15%
NE England	4%
NW England	9%
SE England	16%
SW England	10%
West Midlands	8%
Yorkshire & The Humber	7%
Wales	4%
Scotland	7%
Highlands and Islands	1%
Scottish Enterprise area	6%
N. Ireland	3%
Unweighted base	7,210

Base: All businesses with employees, weighted data; unweighted N = 7,210

Looking at the distribution within England, we can see that some 31 per cent of UK businesses with employees are located in either London or the South East.

2.9 Whether or not the business exports outside the UK

We found that 17 per cent of all businesses, and 22 per cent of those with employees, did at least some of their business outside the UK (Table 2.7).

Table 2.7: Does your business currently sell outside the UK? (Q35)

	All businesses		
Proportions who said...	All	Without employees	With employees
Sell outside the UK	17%	15%	22%
Do not sell outside the UK	83%	85%	77%
Don't know	*%	*%	*%
<i>Unweighted bases</i>	<i>8,640</i>	<i>1,430</i>	<i>7,210</i>

Note: * = less than 0.5 per cent.

Base: All businesses; weighted data; unweighted N = 8,640

The analysis in the appendix tables distinguishes simply between businesses that are 'current exporters' and those that are not, but if they were not currently exporting, businesses were asked whether or not they had any plans to start doing so in the next two years. Their responses are shown in Table 2.8. Here we can see the vast majority have no such plans; only two per cent overall, rising to three per cent among businesses with employees, planned to start exporting in the next two years.

Table 2.8: Proportion of businesses that plan to start exporting in the next two years (Q36)

	All businesses (not exporting now)		
Proportions who said...	All	Without employees	With employees
Plan to start exporting	2%	2%	3%
No plans to sell outside the UK	98%	98%	98%
<i>Unweighted bases</i>	<i>6,627</i>	<i>1,243</i>	<i>5,384</i>

Base: Businesses that do not currently export; weighted data; unweighted N = 6,627

Although it is not reported in the appendix tables, the survey also sought information from all business with employees on their present patterns of trade. The results are shown in Table 2.9.

Table 2.9: Locations where customers or markets are based (prompted) (Q38/Q39/Q40/Q41)

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

Note: * = less than 0.5 per cent.

Base: All businesses with employees; weighted data; unweighted N = 7,210

Here we can see that:

- over a third (37 per cent) of these small employers did most of their business within their local town, or at most, within their county
- almost a further quarter (21 per cent) were mainly engaged with markets inside their region (or country, for those outside England)
- thus for well over half (58 per cent) of these employers, most of their business was within their home region, while for most of the rest (36 per cent in all) their main market was still within the UK.

Interestingly however, among the medium-sized businesses, ten per cent do most of their business outside the UK.

2.10 Financial turnover

All businesses 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, because this period did not align with their accounting year. Altogether, some 29 per cent would not, or could not, say what their turnover had been.

Table 2.10 shows the breakdown in eight main financial groupings, and distinguishes between all respondents and those who did provide the data.

Table 2.10: Can you please tell me the approximate turnover of your business in the past 12 months? (Q184)

	All businesses			Businesses that gave an estimate		
	All businesses	Without employees	With employees	All businesses	Without employees	With employees
Less than £60,000	29%	37%	10%	41%	53%	13%
£61,000 - £99,999	10%	11%	7%	14%	16%	10%
£100,000 - £249,999	14%	12%	18%	19%	17%	24%
£250,000 - £499,999	7%	4%	14%	10%	6%	19%
£500,000 - £999,999	5%	3%	12%	7%	4%	16%
£1m - £1.49m	2%	1%	5%	3%	2%	7%
£1.5m - £2.8m	2%	1%	5%	2%	1%	6%
More than £2.8m	2%	1%	4%	2%	1%	6%
Don't know	9%	9%	8%	0%	0%	0%
Refused	20%	21%	19%	0%	0%	0%
<i>Unweighted bases</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 = 8,640

Looking just at businesses with employees which provided an estimate, we can see that three in four (76 per cent) had a turnover between £61,000 and £1.5 million. Looking in more detail:

- 41 per cent of businesses that provided an estimate had a turnover of less than £60,000 (the threshold for VAT registration at the time of the survey). This proportion is much lower among businesses with employees
- again, still looking at businesses that provided an estimate, some 33 per cent had a turnover of between £61,000 and £249,999. Among businesses with employees, this proportion is very similar at 34 per cent
- 20 per cent of businesses that provided an estimate had a turnover of between £250,000 and £1.49 million. Among businesses with employees this rises to 42 per cent
- two per cent 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, at six per cent among businesses with employees; and finally
- very few of these businesses (just two per cent) had a turnover above £2.8 million, although among businesses with employees, this rises to six per cent.

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 11 per cent in all not providing an answer.

As Table 2.11 shows:

- about 40 per cent of all businesses reported no change in their financial turnover during the past year, although this is slightly lower (at 38 per cent) among businesses with employees

Table 2.11: Compared with the previous 12 months, has your turnover in the past 12 months increased, decreased or stayed roughly the same? (Q185)

	All businesses		
	All businesses	Without employees	With employees
Increased	29%	26%	36%
Decreased	19%	20%	17%
Stayed the same	40%	41%	38%
Don't know	5%	5%	4%
Unwilling to answer	6%	7%	5%
<i>Unweighted bases</i>	<i>8,640</i>	<i>1,430</i>	<i>7,210</i>

Base: As shown in column titles; weighted data; unweighted N = 8,640

- 29 per cent reported an increase in turnover during this period. Such increases were more prominent among businesses with employees (36 per cent), and correspondingly less so among those without (26 per cent)
- about a fifth (19 per cent) of businesses had seen a reduction in turnover in the past year.

Where turnover had increased, the average reported rise was 21 per cent. A standard error of 0.46 combined with a base of over 3,000 respondents, suggests that this estimate is fairly robust.

Turning now to expectations about future changes in turnover, Table 2.12 shows that:

- again a substantial proportion of businesses expected no change in their turnover
- a third of businesses (and 43 per cent of those with employees) expected an increase in turnover, while far fewer (nine per cent overall, and eight per cent among businesses with employees) expected a reduction.

It is interesting to note that expectations about turnover are generally somewhat more optimistic than experience during the past year.

Table 2.12: In the next 12 months do you expect your turnover to increase, decrease, stay roughly the same? (Q186)

	All businesses		
	All businesses	Without employees	With employees
Increase	33%	29%	43%
Decrease	9%	10%	8%
Stay the same	43%	45%	39%
Don't know	8%	8%	5%
Unwilling to answer	6%	7%	4%
<i>Unweighted bases</i>	<i>8,640</i>	<i>1,430</i>	<i>7,210</i>

Base: As shown in column titles; weighted data; unweighted N = 8,640

2.11 Legal form of the business

Businesses were asked about the legal form under which they were organised. Table 2.13 shows their responses, distinguishing between all businesses and those with employees.

The table shows that:

- among businesses without employees, over half (57 per cent) were working as sole proprietors, and this was much less common among businesses with employees (21 per cent)

- by contrast, private limited companies were most common among businesses with employees (57 per cent) and correspondingly less so among businesses without employees (27 per cent)
- partnerships were reported among some 17 per cent of businesses, and they were slightly more common among businesses with employees
- all other legal forms were extremely rare.

Table 2.13: What is the legal form of your business? (Q16)

	All businesses		
	All businesses	Without employees	With employees
Proprietorship/Sole proprietor	47%	57%	21%
Private Ltd Company (LTD)	35%	27%	57%
Public Ltd Company (PLC)	*%	0%	*%
Limited Partnership	*%	*%	*%
Private Unlimited Company	*%	*%	*%
Partnership	17%	16%	20%
Co-operative	*%	0%	*%
Private Company Limited by Guarantee	*%	*%	1%
Friendly Society	*%	0%	*%
<i>Unweighted bases</i>	<i>8,640</i>	<i>1,430</i>	<i>7,210</i>

Note: 0% = no cases observed.

Base: All businesses; weighted data; unweighted N = 8,640

2.12 Composition of the management team

One of the Small Business Service's key strategic themes is to encourage more enterprise among under-represented groups and disadvantaged communities. Two groups of people who are important targets for this strategy are women and members of minority ethnic groups; consequently, the survey collected information in some detail about the characteristics of the managers in the respondent organisations. A further focus of this strategy is upon particularly disadvantaged communities, and we discuss them in Section 2.13 below. Both under-represented groups and disadvantaged communities are discussed in more detail in Chapter 10.

2.12.1 Women-led businesses

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

Table 2.14: Male and female leadership of businesses; all businesses (including those with and without employees)

	All businesses	Businesses with employees
Wholly male led	62%	51%
Majority male led	3%	7%
Wholly female led	16%	10%
Majority female led	1%	2%
Equally led	18%	29%
Not known	1%	1%
<i>Unweighted bases</i>	<i>8,640</i>	<i>7,210</i>
More than 50% female leadership	17%	12%

Base: All businesses; weighted data; unweighted N = 8,640

We can see from Table 2.14 that:

- 12 per cent of businesses with employees (17 per cent of all businesses, including those with and without employees) were either managed solely by women, or had women as a majority (ie more than 50 per cent of owners, partners or directors)
- in 29 per cent of businesses with employees (18 per cent of all businesses) there were equal numbers of men and women on the management team
- women formed a minority of the management team among seven per cent of them (three per cent of all businesses); and
- 51 per cent of businesses with employees (62 per cent of all businesses) were led solely by men.

Although not shown in the table, the survey also sought information on the gender breakdown of business owners. This indicates that female ownership of SMEs is rather more extensive than female management. Some 21 per cent of these businesses were more-than-half-owned by women, falling to 18 per cent for businesses with employees.

2.12.2 Businesses led by people from minority ethnic groups (MEG-led)

Turning to the extent to which people from a minority ethnic group were involved in leading businesses with employees, Table 2.15 distinguishes between businesses that had some minority ethnic component within their leadership team, and those that had not. The 'white' group comprises largely those of 'white-British' descent plus a small proportion (about one per cent of businesses) from 'any other white background'. Once again, the table shows results for all businesses and those with employees separately.

Table 2.15: Minority ethnic group leadership of businesses; all businesses (including those with and without employees)

	All businesses	Businesses with employees
Wholly white-led	92%	91%
Majority white-led	*%	*%
Wholly MEG-led	7%	6%
Majority MEG-led	*%	*%
Equally led	1%	1%
Not known	1%	1%
<i>Unweighted bases</i>	<i>8,640</i>	<i>7,210</i>
At least 50 per cent MEG leadership	7%	7%

Note: * = less than 0.5 per cent. Results rounded to nearest whole integer.

Base: All businesses; weighted data; unweighted N = 8,640

We can see from the table that:

- seven per cent of these businesses were either led solely by individuals from a minority ethnic background, or such individuals constituted at least half of directors. In the analysis which follows, these businesses are identified as 'MEG-led' (readers may note that the rounded results in the 'all businesses' column sum to eight, not seven, per cent; this is caused by the rounding of the separate cells – the true figure is actually 7.4)
- 92 per cent of these businesses were led solely, or mainly, by people from white British backgrounds.

2.13 The physical characteristics of the main location of the business

The kind of neighbourhood in which businesses are based is likely to influence several different aspects of their behaviour and experiences.

The analysis here focuses on two attributes of these local areas. The extent to which they are rural, and the extent to which they are deprived areas. Although all the other indicators discussed here relate to all the businesses in the sample, these two only extend to the 6,027 (unweighted) English businesses in the sample.

2.13.1 Whether or not located in a rural area

Looking first at rurality, we have adopted the definition developed for the Countryside Agency by the Social Disadvantage Research Centre of the Department of Social Policy and Social Work at Oxford University in 2004.¹ Accordingly,

¹ <http://www.statistics.gov.uk/geography/nrudp.asp>

businesses are classed as either rural or non-rural according to the characteristics of the area in which it is located, including population density, the economically active population, public transport to work, employment in agriculture/forestry/fishing, employment in primary production (mining/energy/water) and ethnicity.

Table 2.16: Whether or not business located in a rural area

	All businesses		
	All businesses	Without employees	With employees
Urban	72%	72%	73%
Rural	28%	28%	27%
<i>Unweighted bases</i>	<i>6,027</i>	<i>997</i>	<i>5,030</i>

Base: All businesses in England: weighted data; unweighted N = 6,027

Accordingly, as Table 2.16 shows, just over a quarter (28 per cent) of the employers in England were located, or had their main location, in a rural area. There is little difference in this respect between businesses with, and those without, employees.

2.13.2 Whether or not located in a socially and economically disadvantaged area

In order to identify locations which might be described as deprived, we adopted the Index of Multiple Deprivation (IMD) produced by the Department for Transport, Environment and the Regions in 2004.¹ This considers income, employment, health deprivation and disability, education, skills and training, housing and geographical access to services, in order to calculate an overall measure of deprivation.

Table 2.17: Whether or not business located in a deprived area

	All businesses		
	All businesses	Without employees	With employees
In 85 % least deprived areas	87%	88%	86%
In 15 % most deprived areas	13%	12%	14%
<i>Unweighted bases</i>	<i>6,027</i>	<i>997</i>	<i>5,030</i>

Base: All businesses in England: weighted data; unweighted N = 6,027

We have used the most deprived 15 per cent of these areas to indicate a deprived area, and using this definition, we find that some 13 per cent of SMEs in England are based in such disadvantaged areas, with the proportion rising slightly among businesses with employees.

¹ www.communities.gov.uk/indices

2.14 Social enterprises

The government defines a 'social enterprise' as

'A business with primarily social/environmental objectives, whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners'.

A follow up survey to the ASBS 2004 identified four key questions to enable the identification of social enterprises using the ASBS. Businesses are classified as social enterprises if they satisfy all of the following:

- Think of themselves as a social enterprise (Q45b)
- Never pay more than 50% of profits to owners/shareholders (Q45)
- Generate more than 75% of income from traded goods/services (or receives less than 20% of income from grants and donations) (Q43)
- Think they are a very good fit with the Government Definition of a Social Enterprise. (Q46)

Using these criteria Table 2.18 shows the proportions of social enterprises in the business population. It shows that using the definition above 5% of all businesses are social enterprises. This is not significantly different depending on whether or not a business has employees.

Table 2.18: Whether or not a business is a social enterprise

	All businesses		
	All businesses	Without employees	With employees
Social enterprises	5	5	6
Not social enterprises	94	95	94
<i>Unweighted N =</i>	<i>8,640</i>	<i>1,430</i>	<i>7,210</i>

Base: All businesses in England; weighted data; Unweighted N=8640

Further analysis looking at Social enterprises in more detail will be released in due course

3 New Businesses

An important strategic theme for the Small Business Service is to encourage a more dynamic start-up market and to build an 'enterprise culture', which will boost productivity and economic growth. It is envisaged that such a market will encourage economic efficiency and raise productivity levels in the economy as innovative new businesses displace less effective competitors.

This chapter focuses solely on newly established businesses; those which are less than four years old or have had a change in ownership in the last three years where the new owner was not involved in the business's start-up. The chapter considers some key aspects of starting up a new business (or taking over one) such as: the reasons behind starting up a new business, the obstacles that need to be overcome, banking arrangements, and the sources of advice and information used.

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. The reader is advised to refer to Table 1.2 which provides guidance on statistical confidence limits applying to survey sub-samples.

3.1 New businesses

The definition of a recent start-up which is used here is based mainly on the number of years that the business has been trading, but modified also to take into account any recent changes in ownership. Looking at the first of these, all businesses were asked how many years the business had been trading for, under all ownerships and all legal statuses. As shown previously in Section 2.5, 11 per cent of all businesses, and nine per cent of all businesses with employees, had been trading for under four years.

Businesses 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. If 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, 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, and then looking in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff. For various reasons, derived from the sampling and the selection of respondents for interview, the figures here may be a slight under-estimate of the actual percentage of recently started businesses in the SME population.

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

- 12 per cent of all businesses were defined as recent start-ups
- businesses without employees were slightly more likely to be recent start-ups than those with employees: 12 per cent and 11 per cent respectively.

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

- businesses with fewer employees were most likely to have been recent start-ups: 12 per cent, of businesses with fewer than ten employees were, in comparison to six per cent of businesses with between ten and 49 employees, and five per cent of businesses with 50 or more employees
- businesses in the service sector (12 per cent) are more likely to have been a recent start-up than those in the other industrial sectors
- businesses in the construction sector (five per cent) are less likely than those in other industrial sectors to have been recent start-ups (five per cent)
- businesses aiming to grow were more than twice as likely to be recent start-ups than were businesses not aiming to grow (15 per cent compared with six per cent).

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

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Recent start-up	12%	12%	11%	12%	6%	5%
Not a recent start-up	88%	88%	89%	88%	94%	95%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Recent start-up	6%	9%	5%	12%	15%	6%	86%	2%	4%
Not a recent start-up	94%	91%	95%	88%	85%	94%	14% ¹	98%	96%
Unweighted N =	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

Note: * = less than 0.5 per cent.

Base: All businesses; unweighted N = 8,640

This chapter goes on to discuss the perspectives and experiences of businesses defined here as recent start-ups. It is important to recall, in looking at the results, that they are based on a relatively small number of cases (just 765 in all, and only 592 for start-up businesses with employees). The reliability of these results is therefore reduced, and they should be treated with some caution.

¹ These 14 per cent of businesses, less than four years old, that are included in 'not a recent start-up' are in fact ones where the respondent was not directly involved in the start-up of the business or in taking over the business. Although these businesses are by definition recent start-ups, this distinction is made to ensure that the following questions about start up/ taking over a business were only asked of respondents directly involved in starting up or taking over the business.

3.1.1 Previous activities of new business managers

All respondents from businesses, which were defined as recent start-ups, were firstly asked what he or she had been doing before they decided to start up, or start running, the business in question.

Table 3.2 opposite shows their responses; firstly for all businesses that were defined as recent start-ups, 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 SMEs as a whole are concerned, the survey showed that:

- just under half (49 per cent) of respondents had been working full time as an employee in another business
- 22 per cent of respondents had been working full time as an employee in this business, with a further 13 per cent of respondents having been self employed.

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

- the majority of respondents had been working full time in another business (52 per cent)
- the second most widely cited response was the respondent had been working full time in this business (25 per cent), followed by one-tenth (ten per cent) of respondents having been self employed
- in total, five per cent of respondents had been unemployed, either on benefit or not, prior to taking over, or starting up, the business
- if a business had between ten and 49 employees, it was more likely that the respondent had been working full time as an employee in this business compared to if the business had fewer than ten employees. The proportions were 35 per cent and 24 per cent respectively
- it was three times more likely that if a business was proposing to grow, compared to if it was not, that the respondent had previously been self employed; 12 per cent and four per cent respectively
- nearly half (49 per cent) of respondents in businesses aged over ten years stated they had worked full-time in this business prior to taking over, or starting it up; whereas this response was only cited by 18 per cent from businesses that were less than four years old.

Table 3.2: Respondent's previous employment status before taking over business - unprompted (Q49)

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Working full-time as an employee in this business	22%	20%	25%	24%	35%	46%	-	41%	-	22%	23%	30%	18%	-	49%
Working full-time as an employee in another business	49%	47%	52%	53%	49%	40%	-	42%	-	55%	54%	47%	59%	-	32%
Working part-time as an employee in this business	2%	2%	3%	3%	1%	0%	-	2%	-	3%	3%	3%	2%	-	1%
Working part-time as an employee in another business	3%	3%	2%	2%	1%	0%	-	0%	-	2%	2%	1%	2%	-	2%
Self employed	13%	14%	10%	10%	8%	12%	-	10%	-	9%	12%	4%	10%	-	11%
In education/training	4%	5%	2%	2%	1%	0%	-	1%	-	2%	1%	4%	2%	-	3%
Unemployed, on benefit	4%	5%	2%	2%	1%	0%	-	2%	-	2%	2%	2%	2%	-	1%
Unemployed, not on benefit	3%	3%	3%	3%	2%	0%	-	3%	-	2%	2%	5%	3%	-	0%
Retired	*%	0%	1%	1%	1%	0%	-	*%	-	1%	1%	1%	1%	-	1%
Something else	*%	0%	1%	1%	0%	0%	-	0%	-	1%	*%	1%	1%	-	*%
Unwilling to answer	1%	1%	1%	1%	1%	1%	-	*%	-	1%	1%	1%	1%	-	*%
Unweighted N =	765	173	592	345	180	67	10	107	27	448	475	117	373	40	179

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Recent start-ups and businesses taken over in last three years; unweighted N = 765

3.1.2 Reasons for business start-ups

The respondents in these new businesses were also asked why they decided to start the business (or start running it, in some cases).

Table 3.3 opposite shows their responses; firstly for all businesses that were defined as recent start-ups, 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 recent start-up businesses as a whole are concerned, the survey showed that:

- 28 per cent of respondents stated that they took over or started running the business to be their own boss.

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

- the most widely cited response, given by just under a third (32 per cent) of respondents, was that the motivation for taking over (or starting to run) the business was a desire for greater independence or to be their own boss
- the second most popular answer was that respondents were motivated by a desire to progress their career (17 per cent). This was followed closely by 14 per cent of respondents stating that there were financial reasons for them taking over, or starting the business
- to develop an idea and exploiting a gap in the market, were answers cited by 11 per cent and ten per cent of businesses respectively
- to develop an idea was more likely to have been a response for a business with fewer than ten employees, in comparison to a business with between ten and 49 employees; 11 per cent and nine per cent respectively
- businesses proposing growth were nearly twice as likely to have been motivated by a desire to exploit a gap in the market, in comparison to respondents from businesses that were not proposing growth; eleven per cent and six per cent respectively
- if a business was aged over ten years (20 per cent), it was five times more likely to have been motivated by a desire to prevent the business closing down to take over or start running the business, in comparison to businesses less than four years old (four per cent)
- 20 per cent of businesses not proposing to grow cited career progression as their driving force, in comparison to 17 per cent of businesses that were proposing to grow.

Table 3.3: Reasons why respondents decided to start/take over the business - unprompted (multiple response) (Q50)

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Independence, own boss, etc.	28%	27%	32%	32%	26%	27%	-	24%	-	33%	30%	37%	33%	-	28%
Financial reasons, make money, etc.	11%	10%	14%	14%	15%	20%	-	17%	-	14%	15%	9%	15%	-	12%
Difficulty finding any employment, redundancy	2%	2%	3%	3%	4%	0%	-	4%	-	3%	3%	2%	4%	-	*%
Difficulty finding suitable employment, or a job they liked	5%	6%	2%	2%	3%	0%	-	*%	-	2%	2%	2%	3%	-	*%
To develop an idea	13%	13%	11%	11%	9%	11%	-	11%	-	11%	11%	8%	11%	-	11%
To develop a hobby or skill	10%	11%	5%	5%	3%	2%	-	2%	-	6%	5%	2%	5%	-	4%
Continue family tradition	3%	3%	4%	4%	6%	1%	-	*%	-	4%	4%	4%	2%	-	8%
Social enterprise, benefit of community, not just make money	3%	4%	2%	2%	2%	0%	-	0%	-	3%	2%	3%	2%	-	*%
Exploiting a gap in the market	9%	9%	10%	10%	9%	10%	-	13%	-	10%	11%	6%	12%	-	6%
Career progression	18%	19%	17%	17%	19%	18%	-	22%	-	17%	17%	20%	17%	-	19%
To prevent business closing down	7%	6%	7%	7%	12%	13%	-	15%	-	6%	8%	5%	4%	-	20%
Personal ambition	1%	1%	*%	*%	*%	0%	-	2%	-	*%	*%	0%	*%	-	0%
Previous experience in business	*%	0%	*%	0%	*%	0%	-	*%	-	0%	*%	0%	*%	-	0%
To expand range of businesses owned	*%	0%	*%	0%	2%	0%	-	0%	-	*%	*%	0%	*%	-	0%
Change of lifestyle	1%	1%	*%	*%	0%	0%	-	0%	-	*%	*%	*%	0%	-	1%
Some other reason	*%	0%	*%	*%	0%	0%	-	0%	-	*%	0%	1%	*%	-	0%
Don't know	3%	3%	3%	3%	5%	6%	-	3%	-	2%	2%	6%	3%	-	3%
Unwilling to answer	2%	2%	*%	*%	0%	1%	-	*%	-	*%	*%	1%	*%	-	0%
Unweighted N =	765	173	592	345	180	67	10	107	27	448	475	117	373	40	179

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Recent start-ups and businesses taken over in last three years; unweighted N = 765

3.1.3 Biggest challenges in business start-ups

These respondents were asked to recall what the biggest challenges they faced were when they started up, or took over, the business in question.

Table 3.4 opposite shows their responses; firstly for all businesses that were defined as recent start-ups, 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 recent start-up businesses as a whole are concerned, the survey showed that:

- the two most popular responses were arranging finance and marketing the business; 37 per cent and 35 per cent respectively
- nearly a quarter (22 per cent) of businesses did not know what the biggest challenges were.

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

- the most widely cited challenge was arranging finance (32 per cent)
- three other popular responses were: marketing the business (28 per cent), understanding specific sector regulations or licences (28 per cent) and 'don't know' (21 per cent)
- businesses not proposing to grow were nearly twice as likely to have stated that they didn't know what challenges they faced when starting up (33 per cent) compared to businesses that were proposing to grow (18 per cent)
- a higher proportion of businesses with between ten and 49 employees stated that setting up IT was a challenge (14 per cent), in contrast to businesses with fewer than ten employees (nine per cent)
- the most widely cited response for businesses aged over ten years was not arranging finance, as it was for all businesses with employees, but instead it was understanding specific sector regulations and licences (35 per cent)
- marketing the business was much more likely to have been a response given by businesses proposing to grow (31 per cent) compared to businesses not proposing to grow (15 per cent)
- writing a business plan was a challenge highlighted by 14 per cent of businesses aged under four years, whereas only five per cent of businesses over ten years had mentioned this as a challenge they had experienced when starting up.

Table 3.4: Biggest challenges when starting up - prompted (multiple response) (Q57)

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Developing a business idea	11%	12%	8%	8%	10%	5%	-	8%	-	8%	9%	4%	9%	-	5%
Writing a business plan	16%	17%	12%	12%	14%	15%	-	13%	-	12%	12%	11%	14%	-	5%
Setting up and register legal structure	13%	14%	11%	11%	12%	12%	-	6%	-	12%	13%	2%	11%	-	12%
Choosing business name	11%	12%	7%	7%	8%	4%	-	4%	-	8%	8%	4%	10%	-	1%
Arranging finance	37%	39%	32%	31%	42%	25%	-	41%	-	31%	32%	30%	33%	-	29%
Setting up company administration and record keeping systems	20%	21%	16%	16%	17%	7%	-	8%	-	17%	17%	12%	17%	-	16%
Making tax arrangements	19%	20%	17%	17%	15%	3%	-	12%	-	16%	18%	11%	17%	-	16%
Making National Insurance arrangements	12%	13%	9%	9%	8%	4%	-	2%	-	11%	9%	11%	9%	-	7%
Making VAT arrangements	13%	13%	12%	12%	10%	4%	-	15%	-	10%	12%	9%	13%	-	7%
Arranging premises	18%	18%	17%	17%	17%	18%	-	24%	-	16%	19%	9%	19%	-	11%
Recruiting employees	13%	11%	18%	17%	29%	18%	-	10%	-	19%	20%	13%	19%	-	17%
Setting up systems for managing staff	8%	6%	11%	10%	23%	14%	-	8%	-	12%	13%	7%	11%	-	11%
Marketing your business	35%	38%	28%	28%	21%	19%	-	31%	-	28%	31%	15%	30%	-	14%
Setting up IT	13%	14%	10%	9%	14%	15%	-	6%	-	10%	12%	2%	10%	-	7%
Organising exports	3%	3%	3%	3%	2%	5%	-	6%	-	2%	3%	1%	4%	-	1%
Understanding specific sector regulations/licences etc.	28%	28%	28%	27%	34%	25%	-	24%	-	27%	29%	22%	27%	-	35%
Other	2%	1%	3%	3%	3%	1%	-	1%	-	3%	3%	1%	4%	-	1%
Don't know	22%	22%	21%	22%	16%	27%	-	18%	-	22%	18%	33%	21%	-	25%
Unwilling to answer	3%	3%	5%	5%	2%	5%	-	1%	-	6%	4%	8%	5%	-	4%
Unweighted N =	765	173	592	345	180	67	10	107	27	448	475	117	373	40	179

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Recent start-ups and businesses taken over in last three years; unweighted N = 765

3.1.4 Time-consuming tasks in business start-ups

Those respondents who had either started up, or taken over the business, were asked to recall what the most time consuming task was during this period.

Table 3.5 opposite shows their responses; firstly for all businesses that were defined as recent start-ups, 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 recent start-up businesses as a whole are concerned, the survey showed that:

- the most common response was that businesses did not know what the most time consuming task had been (23 per cent)
- out of businesses that could identify the most time consuming task, the most popular answers were marketing the business (11 per cent) and setting up company administration and record keeping systems (11 per cent).

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

- the response given by the highest proportion of businesses was that they did not know what the most time consuming task had been (20 per cent)
- out of the businesses that highlighted a time consuming task, the two most widely cited responses were setting up company administration and record keeping systems (12 per cent), and arranging finance (12 per cent)
- setting up company administration and record keeping systems was highlighted as an issue by a higher proportion of businesses with fewer than ten employees (13 per cent) than businesses with between ten and 49 employees (five per cent)
- businesses that operate in the service sector were less likely to have identified marketing the business as a time consuming task in comparison to businesses that operate in the production sector; nine per cent and 15 per cent respectively. However, the base for the production sector sub-category was small and therefore this result must be treated with caution
- developing a business idea was perceived to be a time consuming task by a higher proportion of businesses that were proposing to grow than businesses not proposing to grow; five per cent and two per cent respectively
- a higher proportion of businesses aged under four years (13 per cent) highlighted arranging premises as a time consuming task, in comparison to businesses aged over ten years (four per cent).

Table 3.5: Most time consuming task when starting up - unprompted (Q58)

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Developing a business idea	4%	4%	4%	4%	2%	1%	-	3%	-	4%	5%	2%	4%	-	4%
Writing a business plan	4%	4%	3%	3%	2%	3%	-	3%	-	3%	3%	3%	3%	-	2%
Setting up and register legal structure	4%	3%	5%	5%	9%	5%	-	2%	-	5%	5%	6%	3%	-	12%
Choosing business name	1%	1%	*%	0%	0%	2%	-	0%	-	0%	0%	*%	*%	-	0%
Arranging finance	9%	9%	12%	12%	15%	11%	-	16%	-	12%	12%	13%	13%	-	9%
Setting up company administration and record keeping systems	11%	10%	12%	13%	5%	6%	-	13%	-	11%	13%	12%	11%	-	12%
Making tax arrangements	2%	2%	2%	2%	2%	0%	-	0%	-	2%	1%	4%	3%	-	0%
Making National Insurance arrangements	*%	0%	1%	1%	1%	0%	-	0%	-	1%	1%	1%	1%	-	0%
Making VAT arrangements	2%	2%	2%	2%	1%	2%	-	2%	-	2%	1%	5%	2%	-	3%
Arranging premises	10%	10%	11%	11%	9%	5%	-	7%	-	12%	11%	10%	13%	-	4%
Recruiting employees	2%	1%	4%	4%	8%	10%	-	2%	-	5%	5%	3%	5%	-	2%
Setting up systems for managing staff	1%	1%	1%	1%	2%	5%	-	3%	-	1%	2%	1%	1%	-	2%
Marketing your business	11%	12%	10%	10%	7%	11%	-	15%	-	9%	10%	9%	11%	-	4%
Setting up IT	2%	2%	3%	3%	2%	0%	-	2%	-	4%	4%	1%	4%	-	3%
Understanding specific sector regulations/ licences etc	5%	5%	6%	5%	8%	7%	-	3%	-	6%	6%	4%	5%	-	10%
Other	4%	4%	2%	2%	4%	3%	-	8%	-	1%	2%	2%	2%	-	2%
Don't know	23%	25%	20%	19%	20%	20%	-	19%	-	19%	20%	19%	17%	-	24%
Unwilling to answer	4%	5%	3%	3%	2%	9%	-	3%	-	3%	2%	6%	2%	-	5%
Unweighted N =	765	173	592	345	180	67	10	107	27	448	475	117	373	40	179

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Recent start-ups and businesses taken over in last three years; unweighted N = 765

Subsequently these respondents were asked how long this time consuming task had taken them.

Table 3.6 opposite shows their responses; firstly for all businesses that had identified the most time consuming task when they were starting up, 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 recent start-up businesses as a whole are concerned, the survey showed that:

- the mean length of time the task considered most time consuming took was just over 120 days.

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

- the mean length of time the task considered the most time consuming took was just over 114 days
- the highest proportion of businesses, 43 per cent, indicated that their most time consuming task took between 22 and 90 days
- for 25 per cent of businesses, the most time consuming task took under 22 days; whereas 26 per cent of businesses stated that it took over 90 days
- four per cent of businesses did not know how long it took
- the mean length of time the most time consuming task took amongst businesses proposing to grow was just over 118 days. This compared to it only having taken just over 100 days for businesses not proposing to grow
- the mean length of time the task considered the most time consuming took, was longer for businesses with between ten and 49 employees in comparison to businesses with fewer than ten employees. For businesses with between ten and 49 employees, it took approximately six to seven months (190 days), whereas it took businesses with a headcount of under ten approximately three to four months (107 days)
- for businesses aged over ten years, the mean length of time the task considered most time consuming took, was longer, in comparison to businesses aged under four years: 131.13 days and 112.37 days respectively.

It is worth reiterating here that these results are based on a small sub-group of businesses. The relatively high standard errors shown in Table 3.6 confirm that caution should be exercised in interpreting these data.

Table 3.6: Length of time the task considered most time consuming took them (length of time over which they were performing the task approximately) (Q59)

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
No time	2%	2%	1%	1%	4%	-	-	0%	-	1%	*%	3%	1%	-	1%
1-7 days	10%	9%	11%	11%	10%	-	-	6%	-	11%	11%	9%	9%	-	17%
8-14 days	6%	5%	10%	10%	6%	-	-	17%	-	8%	9%	10%	11%	-	8%
15-21 days	7%	8%	3%	3%	*%	-	-	*%	-	3%	3%	4%	2%	-	5%
22-31 days	14%	15%	12%	13%	7%	-	-	10%	-	13%	13%	10%	14%	-	6%
32-60 days	15%	14%	16%	17%	6%	-	-	12%	-	17%	14%	24%	18%	-	10%
61-90 days	13%	13%	15%	15%	16%	-	-	14%	-	15%	15%	15%	16%	-	9%
91-120 days	6%	7%	5%	5%	11%	-	-	2%	-	6%	6%	2%	4%	-	11%
121-180 days	12%	13%	10%	10%	13%	-	-	12%	-	10%	12%	5%	11%	-	9%
181-365 days	7%	7%	7%	7%	11%	-	-	9%	-	8%	6%	12%	7%	-	8%
More than 365 days	5%	5%	4%	4%	13%	-	-	7%	-	4%	5%	2%	4%	-	7%
Don't know	2%	2%	4%	4%	2%	-	-	10%	-	3%	5%	3%	3%	-	8%
Refused	*%	0%	1%	*%	1%	-	-	0%	-	1%	1%	0%	*%	-	0%
Base for stats	725	526	199	182	16	-	-	26	-	163	155	44	154	-	37
Mean rating (days)	120.42	122.66	114.52	107.2	190.53	-	-	163.85	-	104.78	118.42	100.75	112.37	-	131.13
Standard error	8.06	17.8	8.26	10.1	22.29	46.28	135.96	31.79	45.26	7.88	9.58	15.81	9.96	16.43	17.68
Unweighted N =	574	123	451	268	135	48	7	80	18	346	368	83	299	27	125

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where specified a task as most time consuming; unweighted N = 574

3.1.5 Banking arrangements for business start-ups

Respondents from recent start-up businesses were asked whether they currently operate their business from a business or personal bank account (or both).

Table 3.7 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 recent start-up businesses as a whole are concerned, the survey showed that:

- the majority of businesses stated that they used a business account (84 per cent)
- the second most widely cited response was that the business operated from a personal account (nine per cent); this was followed by the business using both personal and business accounts (six per cent).

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

- the sizable majority of businesses stated that they currently use a business account (90 per cent)
- five per cent of businesses used both and only three per cent used a personal account
- businesses with fewer than ten employees were more likely to use personal accounts when compared to businesses with between ten and 49 employees; three per cent and one per cent respectively
- the most widely mentioned response across all the sub-groups, regardless of employment size, industrial sector, age of business and whether or not the business was proposing growth, was that they currently use a business account
- a higher proportion of businesses not proposing to grow stated that they currently use a personal account (four per cent), compared to businesses that were proposing to grow (two per cent)
- a higher proportion of businesses aged over ten years currently use a business account when compared to businesses aged under four years – 93 per cent and 90 per cent respectively.

Table 3.7: Type of bank account respondents currently use for their business - prompted (Q51)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Personal account	9%	11%	3%	3%	1%	1%
Business account	84%	81%	90%	90%	92%	95%
Both	6%	6%	5%	5%	6%	1%
Neither	1%	1%	0%	0%	1%	2%
Unwilling to answer	1%	1%	1%	1%	1%	1%
Unweighted N =	765	173	592	345	180	67

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Personal account	-	0%	-	3%	2%	4%	3%	-	0%
Business account	-	93%	-	90%	90%	91%	90%	-	93%
Both	-	2%	-	6%	6%	3%	5%	-	6%
Neither	-	0%	-	1%	0%	0%	1%	-	0%
Unwilling to answer	-	5%	-	1%	1%	1%	2%	-	0%
Unweighted N =	10	107	27	448	475	117	373	40	179

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Recent start-ups and businesses taken over in last three years; unweighted N = 765

Thinking back to when respondents first started, or took over, their business, respondents were asked to recollect whether they operated the business from a personal bank account or whether they opened a business account.

Table 3.8 opposite shows their responses; firstly for all businesses that were defined as recent start-ups, 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 recent start-up businesses as a whole are concerned, the survey showed that:

- the most common answer, cited by the majority of businesses (81 per cent), was that they had used a business account
- a further 14 per cent of businesses had used a personal account when they first started, with only two per cent of businesses having used both and one per cent having used neither.

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

- the majority of businesses had used a business account when they first started (87 per cent). This was followed by just under a tenth (nine per cent) of businesses having used a personal account
- the most cited response across all the sub-groups, regardless of employment size, industrial sector, age of business, and whether or not the business was proposing growth, was that they had used a business account when starting up
- businesses that were not proposing growth were more likely to have used a personal account when starting up, in comparison to businesses that were proposing growth – 12 per cent and seven per cent respectively
- a higher proportion of businesses with between ten and 49 employees had used both, personal and business, accounts when starting up (four per cent) when compared to businesses with fewer than ten employees (two per cent)
- businesses that operate in the services sector appear to have been more likely to have used a personal account when starting up when compared to businesses that operate in the production sector – ten per cent and under half a per cent respectively. However, the base for the production sector sub-category was small and therefore this result must be treated with caution
- businesses aged under four years were twice as likely, when compared to businesses aged over ten years, to have used a personal account when they first started up – ten per cent and five per cent respectively.

Table 3.8: Type of bank account respondents used for their business when they first started up - prompted (Q52)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Personal account	14%	16%	9%	9%	6%	5%
Business account	81%	79%	87%	87%	86%	90%
Both	2%	2%	2%	2%	4%	0%
Neither	1%	2%	*%	*%	2%	2%
Unwilling to answer	1%	1%	2%	2%	3%	3%
Unweighted N =	765	173	592	345	180	67

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Personal account	-	*%	-	10%	7%	12%	10%	-	5%
Business account	-	92%	-	86%	88%	85%	86%	-	92%
Both	-	2%	-	2%	3%	*%	2%	-	0%
Neither	-	*%	-	*%	*%	1%	*%	-	1%
Unwilling to answer	-	5%	-	1%	2%	1%	2%	-	2%
Unweighted N =	10	107	27	448	475	117	373	40	179

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Recent start-ups and businesses taken over in last three years; unweighted N = 765

3.1.6 Advice about starting up (or taking over) the business

Respondents from new businesses were asked where they sought advice from when starting up, or taking control, of the business.

Table 3.9 opposite shows their responses; firstly for all businesses that were defined as recent start-ups, 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 recent start-up businesses as a whole are concerned, the survey showed that:

- 72 per cent of businesses sought advice
- The most common source of advice was informal advice from friends or family etc. (22 per cent)
- just over a quarter (26 per cent) of businesses did not go anywhere for advice and information.

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

- the majority of businesses sought advice and information (70 per cent), whereas 28 per cent of businesses did not seek advice and informatio.
- the most popular source of advice and information, for those which sought it, was the bank (23 per cent)
- the second most widely cited source was an accountant (20 per cent). This was closely followed by seeking advice from local or government support agencies (18 per cent) and obtaining informal advice from friends or family etc. (18 per cent.
- businesses that were not proposing to grow in the next two or three years were more likely to have sought advice compared to those which were proposing to grow – 75 per cent and 68 per cent respectively
- a higher proportion of businesses with between ten and 49 employees (12 per cent) sought advice from a legal source compared to businesses with fewer than ten employees (four per cent)
- for businesses aged over ten years the most popular source of advice and information when starting up was an accountant (26 per cent). However, this response was only cited by 18 per cent of businesses aged under four years
- for businesses under four years the most widely cited source of advice and information was a bank (24 per cent), whereas this response was only mentioned by 21 per cent of businesses aged over ten years.

Table 3.9: Sources of advice and information when starting/taking over the business - unprompted (multiple response) (Q53)

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Informal advice only (friends, family, etc.)	22%	24%	18%	18%	15%	15%	-	12%	-	19%	18%	16%	16%	-	23%
Advice from local or government support agency	18%	18%	18%	19%	12%	9%	-	12%	-	20%	18%	21%	22%	-	8%
Accountant	20%	20%	20%	20%	27%	27%	-	38%	-	17%	19%	25%	18%	-	26%
Bank	16%	13%	23%	23%	20%	20%	-	15%	-	24%	22%	28%	24%	-	21%
Legal advice (solicitors/lawyers)	5%	4%	5%	4%	12%	17%	-	4%	-	4%	4%	7%	4%	-	7%
Internet	*%	*%	*%	1%	0%	0%	-	0%	-	1%	1%	0%	*%	-	1%
Previous owners	1%	1%	1%	1%	*%	0%	-	3%	-	1%	1%	1%	1%	-	3%
Business Link	1%	1%	1%	1%	*%	0%	-	0%	-	1%	1%	0%	1%	-	2%
Jobcentre	*%	0%	*%	*%	0%	0%	-	0%	-	*%	*%	0%	0%	-	2%
Financial advisor	*%	1%	*%	*%	1%	0%	-	*%	-	*%	1%	0%	*%	-	*%
Prince's Trust	1%	1%	*%	0%	1%	0%	-	0%	-	*%	*%	0%	*%	-	0%
Other SME business/owners	1%	2%	1%	1%	*%	2%	-	3%	-	*%	1%	0%	*%	-	2%
Head office/franchiser	*%	0%	1%	1%	0%	0%	-	4%	-	1%	1%	1%	1%	-	1%
Business consultants (unspecified)	1%	1%	*%	*%	*%	0%	-	0%	-	*%	*%	1%	*%	-	0%
Nowhere	26%	25%	28%	28%	28%	15%	-	22%	-	29%	29%	23%	27%	-	27%
Unwilling to answer	3%	2%	3%	2%	5%	10%	-	5%	-	2%	2%	3%	2%	-	4%
Sought advice	72%	73%	70%	70%	67%	75%	-	73%	-	69%	68%	75%	70%	-	69%
Unweighted N =	765	173	592	345	180	67	10	107	27	448	475	117	373	40	179

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Recent start-ups and businesses taken over in last three years; unweighted N = 765

Those respondents who had sought advice were then asked whether they experienced any problems in trying to seek this advice or information.

Table 3.10 opposite shows their responses; firstly for all businesses that had sought advice, 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 recent start-up businesses as a whole are concerned, the survey showed that:

- the vast majority of them did not experience any problems (93 per cent).

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

- a considerable proportion of them had not experienced any problems (91 per cent)
- eight per cent of businesses did experience problems trying to seek information or advice
- businesses with fewer than ten employees were twice as likely to have experienced problems gaining information or advice when compared to businesses with between ten and 49 employees; eight per cent and four per cent respectively. However, the base for the '10-49 employees' sub-category was small and therefore this result must be treated with caution
- just under one-tenth (nine per cent) of businesses proposing to grow experienced problems trying to seek information or advice. This compares to three per cent of businesses that were not proposing growth having experienced problems. However, the base for the 'not proposing growth' sub-category was small and therefore this result must be treated with caution
- the youngest and oldest businesses (those aged under four years and over ten years) were equally likely to have experienced problems when trying to seek information or advice – eight per cent each (the sample for businesses aged between four and ten years was too small for the results to be meaningful).

Table 3.10: Proportion of respondents that experienced problems in trying to seek information or advice (Q54)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Experienced problems	7%	7%	8%	8%	4%	-
No problems	93%	93%	91%	91%	95%	-
Don't know	*%	0%	1%	1%	1%	-
Unweighted N =	530	122	408	239	120	49

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Experienced problems	-	8%	-	8%	9%	3%	8%	-	8%
No problems	-	91%	-	91%	90%	94%	91%	-	92%
Don't know	-	1%	-	1%	*%	3%	1%	-	*%
Unweighted N =	7	73	19	309	326	82	252	29	127

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where sought information and advice during start-up/takeover; unweighted N = 530

If problems had been experienced when seeking information or advice when starting up or taking over the business, businesses were asked what types of difficulties they had encountered.

Only 35 individuals responded to this question therefore this table is omitted from the report.

It may nevertheless be interesting to note that the type of difficulty experienced most widely was the unhelpfulness of organisations/people approached for advice or information.

3.1.7 Obstacles to starting up the business

Finally, these respondents were asked to recall what had been the main obstacles to their starting up, or taking over, the business in question.

Table 3.11 opposite shows their responses; firstly for all businesses that were defined as recent start-ups, 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 recent start-up businesses as a whole are concerned, the survey showed that:

- 40 per cent of businesses stated that there were no obstacles
- out of the businesses, which did feel there had been obstacles to starting up or taking over the business, the most widely cited obstacle was obtaining finance (28 per cent).

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

- just over a third (37 per cent) of businesses indicated that there were no obstacles to them starting up or taking over the business
- 22 per cent of businesses that cited obstacles to taking over or starting up the business stated that obtaining finance was one of them. This was the most popular response
- the second most mentioned obstacle was cash flow (12 per cent), followed by regulations (seven per cent)
- businesses that did not aim to grow (41 per cent) were more likely to have stated that there were no obstacles to them starting up (or taking over) the business, in comparison to businesses that were aiming to grow (36 per cent)
- businesses with fewer than ten employees, in comparison to businesses with between ten and 49 employees, were less likely to have stated that the availability and cost of suitable premises acted as an obstacle – four per cent and six per cent respectively
- a lack of financial understanding was more likely to have been an obstacle when starting up, or taking over the business, for businesses aged over ten years, in comparison to businesses under four years of age – five per cent and one per cent respectively.

Table 3.11: Main obstacles cited by respondents to starting/taking over the business - unprompted (multiple response) (Q56)

	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
Proportions who said...	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
The economy	1%	1%	2%	2%	1%	0%	-	0%	-	2%	2%	1%	2%	-	2%
Obtaining finance	28%	31%	22%	22%	25%	30%	-	28%	-	22%	23%	19%	23%	-	19%
Cash flow	12%	11%	12%	12%	13%	0%	-	12%	-	12%	13%	12%	13%	-	10%
Taxation, VAT, PAYE, National Insurance, business rates							-		-					-	
	1%	1%	2%	2%	2%	2%		3%		2%	2%	3%	2%		4%
Recruiting staff	1%	1%	2%	2%	3%	3%	-	1%	-	2%	2%	2%	2%	-	3%
Keeping staff	*%	0%	1%	1%	1%	0%	-	*%	-	1%	1%	0%	1%	-	3%
Transport issues	*%	*%	*%	*%	*%	0%	-	*%	-	1%	1%	0%	*%	-	2%
Lack of broadband access	*%	0%	*%	*%	0%	0%	-	0%	-	*%	*%	0%	0%	-	2%
Regulations	4%	3%	7%	7%	4%	11%	-	4%	-	6%	7%	5%	7%	-	8%
Keeping up with new technology	*%	0%	1%	1%	0%	0%	-	2%	-	1%	1%	0%	1%	-	2%
Availability/cost of suitable premises	2%	1%	4%	4%	6%	2%	-	6%	-	4%	5%	2%	5%	-	2%
Competition in the market	4%	4%	4%	4%	1%	3%	-	*%	-	4%	4%	3%	4%	-	3%
Shortage of managerial skills/expertise	2%	2%	2%	2%	2%	0%	-	4%	-	2%	3%	1%	2%	-	4%
Shortage of skills generally	1%	1%	1%	1%	1%	0%	-	0%	-	1%	1%	*%	*%	-	2%
Lack of financial understanding	3%	3%	2%	2%	*%	0%	-	4%	-	2%	2%	3%	1%	-	5%
Fear of financial failure	3%	3%	4%	4%	4%	2%	-	3%	-	5%	4%	4%	4%	-	6%
Other	6%	6%	7%	7%	5%	3%	-	9%	-	7%	7%	6%	7%	-	8%
No obstacles	40%	41%	37%	37%	38%	44%	-	31%	-	38%	36%	41%	33%	-	45%
No opinion	2%	2%	2%	2%	2%	1%	-	3%	-	2%	2%	4%	2%	-	2%
Unwilling to answer	1%	1%	1%	1%	2%	2%	-	2%	-	1%	1%	3%	1%	-	*%
Unweighted N =	765	173	592	345	180	67	10	107	27	448	475	117	373	40	179

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Recent start-ups and businesses taken over in last three years; unweighted N = 765

4 Business Objectives and Growth

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

We have already seen (in Chapter 2) that 16 per cent of SMEs 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 develops the analysis of Chapter 2 (Section 2.12) by discussing in more detail the *intention* to grow the business, and so provides a clearer picture of our respondents' objectives for the size of their businesses.

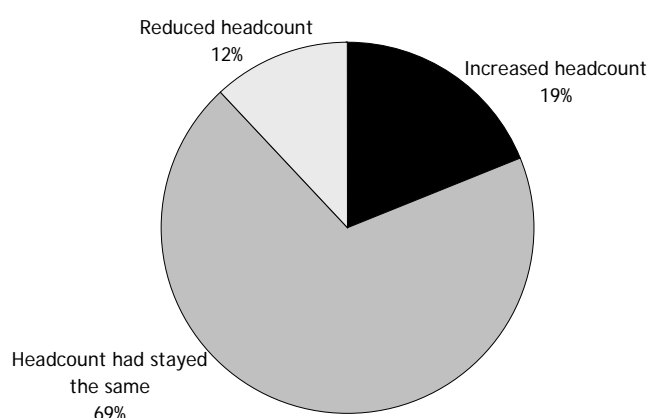
When comparing results between sub-samples, the majority of comparisons noted will be statistically significant. However, in some cases, where sub-samples are further reduced, because of the impact of a filter question for instance, differences will not always be statistically significant. It is necessary, therefore, to be cautious in interpreting some results that are based on smaller sample sizes. The reader is advised to refer to Table 1.2 which provides guidance on statistical confidence limits applying to survey sub-samples.

4.1 Recent experiences and expectations about employment growth

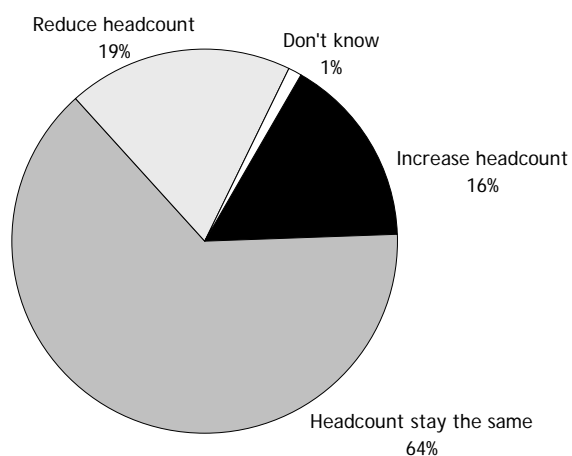
As is discussed in Chapter 2, some 29 per cent of all businesses, and 36 per cent of those with employees, reported that their turnover had increased in the year before the survey. How far this had been translated into changes in employment is depicted in the following two pie-charts; just over two-thirds (69 per cent) of businesses with employees had experienced no change in their headcount in the year before the survey, and almost the same proportion (64 per cent) did not expect to make any in the year following it.

As Figures 4.1 and 4.2 show, 19 per cent of employers had experienced employment growth in the previous year, a higher proportion than those who had reduced their headcount in the same period, and 16 per cent of employers expected job growth in the coming year. However, no change in headcount was the experience, or expectation, of the majority of employers.

Figure 4.1: Job growth in the past year



Base: Businesses with employees; unweighted N = 7,210

Figure 4.2: Expected job growth in the year to come

Base: Businesses with employees; N = 7,210

However, it is evident that businesses may seek success in ways that do not necessarily entail growth; the next section builds on the analysis in Chapter 2 (Section 2.5) by considering in more detail 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.

4.2 Intention to grow the business

To begin with, all respondents were asked whether or not they aimed 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, 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 SMEs as a whole are concerned, the survey showed that:

- the sample was fairly evenly split between those who aimed for some form of growth (44 per cent) and those who did not (56 per cent)
- businesses with employees were more likely to aim to grow compared to those without employees – 39 per cent of businesses without employees aimed to grow compared with 56 per cent of those that had employees.

Looking just at those businesses that employed staff, it can be seen that compared with an overall figure for this group of 56 per cent aiming to grow:

- the proportions were much lower for businesses in the primary sector (39 per cent) and construction sector (42 per cent)
- the bigger the size of the business, the more likely it was to aim to grow. Amongst micro-sized businesses (one to nine employees) 54 per cent aimed to grow, among small-sized businesses (ten to 49) 65 per cent aimed to grow, and among medium-sized businesses (50 to 249) 77 per cent aimed to grow
- younger businesses were more likely to be aiming to grow (76 per cent of businesses that were less than four years old and 65 per cent of businesses aged between four and ten years) and older ones were less likely to be aiming to grow (48 per cent of businesses that were over ten years old).

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

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Aim to grow the business	44%	39%	56%	54%	65%	77%
Will not grow the business	56%	61%	44%	46%	35%	23%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Aim to grow the business	39%	60%	42%	58%	100%	0%	76%	65%	48%
Will not grow the business	61%	40%	58%	42%	0%	100%	24%	35%	52%
Unweighted N =	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

Note: 0% = no cases observed.

Base: All businesses; unweighted N = 8,640

4.3 Means of achieving growth

Those 44 per cent of respondents who said they were aiming 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 for all these businesses, and then looking in more detail at the businesses that employed staff, and at variations between different kinds of business that employed staff.

So far as SMEs 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 (92 per cent). This was followed by introducing new products/services (66 per cent) and then moving into new markets (49 per cent). This was a trend across businesses regardless of whether or not they had employees.

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

- the majority of businesses, regardless of differences in employment size, industrial sector and age, 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, industrial sector and age, 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 (59 per cent), with introducing new products/services being third (49 per cent)
- the older a business was, the less likely it was to have mentioned introducing new products/services. This response was mentioned by 66 per cent of businesses over ten years, 67 per cent of businesses aged four to ten years and 71 per cent of businesses under four years old.

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

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Move into new markets	49%	47%	53%	52%	55%	60%
Introduce new products/services	66%	66%	67%	67%	67%	69%
Increase turnover/sales with existing product/market mix	92%	92%	93%	93%	93%	92%
Something else	8%	7%	8%	8%	8%	9%
Don't know	1%	1%	1%	1%	2%	1%
Unwilling to answer	*%	*%	*%	*%	*%	0%
Unweighted N =	5,060	543	4,517	1,557	1,873	1,087

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-struction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Move into new markets	41%	63%	59%	51%	53%	0%	54%	56%	51%
Introduce new products/services	46%	72%	49%	68%	67%	0%	71%	67%	66%
Increase turnover/sales with existing product/market mix	89%	95%	89%	93%	93%	0%	93%	96%	92%
Something else	7%	7%	5%	8%	8%	0%	11%	7%	8%
Don't know	6%	1%	1%	1%	1%	0%	1%	1%	2%
Unwilling to answer	0%	*%	1%	*%	*%	0%	*%	*%	*%
Unweighted N =	94	1,008	300	3,115	4,517	0	362	1,235	2,920

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

Base: Where aim to grow the business; unweighted N = 5,060

4.4 Achieving growth

Respondents who indicated that they aimed 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 for all these businesses, and then looking in more detail at the businesses that employed staff, and at variations between different kinds of business that employed staff.

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

- the most common response was that the business would have to take on more staff as a result of growth (61 per cent). This was closely followed by investing in more capital equipment (57 per cent)
- 36 per cent of respondents mentioned expanding premises/add more sites and 34 per cent cited seeking external funding, borrowing as actions required as a result of growth
- 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 (67 per cent and 58 per cent respectively).

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

- older businesses were less likely to have known what actions would be required as a result of growth, with 15 per cent of businesses over ten years old having cited 'don't know' as their response. This compares to 13 per cent of businesses aged four to ten years and six per cent of businesses aged less than four years
- the most common response, regardless of employment size, industrial sector and age, was taking on more staff. However, the primary sector was an exception to this rule. For this sub-group, investing in more capital equipment was the most popular action mentioned (61 per cent) followed by taking on more staff (48 per cent)
- just under three-quarters (74 per cent) of respondents from businesses operating in the construction sector cited taking on more staff as an action which would be required as a result of growth
- the more employees a business had, the higher the proportion of respondents which cited taking on more staff as a result of growth, with 79 per cent of businesses with over 50 employees having mentioned this action. This compares to 76 per cent and 65 per cent of small-sized (ten to 49) businesses and businesses with fewer than ten staff respectively.

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

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Take on more staff	61%	58%	67%	65%	76%	79%
Expand premises/add more sites	36%	34%	38%	37%	44%	53%
Invest in more capital equipment	57%	57%	58%	56%	64%	71%
Seek external funding, borrowing	34%	34%	35%	35%	37%	44%
Something else	3%	3%	4%	4%	3%	3%
Don't know	16%	18%	13%	14%	9%	6%
Unweighted N =	5,060	543	4,517	1,557	1,873	1,087

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Take on more staff	48%	69%	74%	67%	67%	0%	82%	70%	62%
Expand premises/add more sites	45%	40%	36%	38%	38%	0%	55%	41%	33%
Invest in more capital equipment	61%	65%	58%	56%	58%	0%	64%	58%	56%
Seek external funding, borrowing	47%	38%	34%	34%	35%	0%	43%	35%	34%
Something else	1%	3%	1%	4%	4%	0%	6%	3%	4%
Don't know	15%	10%	12%	14%	13%	0%	6%	13%	15%
Unweighted N =	94	1,008	300	3,115	4,517	0	362	1,235	2,920

Note: 0% = no cases observed.

Base: Where aim to grow the business; unweighted N = 5,060

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

Table 4.4 opposite shows their responses; firstly for all these businesses, and then looking in more detail at the businesses that employed staff, and at variations between different kinds of business that employed staff.

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

- the most popular way to fund growth, cited by 60 per cent of respondents was through internal finances. Approximately another quarter (24 per cent) of respondents stated they would fund growth through both internal and external finances, with a further 11 per cent highlighting external finances. The remaining four per cent of respondents didn't know how they would fund growth
- there were no large differences in responses between businesses with employees and those without.

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

- for all types of businesses, across all the sub-groups the most widely cited way in which growth would be financed was through internal finance
- businesses in the primary sector were most likely, in comparison to the other industrial sectors, to have mentioned both internal and external finances as the means to securing growth with 36 per cent of respondents having cited it. However, the base for the primary sector sub-category was small and therefore this result must be treated with caution
- businesses under four years of age and over ten years old were more likely to have highlighted external finances as a means of funding growth than businesses aged four to ten years
- businesses with fewer than ten employees were more likely to fund growth through internal finance (61 per cent) in comparison to larger businesses; the proportions which cited this response were 57 per cent and 49 per cent for businesses with ten to 49 employees and ones with over 50 employees respectively
- 37 per cent of businesses with more than 50 employees mentioned funding growth through both internal and external finances. This compares to 28 per cent of businesses with ten to 49 employees, and 24 per cent of businesses with less than ten employees.

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

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Internal finance	60%	60%	60%	61%	57%	49%
External finance	11%	11%	11%	11%	12%	12%
Both	24%	24%	25%	24%	28%	37%
Don't know	4%	5%	4%	4%	3%	2%
Unweighted N =	5,060	543	4,517	1,557	1,873	1,087

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Internal finance	49%	60%	62%	60%	60%	0%	55%	62%	60%
External finance	14%	10%	9%	11%	11%	0%	15%	9%	12%
Both	36%	27%	23%	25%	25%	0%	25%	26%	25%
Don't know	1%	4%	6%	4%	4%	0%	6%	4%	3%
Unweighted N =	94	1,008	300	3,115	4,517	0	362	1,235	2,920

Note: 0% = no cases observed.

Base: Where aim to grow the business; unweighted N = 5,060

4.5 Reasons for not growing

Finally, we asked those 56 per cent of businesses that said that they did not aim 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 for all these businesses, and then looking in more detail at the businesses that employed staff, and at variations between different kinds of business that employed staff.

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

- the most widespread response, cited by 41 per cent of businesses, was that they were happy with their size. This rationale became less common when the business did not have any employees (39 per cent), whereas the proportion of businesses with employees who cited this response (47 per cent) was higher
- the second most common reason, cited by 28 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 (31 per cent) compared to if they did (19 per cent).

Looking just at those businesses 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 (47 per cent). This response was the most widely cited across businesses with employees, regardless of size, industrial sector and age
- the second and third most common responses mentioned were 'I am looking to retire or close down the business' (19 per cent) and that the market would not support growth (14 per cent). These responses varied in whether they were the second or third most popular reason given, depending on the sub-group
- micro-sized businesses were more likely to have mentioned retiring or closing down as a reason (21 per cent), whereas the proportion of respondents which mentioned this reason declined as the size of the business increased, being ten per cent and five per cent for small and medium-sized businesses respectively
- younger businesses were more likely to have stated that they did not aim to grow due to a lack of resources, such as people or space. Six per cent of businesses aged less than four years gave this response in comparison to four per cent of businesses aged four to ten years, and four per cent of businesses aged over ten years.

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

	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
Proportions who said...	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
I am happy with the size we are	41%	39%	47%	47%	50%	52%	47%	46%	53%	46%	0%	47%	46%	54%	45%
I want to remain independent	1%	1%	*%	1%	*%	1%	0%	*%	1%	1%	0%	*%	0%	*%	1%
It is too complicated to take on staff	3%	3%	2%	2%	1%	1%	2%	2%	2%	1%	0%	2%	2%	1%	2%
I want to reduce the number of hours worked	*%	*%	*%	*%	*%	0%	0%	*%	0%	*%	0%	*%	0%	*%	*%
I am looking to retire or close down the business	28%	31%	19%	21%	10%	5%	10%	14%	19%	21%	0%	19%	16%	12%	22%
Regulations deter me	2%	2%	3%	3%	4%	4%	1%	4%	2%	3%	0%	3%	2%	2%	3%
Haven't thought about it	*%	*%	1%	1%	1%	1%	1%	*%	2%	1%	0%	1%	3%	1%	1%
It would cost too much/ would need to get into debt	1%	1%	2%	2%	2%	1%	1%	1%	2%	2%	0%	2%	2%	3%	1%
Too risky	1%	2%	1%	1%	1%	1%	3%	2%	*%	1%	0%	1%	0%	1%	1%
Don't have the resources to grow, eg space, people	5%	5%	4%	4%	5%	4%	4%	2%	4%	4%	0%	4%	6%	4%	4%
Market wouldn't support growth, eg industry declining	11%	10%	14%	15%	13%	14%	18%	25%	10%	13%	0%	14%	12%	14%	15%
Fear of financial failure	1%	1%	1%	1%	1%	1%	3%	*%	*%	1%	0%	1%	2%	1%	1%
I want to remain below the VAT threshold	*%	*%	*%	*%	*%	0%	0%	*%	0%	*%	0%	*%	*%	1%	*%
Cost of insurance	*%	0%	*%	0%	0%	*%	0%	0%	0%	*%	0%	*%	0%	0%	*%
I am looking to consolidate/downsize the business	2%	1%	4%	4%	3%	4%	0%	4%	3%	4%	0%	4%	5%	4%	3%
Too much hassle/effort involved	2%	2%	2%	2%	2%	1%	3%	1%	3%	2%	0%	2%	2%	1%	2%

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
I won't be able to control/manage it	4%	4%	3%	3%	2%	*%	4%	3%	5%	3%	0%	3%	8%	2%	3%
There is no incentive	5%	5%	6%	6%	8%	9%	6%	5%	5%	7%	0%	6%	9%	9%	5%
Other	2%	2%	1%	1%	1%	2%	0%	1%	2%	1%	0%	1%	0%	2%	1%
No particular reason	1%	1%	2%	1%	3%	6%	3%	1%	2%	2%	0%	2%	*%	2%	2%
Don't know	3%	3%	2%	2%	4%	3%	3%	3%	3%	2%	0%	2%	3%	3%	2%
Unwilling to answer	*%	*%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unweighted N =	3,580	887	2,693	1,343	1,016	334	134	468	295	1,796	0	2,693	103	591	1,999

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

Base: Where do not aim to grow the business; unweighted N = 3,580

5 Obstacles to Achieving Business Objectives

One of the Small Business Service's strategies to improve economic growth, productivity and encourage a wider involvement in enterprise is to develop better policies and practice through which the economy is regulated, in particular to reduce the regulatory burden on SMEs especially those which may act as obstacles to start-up and growth. Although these are unlikely to be the only obstacles which SMEs face in developing their operations and improving their efficiency, they are closer at hand for public bodies to improve and reform as necessary. Therefore, this chapter looks across the board at such obstacles, but pays particular attention to those which originate in the public domain.

It is important to understand the prevalence and character of any obstacles that might affect whether or not SMEs' objectives are achieved. It is the purpose of this chapter to consider what kind of obstacles SMEs perceive in pursuit of their (varied) business aims, and how they impact upon those businesses. This chapter looks at what businesses identified to be the biggest obstacles, those created by the market such as competition, taxation difficulties, and those which are derived from various forms of market regulation by the public authorities.

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. The reader is advised to refer to Table 1.2 which provides guidance on statistical confidence limits applying to survey sub-samples.

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 combined; firstly for all businesses, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- the two most common obstacles, which were each cited by just under half of respondents, were the economy (46 per cent) and competition in the market (44 per cent)
- 12 per cent of businesses stated that they faced no obstacles to their businesses success
- regulations and taxation (including VAT, PAYE, National Insurance and business rates) were widely mentioned obstacles, being cited by 32 per cent and 25 per cent of respondents respectively.

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

- nine per cent of businesses faced no obstacles to their business's success
- the economy and competition in the market were each cited by over half (51 per cent) of businesses as an obstacle. This was followed by regulations (39 per cent) and then taxation (33 per cent)
- the bigger the business, in terms of the number of people employed, the more likely they were to view competition in the market as an obstacle to business success. Over half (59 per cent) of medium-sized businesses (50 to 250 employees) cited competition in the market as an obstacle; the same is true for small-sized businesses (54 per cent), and half (50 per cent) of micro-sized businesses mentioned this factor
- older businesses were more likely to have mentioned the economy as an obstacle to their businesses success – more than half of businesses over four years old cited this factor, compared with 46 per cent of businesses less than four years old
- regulation as an obstacle to a business's success was more likely to be mentioned by businesses in the primary and construction sectors – 49 per cent and 48 per cent respectively – compared to those operating in the production or service sectors (39 per cent and 38 per cent respectively).

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

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
The economy	46%	45%	51%	51%	51%	51%	49%	56%	39%	51%	56%	44%	46%	51%	52%
Obtaining finance	13%	12%	15%	15%	13%	15%	13%	15%	12%	15%	18%	10%	24%	17%	12%
Cash flow	20%	19%	24%	25%	19%	16%	28%	28%	26%	23%	30%	16%	36%	25%	22%
Taxation (VAT, PAYE, National Insurance, business rates)	25%	22%	33%	34%	31%	29%	28%	39%	32%	33%	38%	28%	28%	33%	34%
Recruiting staff	16%	12%	25%	23%	35%	41%	13%	28%	34%	24%	29%	20%	26%	25%	25%
Keeping staff	8%	5%	13%	12%	18%	24%	9%	12%	12%	14%	16%	10%	15%	14%	13%
Transport issues	15%	14%	17%	17%	19%	20%	25%	16%	20%	17%	20%	14%	15%	17%	18%
Lack of broadband access	4%	4%	4%	4%	3%	2%	6%	3%	5%	4%	5%	3%	4%	5%	4%
Regulations	32%	30%	39%	38%	45%	45%	49%	39%	48%	38%	41%	37%	30%	34%	43%
Keeping up with new technology	18%	18%	17%	18%	15%	15%	19%	21%	14%	17%	19%	15%	11%	17%	18%
Availability/cost of suitable premises	16%	15%	18%	18%	19%	18%	15%	21%	12%	18%	22%	13%	22%	21%	16%
Competition in the market	44%	42%	51%	50%	54%	59%	47%	53%	44%	51%	57%	44%	49%	52%	51%
Shortage of managerial skills/expertise	9%	8%	14%	13%	19%	24%	7%	16%	18%	13%	17%	9%	13%	9%	8%
Shortage of skills generally	15%	13%	22%	21%	29%	32%	14%	29%	35%	20%	25%	18%	19%	15%	13%
Lack of financial understanding	12%	12%	13%	13%	9%	8%	16%	15%	14%	12%	14%	10%	13%	12%	12%
Crime	11%	10%	14%	14%	13%	11%	9%	11%	18%	15%	15%	12%	14%	11%	10%
Other	18%	19%	16%	16%	14%	12%	16%	18%	12%	16%	18%	14%	20%	18%	19%
No obstacles	12%	13%	9%	9%	8%	6%	13%	6%	9%	10%	7%	12%	12%	12%	13%
No opinion	1%	1%	1%	1%	1%	%	2%	%	1%	1%	%	1%	0%	1%	1%
Unwilling to answer	%	%	%	%	%	%	0%	%	0%	%	%	%	%	0%	%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

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

Base: All businesses; unweighted N = 8,640

5.2 Greatest obstacle to business

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

Table 5.2 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 businesses that employed staff.

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

- the most widely cited, biggest obstacle to business success, was competition in the market (20 per cent); this was followed by the economy (17 per cent), then regulations (12 per cent)
- 12 per cent of respondents said that there were no obstacles to business success.

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

- competition in the market was the most common obstacle to business success across all the sub-groups, regardless of employment size, industrial sector, whether or not the business was proposing growth and age of the business, with the exception of the primary and construction sectors
- 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 22 per cent of businesses in the primary sector and 20 per cent of businesses in the construction sector
- the second most widely mentioned obstacle was the economy (15 per cent) followed closely by regulations (14 per cent)
- younger businesses were more likely to have cited cash flow as an obstacle than older businesses, with 14 per cent of businesses under four years mentioning it, seven per cent of businesses aged four to ten years, and five per cent of businesses over ten years old
- concern about regulations was more pronounced for older businesses than it was for younger businesses. Increasing from seven per cent for businesses aged less than four years, to 11 per cent for businesses aged between four to ten years, and then 16 per cent for businesses aged over ten years
- regulation as an obstacle was slightly more likely to be mentioned by businesses with more employees, with 16 per cent of small-sized businesses (ten to 49 employees) and 16 per cent of businesses with 50 or more employees mentioning it, compared to 13 per cent of businesses with a headcount of less than ten.

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

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
The economy	17%	18%	15%	15%	14%	14%	13%	16%	8%	15%	16%	13%	13%	15%	15%
Obtaining finance	3%	3%	3%	3%	3%	3%	2%	3%	1%	3%	4%	2%	7%	3%	2%
Cash flow	6%	5%	7%	7%	4%	4%	6%	9%	10%	6%	8%	5%	14%	7%	5%
Taxation (VAT, PAYE, National Insurance, business rates)	5%	5%	7%	7%	6%	4%	4%	7%	7%	6%	5%	8%	4%	7%	7%
Recruiting staff	3%	3%	5%	5%	7%	9%	3%	5%	6%	5%	6%	4%	5%	6%	5%
Keeping staff	*%	*%	1%	1%	1%	1%	1%	1%	*%	1%	1%	1%	2%	1%	1%
Transport issues	2%	3%	2%	2%	1%	1%	3%	1%	1%	2%	2%	2%	2%	2%	2%
Lack of broadband access	*%	*%	*%	*%	*%	*%	0%	*%	*%	*%	*%	*%	*%	*%	*%
Regulations	12%	11%	14%	13%	16%	16%	22%	12%	20%	13%	12%	16%	7%	11%	16%
Keeping up with new technology	3%	3%	2%	2%	1%	1%	2%	1%	1%	2%	1%	2%	*%	2%	2%
Availability/cost of suitable premises	3%	3%	2%	2%	3%	2%	3%	2%	1%	3%	3%	2%	2%	3%	2%
Competition in the market	20%	20%	22%	22%	24%	25%	20%	23%	18%	22%	23%	21%	20%	22%	22%
Shortage of managerial skills/expertise	1%	1%	1%	1%	2%	3%	*%	1%	2%	1%	1%	1%	1%	1%	1%
Shortage of skills generally	2%	2%	3%	3%	4%	5%	1%	4%	8%	2%	3%	3%	2%	2%	4%
Lack of financial understanding	1%	1%	1%	1%	*%	1%	*%	1%	1%	1%	1%	1%	*%	1%	1%
Crime	1%	1%	1%	1%	1%	*%	*%	*%	2%	1%	1%	1%	2%	1%	1%
Lack of customer demand	1%	1%	*%	*%	*%	*%	*%	*%	0%	*%	*%	*%	*%	*%	*%
Other	2%	2%	2%	2%	1%	1%	2%	2%	2%	2%	2%	2%	3%	2%	1%
No obstacles	12%	13%	9%	9%	8%	6%	13%	6%	9%	10%	7%	12%	12%	8%	9%
No opinion	4%	4%	4%	4%	4%	4%	3%	5%	3%	4%	3%	4%	3%	5%	3%
Unwilling to answer	*%	*%	1%	1%	*%	1%	0%	1%	*%	1%	1%	1%	1%	*%	1%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

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

Base: All businesses; unweighted N = 8,640

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 for all businesses that perceived competition to be an obstacle to their businesses success, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- the majority of businesses (69 per cent) perceived the competition to be fair. However, nearly a quarter (22 per cent) of businesses stated the competition which obstructed them was unfair, and a further eight per cent believed the competition was both fair and unfair.

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

- the bigger the business was, with regards to employment size, the more likely it was to have stated that fair competition obstructed its success. Three-quarters (75 per cent) of businesses with 50 or more employees stated that fair competition was the obstruction; this compares to 66 per cent of businesses with fewer than ten employees
- the smaller the size of a business, the more likely it was to have highlighted unfair competition as the obstruction to its success. Twenty-three per cent of micro-sized businesses stated this, compared to 21 per cent of small-sized (ten to 49) businesses and 16 per cent of businesses with a headcount of 50 or more
- if a business proposed to grow, it was more likely, in comparison to a business which did not intend to grow, to have indicated that it faced fair competition (69 per cent) and (65 per cent) respectively
- a higher proportion of businesses that did not intend to grow mentioned unfair competition (25 per cent) when compared with businesses that intended to grow (20 per cent).

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

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Fair competition	69%	69%	67%	66%	70%	75%
Unfair competition	22%	21%	22%	23%	21%	16%
Both	8%	8%	9%	9%	9%	9%
Don't know	1%	1%	2%	2%	1%	1%
Unweighted N =	4,460	592	3,868	1,461	1,566	841

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Fair competition	44%	63%	69%	69%	69%	65%	71%	44%	63%
Unfair competition	46%	23%	15%	21%	20%	25%	18%	46%	23%
Both	8%	12%	13%	8%	10%	8%	10%	8%	12%
Don't know	2%	2%	3%	2%	2%	2%	2%	2%	2%
Unweighted N =	113	876	285	2,594	2,603	1,265	221	113	876

Base: Where consider competition an obstacle to business success; unweighted N = 4,460

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

Table 5.4 opposite shows their responses; firstly for all businesses that mentioned unfair competition as an obstacle, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- just over a quarter (26 per cent) of businesses, the highest proportion, mentioned larger companies having greater resources or influence as the type of unfair competition which affected the success of their business
- three types of unfair competition which acted as obstacles to a businesses success, each highlighted by 11 per cent of businesses, were: cheaper priced imports, cheaper products from other companies, and under pricing/underbidding to remove competition.

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

- the most common type of unfair competition mentioned was larger companies having greater resources or influence (26 per cent)
- the second and third most popular responses were that under pricing/underbidding to remove competition (17 per cent) and cheaper priced imports (14 per cent) were the type of unfair competition experienced
- three per cent of businesses did not know what type of unfair competition affected their business
- smaller businesses were more concerned about larger companies having greater resources and/or influence, with 27 per cent of micro-sized businesses having identified this as the type of unfair competition. This is in comparison to 25 per cent of businesses with a headcount of between ten and 49, and 19 per cent of businesses with 50 or more employees
- older businesses were more likely to have perceived cheaper priced imports and companies using foreign labour markets as unfair competition in comparison to younger businesses. For example, 16 per cent of businesses aged over ten years mentioned cheaper priced imports, whereas only ten per cent of businesses aged between four to ten years identified this type of unfair competition.

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

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Cheaper priced imports	11%	10%	14%	13%	15%	14%	34%	34%	7%	6%	13%	15%	4%	10%	16%
Larger companies have greater resources/influence	26%	26%	26%	27%	25%	19%	19%	8%	19%	33%	25%	28%	24%	27%	26%
Companies doing cheaper but substandard work/cowboy businesses	5%	6%	4%	3%	5%	3%	3%	2%	14%	3%	3%	4%	*%	3%	4%
Companies using cheaper foreign labour markets	5%	5%	4%	4%	8%	6%	5%	11%	4%	3%	5%	4%	0%	3%	6%
Cheaper products from other companies	11%	13%	8%	8%	7%	7%	7%	9%	7%	8%	6%	11%	14%	11%	6%
Less regulations imposed on products from abroad	3%	3%	3%	3%	3%	4%	8%	4%	4%	2%	2%	3%	0%	2%	4%
Other companies getting away with not following regulations	5%	5%	6%	6%	8%	11%	17%	5%	9%	6%	5%	8%	6%	7%	6%
Companies avoiding paying VAT/national insurance	3%	3%	3%	3%	2%	2%	0%	3%	6%	3%	3%	3%	5%	6%	2%
Companies being run are not registered/unregulated/illegal	3%	2%	4%	4%	4%	3%	3%	3%	6%	4%	4%	3%	3%	3%	4%
Use of cheap illegal labour	2%	2%	2%	1%	3%	4%	1%	2%	3%	1%	2%	1%	1%	*%	2%
Under pricing services/underbidding to remove competition	11%	7%	17%	17%	14%	9%	5%	9%	12%	21%	15%	19%	24%	18%	15%
Unfair application of regulations by applying them to only to some companies	4%	4%	3%	2%	4%	6%	0%	4%	1%	2%	3%	2%	4%	2%	2%
A large number of competitors in local area	8%	9%	6%	6%	5%	9%	2%	2%	4%	7%	4%	7%	6%	3%	7%
Companies receiving subsidised funding from elsewhere	4%	4%	5%	5%	5%	9%	8%	10%	*%	4%	6%	4%	4%	7%	4%

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Low running costs of internet only businesses	1%	1%	3%	3%	1%	1%	0%	1%	0%	3%	3%	2%	1%	4%	2%
Business operate a monopoly/closed door operation in regard to new business competing with them	3%	3%	3%	3%	3%	2%	4%	1%	5%	3%	4%	1%	7%	4%	2%
Companies imitating products/copying ideas	1%	1%	2%	2%	2%	2%	0%	6%	0%	1%	2%	2%	0%	2%	2%
Unfair tendering for contracts/franchises	2%	2%	2%	3%	2%	*%	0%	*%	1%	3%	3%	1%	3%	2%	2%
Other	7%	6%	8%	9%	8%	6%	1%	8%	9%	9%	10%	7%	15%	8%	8%
Don't know	4%	5%	3%	3%	3%	1%	1%	3%	6%	3%	4%	2%	4%	2%	3%
Unwilling to answer	3%	4%	2%	3%	2%	3%	2%	2%	0%	3%	2%	2%	1%	2%	3%
Unweighted N =	1,336	176	1,160	472	474	214	57	307	77	719	763	397	59	220	881

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

Base: Where affected by unfair competition; unweighted N = 1,336

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 for all businesses, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- the vast majority of businesses answered 'no' (84 per cent) with only 16 per cent in total stating 'yes'
- under 0.5 per cent said they did not know if their business was being threatened by competition from overseas.

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

- the sizeable majority answered 'no', they did not consider themselves threatened by competition from abroad (82 per cent). This was the most common answer across the sub-groups, regardless of employment size, industrial sector, whether the business was proposing to grow and the age of the business
- businesses that considered themselves most threatened by competition from abroad were in the primary and production sectors, with 24 per cent and 25 per cent respectively reporting that they were threatened a lot by competition from abroad, compared to only four per cent for construction industry businesses and five per cent for service sector businesses
- older businesses were more likely to have considered themselves threatened a lot by competition from abroad; the proportions were ten per cent, nine per cent and four per cent for businesses aged over ten years, businesses aged between four to ten, and businesses younger than four years respectively
- 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 25 per cent of businesses with a headcount of 50 or more indicated they were threatened (either a lot or a bit) compared to approximately 20 per cent of businesses with between ten and 49 employees, and 17 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...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Yes, a lot	9%	8%	9%	9%	10%	13%
Yes, a bit	7%	7%	8%	8%	10%	12%
No	84%	84%	82%	83%	79%	74%
Don't know	*%	*%	*%	*%	*%	*%
Unwilling to answer	*%	*%	*%	0%	*%	0%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Yes, a lot	24%	25%	4%	5%	10%	9%	4%	9%	10%
Yes, a bit	17%	13%	3%	7%	10%	7%	8%	8%	9%
No	57%	61%	92%	87%	80%	85%	88%	83%	81%
Don't know	1%	*%	1%	*%	*%	*%	0%	*%	*%
Unwilling to answer	0%	0%	0%	*%	*%	0%	0%	0%	*%
Unweighted N =	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

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

Base: All businesses; unweighted N = 8,640

5.4 Cash flow as an obstacle to business

We noted above, in Table 5.1, that 20 per cent of businesses 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, from a list, to identify the causes of this cash flow difficulty.

Table 5.6 opposite shows their responses; firstly for all businesses that highlighted cash flow as an obstacle, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- income issues appeared to be the main cause of cash flow difficulties for businesses. 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 next two most common responses were also related to income – they were receiving late payments from other businesses (62 per cent), and individual customers (60 per cent) to whom they sell.

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

- the most common cause of cash flow difficulties identified was income tending to fluctuate whilst outgoings remain steady (76 per cent)
- larger businesses were more likely to mention need for high levels of working capital as a cause of their cash flow difficulties (68 per cent of medium businesses, compared with 60 per cent of small and 53 per cent of micro businesses)
- those in the production and construction sectors 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 and the primary sector – the proportions being 78 per cent, 80 per cent, 60 per cent and 48 per cent respectively.

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

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Late payment from other businesses to whom you sell	62%	61%	64%	64%	71%	67%	48%	78%	80%	60%	67%	58%	56%	66%	66%
Early payment required by your suppliers	35%	31%	44%	44%	43%	45%	34%	50%	49%	42%	44%	42%	48%	46%	41%
Difficult/expensive to get credit from your suppliers	18%	15%	23%	23%	20%	21%	26%	27%	22%	22%	24%	21%	29%	26%	20%
Late payment from individual customers to whom you sell	60%	58%	63%	63%	69%	64%	42%	74%	85%	59%	65%	60%	56%	65%	64%
Individual customers expect you to offer credit	44%	43%	47%	47%	50%	47%	26%	65%	45%	44%	48%	46%	44%	46%	49%
Income tends to fluctuate while outgoings are steady	76%	76%	76%	77%	73%	67%	89%	76%	70%	76%	77%	74%	70%	80%	75%
Outgoings tend to fluctuate but income is steady	27%	26%	29%	29%	24%	30%	36%	32%	34%	26%	26%	34%	32%	26%	29%
High levels of working capital required by business	48%	45%	54%	53%	60%	68%	70%	58%	49%	52%	56%	49%	57%	54%	53%
High levels of investment required by business	39%	37%	44%	43%	52%	53%	67%	47%	32%	43%	45%	42%	45%	48%	42%
Timing of tax payments	35%	32%	42%	41%	48%	37%	41%	42%	47%	41%	42%	41%	41%	45%	40%
Other	5%	5%	6%	6%	8%	5%	3%	4%	4%	8%	6%	7%	3%	6%	7%
Uncertain/DK	3%	3%	2%	2%	2%	1%	3%	2%	1%	2%	2%	1%	3%	*%	2%
Unweighted N =	1,782	276	1,506	715	553	238	57	338	139	972	1,135	371	160	395	951

Note: * = less than 0.5 per cent.

Base: Where consider cash flow an obstacle to business success; unweighted N = 1,782

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

Table 5.7 shows their responses; firstly for all businesses, which identified cash flow difficulties as an obstacle, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- the most common response was that income tended to fluctuate whilst outgoings remained steady (22 per cent). This was closely followed by late payment from other businesses that they sold to (21 per cent) and late payment from individuals they sold to (19 per cent).

Looking just at those businesses 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 (23 per cent)
- the second and third most popular responses were receiving late payments from individuals whom businesses sold to (20 per cent) and income tending to fluctuate whereas outgoings remained steady (17 per cent)
- the older a business was, the more likely it was to have perceived late payments from other businesses that they sold to as the main cause of their cash flow problems. Just over one-fifth (21 per cent) of businesses aged under four years mentioned it, compared to 24 per cent of businesses aged over ten years
- smaller businesses were more likely to have stated that late payments from other businesses that they sold to was the main cause of their cash flow problems; 23 per cent of businesses with fewer than ten employees cited this response, compared to 20 per cent of businesses with 50 or more employees
- high levels of working capital required by the business, as the main cause of cash flow difficulties, was more prevalent amongst businesses with more employees; 14 per cent of businesses with 50 or more employees gave this response, compared to eight per cent of businesses with ten to 49 employees, and eight per cent of businesses with fewer than ten employees
- those businesses operating in the production and construction sectors 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. Nearly a third of businesses in construction (30 per cent) and production (32 per cent) mentioned it, whereas only 20 per cent of service sector and 13 per cent of primary sector businesses highlighted it.

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

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Late payment from other businesses to whom you sell	21%	20%	23%	23%	21%	20%	13%	32%	30%	20%	22%	25%	21%	23%	24%
Early payment required by your suppliers	3%	3%	3%	3%	2%	5%	4%	2%	1%	3%	3%	2%	3%	3%	2%
Difficult/expensive to get credit from your suppliers	1%	*%	2%	2%	1%	1%	4%	*%	2%	2%	2%	1%	2%	1%	2%
Late payment from individual customers to whom you sell	19%	19%	20%	20%	25%	20%	10%	26%	41%	17%	22%	17%	10%	22%	22%
Individual customers expect you to offer credit	3%	4%	2%	2%	2%	4%	*%	4%	1%	2%	2%	2%	5%	1%	2%
Income tends to fluctuate while outgoings are steady	22%	24%	17%	17%	16%	13%	24%	9%	10%	19%	17%	17%	21%	16%	16%
Outgoings tend to fluctuate but income is steady	4%	4%	4%	4%	3%	2%	11%	3%	3%	4%	3%	6%	5%	2%	5%
High levels of working capital required by business	8%	7%	8%	8%	8%	14%	13%	6%	2%	9%	9%	6%	9%	8%	8%
High levels of investment required by business	5%	4%	6%	6%	5%	7%	9%	4%	*%	7%	5%	4%	6%	6%	5%
Timing of tax payments	7%	6%	7%	7%	7%	3%	2%	8%	9%	7%	7%	6%	7%	7%	7%
Other	1%	1%	1%	1%	2%	2%	3%	*%	0%	2%	1%	1%	1%	1%	2%
Uncertain/DK	8%	8%	8%	7%	8%	8%	7%	6%	2%	9%	8%	8%	8%	7%	8%
Unweighted N =	1,782	276	1,506	715	553	238	57	338	139	972	1,135	371	160	395	951

Note: * = less than 0.5 per cent.

Base: Where consider cash flow an obstacle to business success; unweighted N = 1,782

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 shows their responses; firstly for all businesses that highlighted cash flow difficulties as an obstacle, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- the two most common responses were that cash flow difficulties were experienced occasionally (33 per cent), and that they were experienced fairly frequently but not permanently (33 per cent)
- nearly a third (29 per cent) perceived their cash flow difficulties to be a permanent state of affairs, with only five per cent stating that they were quite rare and unusual for their business.

Looking just at those businesses 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)
- cash flow problems were a more or less permanent state of affairs for 30 per cent of businesses
- only four per cent of businesses that mentioned cash flow as an obstacle experienced these problems rarely
- businesses not proposing growth in the next two or three years were more likely, compared to businesses proposing to grow, to have stated that the cash flow difficulties they faced were a more or less permanent state of affairs – 35 per cent and 28 per cent respectively
- the sub-group not proposing growth, was the only sub-group across all businesses with employees, in which the most commonly cited frequency of cash flow was not 'fairly frequent (but not permanent)'. Instead, for this sub-group, the most common response was that the cash flow problems were a permanent issue. This may perhaps explain to a degree why these businesses were not proposing to grow.

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

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
A more or less permanent state of affairs for your business	29%	29%	30%	30%	34%	30%
Fairly frequent, but not permanent	33%	30%	37%	37%	37%	34%
Occasional	33%	35%	27%	28%	25%	31%
Quite rare and unusual for your business	5%	5%	4%	4%	3%	3%
Uncertain/DK	1%	*%	2%	2%	2%	1%
Unweighted N =	1,782	276	1,506	715	553	238

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
A more or less permanent state of affairs for your business	21%	34%	36%	29%	28%	35%	29%	26%	33%
Fairly frequent, but not permanent	42%	36%	39%	36%	39%	31%	38%	38%	35%
Occasional	35%	26%	24%	28%	27%	28%	29%	30%	25%
Quite rare and unusual for your business	1%	4%	*%	5%	4%	4%	2%	5%	4%
Uncertain/DK	0%	*%	1%	3%	2%	1%	2%	1%	2%
Unweighted N =	57	338	139	972	1,135	371	160	395	951

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

Base: Where consider cash flow an obstacle to business success; unweighted N = 1,742

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 shows their responses; firstly for all businesses that identified cash flow as an obstacle, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- approximately two-thirds (66 per cent) of businesses mentioned low profit margins or higher costs as the result of cash flow difficulties
- just over half (51 per cent) of businesses stated that the effect of cash flow problems was to diminish the funds available for working capital
- nine per cent of businesses did not know what the effects of cash flow difficulties were.

Looking just at those businesses 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 (64 per cent). This was also the case across all businesses with employees, regardless of employment size, industrial sector, whether the business was proposing to grow and its age
- businesses with 50 or more employees were less likely to have mentioned that cash flow issues resulted in difficulties in meeting tax obligations (26 per cent) in comparison to businesses with fewer than 50 employees, where the proportions were 41 per cent amongst small-sized (ten to 49 employees) businesses and 38 per cent amongst micro-sized (fewer than ten employees) businesses
- turning down work because it may entail cash flow problems was most likely to be a response cited by businesses operating in the construction sector, in comparison to those in the other industrial sectors. Over half (52 per cent) of construction businesses mentioned this as an effect of cash flow problems, whereas only approximately a third (32 per cent) of services and a third (31 per cent) of production sector businesses cited it
- a higher proportion of younger businesses stated that they did not know what the effects of cash flow difficulties would be in comparison to older businesses. The proportions which cited this response were: 15 per cent of businesses under four years, three per cent of businesses aged four to ten years, and six per cent of businesses older than ten years.

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

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Profit margin lower/costs higher	66%	67%	64%	64%	69%	68%	84%	65%	65%	63%	64%	66%	58%	65%	65%
Inadequate funds for working capital	51%	50%	55%	55%	56%	54%	53%	59%	49%	54%	56%	51%	57%	60%	51%
Inadequate funds for investment	48%	48%	50%	50%	50%	50%	63%	56%	44%	48%	51%	50%	53%	52%	48%
Higher than necessary borrowings/overdraft, etc	47%	45%	51%	51%	54%	54%	52%	53%	50%	51%	51%	52%	48%	51%	52%
You turn down some work because it is likely to entail cash flow problems	33%	33%	33%	33%	33%	36%	23%	31%	52%	32%	32%	36%	33%	37%	31%
Difficulties in meeting tax obligations	36%	34%	38%	38%	41%	26%	29%	41%	43%	38%	38%	38%	25%	44%	39%
Late payment of suppliers	39%	36%	45%	44%	48%	45%	41%	53%	54%	41%	45%	44%	36%	44%	47%
Other	1%	1%	2%	2%	1%	3%	7%	2%	*%	1%	2%	1%	2%	0%	2%
Nothing else	8%	9%	6%	6%	5%	5%	1%	6%	4%	6%	6%	5%	14%	2%	6%
Uncertain/Don't know	9%	10%	6%	6%	6%	5%	1%	6%	4%	7%	6%	5%	15%	3%	6%
Unweighted N =	1,782	276	1,506	715	553	238	57	338	139	972	1,135	371	160	395	951

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

Base: Where consider cash flow an obstacle to business success; unweighted N = 1,782

5.5 Tax and the tax system as an obstacle to business

As we showed in Section 5.1 above, 25 per cent of all small businesses thought that 'taxation' was an obstacle to the success of their business. This proportion rose to 33 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.

It is important to note here that not all businesses will have experience of all taxes, eg businesses without employees will only have to deal with their own pay and national insurance and so may not perceive this as an obstacle, whereas businesses with employees, that are registered for VAT will have more experience and probably different views. Therefore, care is needed when making direct comparisons and interpreting the following results.

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 shows their responses; firstly for all businesses that considered tax an obstacle, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- the most common response which was cited by 28 per cent of respondents was VAT.

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

- VAT was the most common response, cited by 30 per cent of businesses. This was followed by a much lower proportion of businesses having mentioned income tax (17 per cent), corporation tax (17 per cent) and PAYE/National Insurance (17 per cent)
- VAT was the most widely mentioned tax considered an obstacle, regardless of whether or not the business aimed to grow, how old it was and its employment size, with the exception of medium-sized businesses. Medium-sized ones were more likely to have perceived corporation tax (24 per cent) and PAYE/National Insurance tax (24 per cent) as obstacles to business success than VAT (22 per cent).

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

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
VAT	28%	27%	30%	30%	29%	22%	22%	28%	34%	30%	29%	32%	33%	29%	30%
PAYE/National Insurance	11%	8%	17%	16%	22%	24%	8%	21%	14%	16%	17%	16%	11%	18%	17%
Corporation tax	12%	10%	17%	16%	19%	24%	6%	23%	19%	15%	17%	15%	17%	18%	16%
Income tax	20%	22%	17%	18%	14%	10%	36%	11%	27%	17%	15%	20%	13%	14%	19%
Climate Change Levy	1%	0%	1%	1%	3%	1%	6%	2%	1%	1%	1%	2%	2%	1%	1%
Business rates	9%	9%	10%	10%	12%	10%	2%	14%	5%	10%	10%	11%	14%	11%	9%
The cumulative effect	7%	7%	7%	7%	9%	8%	5%	6%	3%	8%	7%	7%	9%	6%	7%
Can't think of any specific taxes	14%	15%	13%	13%	11%	11%	18%	13%	11%	13%	14%	11%	12%	17%	11%
Fuel tax	2%	2%	2%	2%	4%	4%	3%	2%	4%	2%	2%	3%	0%	1%	3%
Council tax	1%	1%	1%	2%	0%	0%	3%	1%	0%	2%	1%	2%	1%	2%	1%
Vehicle tax	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
IR35 tax	1%	1%	0%	0%	0%	0%	0%	0%	1%	1%	1%	0%	2%	1%	0%
Self Assessment Tax	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	1%	0%
All taxes in general	1%	1%	1%	0%	1%	2%	0%	1%	0%	1%	1%	1%	0%	1%	0%
Other	2%	2%	2%	2%	3%	2%	3%	2%	1%	2%	2%	2%	1%	1%	2%
Don't know	7%	6%	8%	9%	7%	9%	14%	8%	16%	8%	8%	9%	16%	7%	8%
Unwilling to answer	1%	2%	1%	1%	1%	1%	0%	0%	0%	1%	1%	1%	0%	2%	0%
Unweighted N =	2,679	337	2,342	994	932	416	68	497	184	1,593	1,632	710	131	553	1,658

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

Base: Where consider tax in any form an obstacle to business success; unweighted N = 2,679

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

Table 5.11 shows their responses; firstly for all businesses that identified taxation as an obstacle to their success, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

So far as SMEs 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 (22 per cent). This was followed by income tax (16 per cent), and then 14 per cent of businesses that could not think of a specific tax
- specific taxes, each only mentioned by under one-tenth of businesses, were PAYE/National Insurance (eight per cent), corporation tax (nine per cent), climate change levy (less than 0.5 per cent), business rates (eight per cent), the cumulative effect (seven per cent) and other (six per cent)
- eight per cent of businesses did not know which specific tax was the obstacle to their businesses success.

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

- just under a quarter (23 per cent) of businesses cited VAT as the tax which had caused them the main problem
- PAYE/National Insurance, corporation tax, income tax, and not being able to think of a specific tax, were each mentioned by approximately one-tenth of businesses – the proportions were 11 per cent, 12 per cent, 13 per cent and 13 per cent respectively
- VAT was mentioned by the highest proportion of businesses across all the sub-categories, with the exception of businesses with 50 or more employees and businesses operating in the primary sector. A slightly higher proportion of businesses with 50 or more employees mentioned PAYE/National Insurance (19 per cent) as the main tax, with 18 per cent citing VAT
- businesses that operate in the production or service sectors were more likely to have identified PAYE/National Insurance as the main problem – 15 per cent and 11 per cent respectively – than those operating in the construction sector (seven per cent) or primary sector (four per cent)
- 28 per cent of businesses less than four years of age cited VAT as the main tax which they considered an obstacle to their success. This proportion of businesses is larger when compared to older businesses, as 21 per cent of businesses aged between four to ten years and 23 per cent of businesses over ten years old also cited this specific tax.

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

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
VAT	22%	22%	23%	23%	24%	18%
PAYE/National Insurance	8%	6%	11%	11%	14%	19%
Corporation tax	9%	8%	12%	12%	13%	18%
Income tax	16%	18%	13%	14%	8%	5%
Climate change levy	*%	*%	*%	*%	1%	0%
Business rates	8%	8%	7%	7%	7%	5%
The cumulative effect	7%	7%	6%	6%	7%	7%
Can't think of any specific taxes	14%	15%	13%	13%	11%	11%
Other (fuel duties, landfill tax or construction industry scheme)	6%	7%	5%	4%	6%	6%
Don't know	8%	8%	9%	9%	8%	10%
Unwilling to answer	1%	2%	1%	1%	1%	1%
Unweighted N =	2,679	337	2,342	994	932	416

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
VAT	13%	23%	27%	23%	22%	25%	28%	21%	23%
PAYE/National Insurance	4%	15%	7%	11%	12%	9%	5%	12%	11%
Corporation tax	2%	15%	13%	11%	13%	10%	11%	12%	12%
Income tax	31%	6%	15%	13%	12%	15%	9%	10%	15%
Climate change levy	3%	1%	*%	*%	*%	*%	*%	*%	1%
Business rates	2%	9%	3%	7%	7%	7%	9%	8%	6%
The cumulative effect	4%	5%	2%	7%	6%	6%	6%	5%	6%
Can't think of any specific taxes	18%	13%	11%	13%	14%	11%	12%	17%	11%
Other (fuel duties, landfill tax or construction industry scheme)	8%	4%	4%	5%	4%	5%	3%	5%	5%
Don't know	15%	8%	16%	9%	9%	10%	16%	8%	9%
Unwilling to answer	0%	*%	*%	1%	1%	1%	0%	2%	*%
Unweighted N =	68	497	184	1,593	1,632	710	131	553	1,658

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

Base: Where consider tax in any form an obstacle to business success; unweighted N = 2,679

5.5.2 Aspects of taxation perceived as most problematic

Businesses were also 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 shows their responses; firstly for all businesses that mentioned taxation as an obstacle, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- the three most commonly mentioned problematic aspects of taxation were: the level of tax payments required (76 per cent), keeping up with changes in detailed rules or regulations (59 per cent) and the administrative/record-keeping burden (49 per cent)
- seven per cent of businesses stated that there were no main aspects of taxation which were obstacles.

Looking just at those businesses 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 (81 per cent), keeping up with changes in detailed rules or regulations (61 per cent) and the administrative/record-keeping burden (50 per cent)
- bigger businesses, in terms of employment size, were more likely to have perceived the administration/record-keeping burden of taxation to be an obstacle. Fifty-eight per cent of businesses with 50 or more employees cited this factor, compared to 54 per cent of businesses with between ten and 49 employees, and 49 per cent of businesses with fewer than ten employees
- whether a business was or was not proposing to grow in the next two or three years did not substantially alter their responses. For example, businesses proposing to grow were just as likely to state that the penalties for late payment of taxes was the aspect of taxation which was the main obstacle, as would a business not proposing to grow
- smaller businesses were more likely to have been concerned about the penalties for late payment of taxes. Thirty-seven per cent of businesses with fewer than ten employees mentioned this factor, in comparison to 32 per cent of businesses with between ten and 49 employees, and 27 per cent of businesses with a headcount of 50 or over.

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

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Difficult to understand regime	45%	47%	43%	44%	39%	38%
Keeping up with changes in detailed rules/regulations	59%	57%	61%	61%	63%	64%
Payment arrangements	23%	22%	26%	26%	26%	20%
Administrative/record-keeping burden	49%	49%	50%	49%	54%	58%
The level of tax payments required	76%	73%	81%	81%	82%	82%
Penalties for late payment	36%	35%	37%	37%	32%	27%
Other	3%	4%	3%	3%	3%	1%
There are no main obstacles	7%	8%	4%	4%	4%	5%
Don't know	1%	2%	1%	1%	1%	1%
Unwilling to answer	*%	0%	*%	*%	*%	*%
Unweighted N =	2,639	337	2,342	994	416	68

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Difficult to understand regime	55%	43%	38%	43%	42%	45%	40%	43%	43%
Keeping up with changes in detailed rules/regulations	69%	61%	58%	61%	61%	61%	57%	61%	62%
Payment arrangements	28%	30%	24%	24%	26%	24%	24%	27%	25%
Administrative/record-keeping burden	64%	49%	43%	50%	49%	52%	43%	48%	52%
The level of tax payments required	77%	80%	78%	82%	81%	80%	74%	80%	82%
Penalties for late payment	38%	37%	35%	37%	37%	37%	31%	41%	35%
Other	0%	4%	2%	2%	3%	2%	1%	2%	3%
There are no main obstacles	4%	3%	5%	5%	3%	6%	8%	4%	4%
Don't know	0%	1%	3%	1%	1%	1%	2%	1%	*%
Unwilling to answer	0%	0%	*%	*%	*%	*%	1%	0%	*%
Unweighted N =	68	497	184	1,593	1,632	710	131	553	1,658

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

Base: Where consider tax in any form an obstacle to business success; unweighted N = 2,639

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 shows their responses; firstly for all businesses that cited taxation as an obstacle, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- just over two fifths (41 per cent) of businesses perceived the level of taxation to be the aspect of taxation which was the single main obstacle to their business's success
- 17 per cent of businesses cited keeping up with changes in detailed rules/regulations as the main hindrance, and 13 per cent of businesses mentioned the administrative/record-keeping burden of taxes.

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

- the three most cited responses, which account in total for nearly three-quarters (74 per cent) of all businesses that mentioned taxation as an obstacle, were: the level of taxation (43 per cent), keeping up with changes in detailed rules/regulations (19 per cent) and the administrative/record-keeping burden of taxes (12 per cent)
- a higher proportion of older businesses (20 per cent), businesses aged over ten years, cited keeping up with changes in detailed rules/regulations as the main aspect of taxation which was the obstacle to their businesses success in comparison to younger ones. The proportion for businesses aged four to ten years was 18 per cent, and it was 17 per cent for businesses aged less than four years
- businesses aged under four years were twice as likely to have stated there were no aspects of taxation which acted as an obstacle when compared with businesses aged four years or over – eight per cent of businesses aged less than four years mentioned this factor, whereas only four per cent of businesses aged four years or over did
- businesses with fewer than ten employees were three times as likely, in comparison to businesses with 50 or more employees, to have stated that the penalties for the late payment of tax was the main barrier to their success – six per cent and two per cent respectively.

Table 5.13: The single main aspect of taxation that is considered an obstacle to business success - prompted (Q79)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Difficult to understand regime	8%	9%	6%	6%	5%	3%
Keeping up with changes in detailed rules/regulations	17%	16%	19%	19%	20%	19%
Payment arrangements	4%	4%	4%	3%	4%	2%
Administrative/record-keeping burden	13%	13%	12%	12%	14%	13%
The level of tax payments required	41%	40%	43%	43%	41%	51%
Penalties for late payment	4%	3%	6%	6%	5%	2%
Other	1%	1%	*%	0%	*%	*%
There are no main obstacles	7%	8%	4%	4%	4%	5%
Don't know	5%	6%	5%	5%	4%	4%
Unwilling to answer	*%	0%	1%	1%	1%	2%
Unweighted N =	2,679	337	2,342	994	932	416

Proportions who said...									
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Difficult to understand regime	4%	6%	7%	6%	4%	8%	2%	7%	6%
Keeping up with changes in detailed rules/regulations	23%	18%	18%	20%	19%	21%	17%	18%	20%
Payment arrangements	6%	4%	6%	3%	4%	2%	4%	4%	3%
Administrative/record-keeping burden	11%	12%	15%	12%	13%	11%	8%	12%	13%
The level of tax payments required	30%	45%	33%	45%	46%	39%	48%	45%	42%
Penalties for late payment	16%	4%	6%	5%	6%	5%	6%	5%	6%
Other	0%	*%	0%	*%	*%	*%	0%	*%	*%
There are no main obstacles	4%	3%	5%	5%	3%	6%	8%	4%	4%
Don't know	6%	7%	7%	4%	4%	7%	5%	5%	5%
Unwilling to answer	0%	1%	2%	1%	1%	1%	1%	2%	1%
Unweighted N =	68	497	184	1,593	1,632	710	131	553	1,658

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

Base: Where consider tax in any form an obstacle to business success; unweighted N = 2,679

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 shows their responses; firstly for all businesses that identified taxation as an obstacle, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- the most widely cited response, mentioned by 85 per cent of businesses, was that tax takes money out of the business which could be used for investment
- 65 per cent of businesses mentioned the amount of time involved in keeping records as a negative impact of taxation and the same proportion of businesses stated that the impact of tax on cash flow was an issue.

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

- a sizeable proportion of businesses (88 per cent) stated that taxation impacts negatively on their business due to it taking money out of the business which could otherwise be used for investment
- three factors, each mentioned by just under two-thirds of businesses, were: the impact of taxation on cash flow (66 per cent), the amount of time involved in keeping records (65 per cent), and that taxation takes up too much managerial time and attention (64 per cent)
- businesses that operate in the production or service sectors were more likely to have stated that tax takes money out of their business which could be used for investment, in comparison to businesses from the construction sector. The proportions were 87 per cent, 90 per cent and 77 per cent respectively
- 69 per cent of businesses that were proposing to grow in the next two or three years, compared to 60 per cent of businesses that were not, stated that the impact of taxation on cash flow was a negative aspect of taxation
- the fewer employees a business had, the more likely it was to have mentioned the penalties for late payments of taxes as excessive. The proportion of businesses with fewer than ten employees which cited this factor was 39 per cent, whereas 34 per cent of businesses with ten to 49 employees stated it, and 30 per cent of businesses with a headcount of 50 or more highlighted this factor.

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

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Takes up too much managerial time/attention	62%	61%	64%	63%	66%	67%
Amount of time involved in keeping records	65%	66%	65%	65%	66%	65%
Impact on cash flow of paying tax	65%	64%	66%	66%	67%	66%
Tax takes money out of the business that could be used for investment	85%	83%	88%	88%	92%	89%
Penalties for late payment are excessive	39%	39%	38%	39%	34%	30%
Competition from businesses that avoid/evade tax	50%	50%	48%	48%	49%	51%
Other	3%	3%	2%	2%	3%	2%
Don't know	4%	5%	2%	2%	3%	3%
Unwilling to answer	1%	1%	*%	*%	1%	1%
Unweighted N =	2,679	337	2,342	994	932	416

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Takes up too much managerial time/attention	75%	63%	66%	63%	63%	65%	62%	62%	65%
Amount of time involved in keeping records	80%	62%	67%	65%	64%	66%	62%	65%	66%
Impact on cash flow of paying tax	65%	67%	56%	67%	69%	60%	69%	69%	64%
Tax takes money out of the business that could be used for investment	92%	87%	77%	90%	89%	88%	90%	89%	88%
Penalties for late payment are excessive	44%	37%	41%	38%	39%	37%	32%	44%	37%
Competition from businesses that avoid/evade tax	62%	45%	53%	48%	47%	50%	47%	47%	49%
Other	1%	2%	2%	2%	2%	1%	2%	1%	2%
Don't know	0%	2%	7%	2%	2%	2%	3%	2%	2%
Unwilling to answer	0%	1%	1%	*%	*%	*%	1%	*%	*%
Unweighted N =	68	497	184	1,593	1632	710	131	553	1,658

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

Base: Where consider tax in any form an obstacle to business success; unweighted N = 2,679

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 shows their responses; firstly for all businesses that highlighted taxation as an obstacle, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- 42 per cent of businesses mentioned that taxation takes money away from their business which could otherwise be used for investment
- two responses, which accounted for just over a quarter of businesses, were the impact of taxation on cash flow (14 per cent), and the amount of managerial time or attention taken up by tax issues (13 per cent)
- one-tenth (ten per cent) of businesses highlighted competition from businesses that evade tax, and approximately the same proportion (nine per cent) mentioned the amount of time involved in keeping records, as the main negative aspects of taxation.

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

- the most widely cited response was that taxation takes money away from a business which could be used for investment (43 per cent). This response was the most popular across all the sub-categories, regardless of employment size, industrial sector, whether or not a business was proposing growth and the age of the business
- the smaller a business was, with regards to employment size, the more likely it was to have mentioned the impact of paying tax on cash flow as a negative impact of taxation. This factor was identified by 17 per cent of businesses with fewer than ten employees, in contrast to 14 per cent of businesses with between ten and 49 employees having mentioned it, and 13 per cent of businesses with 50 or more employees
- the impact of taxation on cash flow was more likely to have been mentioned by businesses that operate in the production sector (21 per cent) compared to businesses in other industrial sectors
- businesses proposing growth were more likely to have identified the impact of taxation on cash flow compared to those which were not proposing growth – 18 per cent and 12 per cent respectively.

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

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Takes up too much managerial time/attention	13%	13%	12%	11%	13%	13%
Amount of time involved in keeping records	9%	9%	9%	10%	8%	7%
Impact on cash flow of paying tax	14%	13%	16%	17%	14%	13%
Tax takes money out of the business that could be used for investment	42%	42%	43%	42%	44%	44%
Penalties for late payment are excessive	3%	3%	3%	3%	3%	1%
Competition from businesses that avoid/evade tax	10%	11%	9%	9%	9%	11%
Uncertain	7%	7%	7%	6%	7%	7%
Unwilling to answer	1%	2%	1%	1%	2%	3%
Unweighted N =	2,679	337	2,342	994	932	416

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Takes up too much managerial time/attention	13%	12%	15%	11%	11%	13%	17%	11%	12%
Amount of time involved in keeping records	15%	12%	11%	8%	8%	12%	3%	10%	10%
Impact on cash flow of paying tax	11%	21%	15%	15%	18%	12%	15%	17%	16%
Tax takes money out of the business that could be used for investment	39%	37%	29%	46%	43%	42%	49%	43%	42%
Penalties for late payment are excessive	6%	*%	7%	4%	3%	4%	1%	4%	3%
Competition from businesses that avoid/evade tax	13%	10%	9%	9%	9%	9%	4%	9%	10%
Uncertain	3%	6%	12%	6%	6%	7%	8%	7%	6%
Unwilling to answer	*%	1%	1%	1%	1%	1%	1%	*%	1%
Unweighted N =	68	497	184	1,593	1632	710	131	553	1,658

Note: * = less than 0.5 per cent.

Base: Where consider tax in any form an obstacle to business success; unweighted N = 2,679

5.6 Regulation as an obstacle to business

In Section 5.1 above, 32 per cent of all businesses thought that 'regulations' acted in a manner which placed obstacles in the way of their business's success. The proportion rose to 39 per cent among SMEs with employees. This section focuses on these businesses and describes which regulations these businesses considered to be an obstacle to the success of their business and in what way.

We began by asking these businesses which regulations they considered to be obstacles to the success of their business.

Table 5.16 opposite shows their responses; firstly for all businesses that highlighted regulations as an obstacle, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- the most widespread response here was a generic one, ie no specific regulations/all regulations were reported by the highest proportion of all businesses that mentioned regulations as an obstacle to their businesses success (22 per cent)
- a fifth (20 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 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). This was then followed by 18 per cent of businesses having stated that sector specific regulations were the problem and the same proportion of businesses identified health and safety regulations as an obstacle
- 18 per cent of businesses stated, when questioned about which regulations they considered to be obstacles, that none were
- out of the regulations mentioned, the one most widely cited as an obstacle varied, to some degree, according to the industrial sector a business operated in. One example of this is: businesses that operate in the production and construction sectors were more likely to have stated that health and safety regulations were a problem than no specific or all regulations – 24 per cent and 30 percent respectively, compared to 22 per cent
- businesses that were proposing to grow were more likely, in comparison to businesses not proposing to grow, to have stated that they considered tax-related regulations to be an obstacle to their success – ten per cent and six per cent respectively.

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

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Minimum wage regulations	2%	2%	3%	3%	3%	6%	2%	3%	1%	3%	3%	3%	2%	2%	3%
Health and safety regulations	14%	12%	18%	16%	24%	20%	13%	24%	30%	15%	17%	18%	13%	14%	20%
Environmental regulations	8%	8%	6%	6%	7%	6%	30%	8%	2%	5%	6%	7%	4%	4%	8%
Pensions	1%	*%	1%	1%	1%	1%	2%	1%	1%	1%	1%	1%	0%	0%	1%
Regulations relating to anti-discrimination legislation	1%	1%	1%	1%	1%	1%	*%	1%	1%	1%	1%	1%	1%	1%	1%
Planning/building/development	3%	3%	4%	4%	3%	3%	3%	1%	9%	4%	4%	3%	4%	2%	4%
Tax-related	8%	8%	8%	9%	6%	6%	1%	10%	5%	9%	10%	6%	11%	11%	7%
Employment protection	7%	6%	8%	6%	12%	16%	2%	8%	2%	9%	8%	7%	4%	9%	7%
Providing information/record-keeping	2%	3%	1%	1%	1%	2%	4%	*%	1%	2%	1%	1%	0%	2%	1%
Trading Standards	2%	2%	1%	1%	1%	1%	3%	1%	0%	1%	1%	2%	*%	2%	1%
Working time	1%	1%	1%	1%	2%	5%	1%	1%	1%	2%	1%	2%	1%	2%	1%
No specific regulations/all regulations	22%	23%	21%	21%	25%	22%	20%	22%	22%	21%	19%	24%	14%	22%	22%
Sector specific regulations	19%	19%	18%	19%	15%	16%	20%	11%	14%	20%	18%	18%	17%	19%	17%
Other	1%	1%	2%	2%	2%	2%	*%	2%	1%	2%	2%	2%	2%	1%	2%
None	20%	21%	18%	19%	15%	13%	16%	17%	17%	18%	19%	16%	23%	21%	16%
Don't know	5%	5%	5%	5%	4%	5%	2%	5%	4%	6%	5%	6%	10%	3%	5%
Unwilling to answer	*%	*%	*%	*%	*%	*%	0%	1%	0%	*%	*%	*%	1%	0%	*%
Unweighted N =	3,580	449	3,131	1,125	1,345	661	126	652	278	2,075	2,096	1,035	141	650	2,340

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

Base: Where consider regulations to be obstacles to business success; unweighted N = 3,580

Businesses that identified the minimum wage as a regulation which was an obstacle to their success were asked in what way they considered it to be a hindrance.

Table 5.17 opposite shows the responses for all businesses that mentioned minimum wage regulation as an obstacle. We are unable to report on variations between different kinds of businesses due to the small sample base.

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

- the paperwork and administrative procedures linked to minimum wage regulations were the most common way in which this regulation acted as an obstacle to business success (79 per cent)
- three factors which were each cited by approximately seven-tenths of businesses were: the costs of making changes to ensure compliance with this regulation (70 per cent), the difficulty/time/effort in deciding how to comply (70 per cent), and uncertainty about how and if the regulation applied to the business (68 per cent)
- Almost two thirds (63 per cent) of businesses stated that the difficulty/cost in obtaining advice about the relevance to their business was a factor
- just over half (54 per cent) of businesses stated that the competition they faced from businesses that did not comply with minimum wage regulations was an obstacle.

Table 5.17: Ways in which minimum wage regulations are an obstacle to business success - prompted (multiple response) (Q83)

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Uncertainty about whether or how regulations apply to your business	68%	-	61%	-	-	-	-	-	-	56%	58%	-	-	-	65%
Difficulty/cost in obtaining advice about relevance to your business	63%	-	67%	-	-	-	-	-	-	61%	72%	-	-	-	57%
Difficulty/time/effort in deciding how to comply	70%	-	65%	-	-	-	-	-	-	67%	72%	-	-	-	60%
Costs of making changes to ensure compliance	70%	-	65%	-	-	-	-	-	-	69%	58%	-	-	-	77%
Paperwork/administrative procedures	79%	-	70%	-	-	-	-	-	-	71%	66%	-	-	-	74%
Competition from businesses who don't comply	54%	-	53%	-	-	-	-	-	-	49%	51%	-	-	-	56%
High level of taxation	3%	-	*%	-	-	-	-	-	-	*%	*%	-	-	-	1%
Regulations favour larger businesses	*%	-	1%	-	-	-	-	-	-	1%	0%	-	-	-	1%
Lack of consistency in regulations/too many changes	6%	-	7%	-	-	-	-	-	-	9%	5%	-	-	-	9%
Uncertain	*%	-	1%	-	-	-	-	-	-	*%	0%	-	-	-	1%
Unwilling to answer	*%	-	*%	-	-	-	-	-	-	*%	0%	-	-	-	0%
Unweighted N =	128	7	121	35	47	39	3	23	5	90	83	38	3	21	97

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where consider minimum wage regulations to be obstacles to business success; unweighted N = 128

Businesses that identified health and safety regulations as an obstacle to their success were asked in what ways they considered them to be a hindrance.

Table 5.18 opposite shows their responses; firstly for all businesses that highlighted health and safety regulations as an obstacle, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- the aspect of health and safety regulations considered the most problematic by the highest proportion of businesses was the cost of making changes to ensure compliance with it (81 per cent)
- 79 per cent of businesses mentioned paperwork/administrative procedures involved in the regulation as an obstacle. This was followed by 70 per cent of businesses having cited the difficulty/time/effort involved in deciding how to comply with the regulation as an issue for them.

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

- the most widely cited response, mentioned by a substantial proportion of businesses, was that the costs of making changes to ensure compliance with health and safety regulations acted as an obstacle (85 per cent)
- the second most common response, mentioned by 83 per cent of businesses, was that the paperwork/administrative procedures generated by the regulation acted as a problem
- just over three-quarters (76 per cent) of businesses stated that the difficulty/time/effort involved in having to decide how to meet the regulation's stipulations was an issue
- the costs of making changes to ensure compliance with this regulation, was the most common response for businesses with employees across the different industrial sector groups, with the exception of businesses that operate in the service sector
- the most common responses by businesses that operate in the service sector were the costs of changes to comply with the regulation, and the paperwork and administrative procedures involved, both mentioned by 84 per cent of businesses
- bigger businesses, those with 50 or more employees, were more likely to have identified competition from businesses that did not comply with health and safety regulations as an obstacle, than were smaller businesses.

Table 5.18: Ways in which health and safety regulations are obstacles to business success - prompted (multiple response) (Q83)

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Uncertainty about whether or how regulations apply to your business	67%	67%	67%	67%	68%	58%	-	64%	58%	72%	73%	59%	-	64%	66%
Difficulty cost in obtaining advice about relevance to your business	59%	63%	55%	54%	57%	54%	-	55%	47%	58%	59%	48%	-	55%	54%
Difficulty/time/effort in deciding how to comply	70%	65%	76%	75%	79%	73%	-	79%	73%	76%	81%	68%	-	70%	76%
Costs of making changes to ensure compliance	81%	78%	85%	83%	90%	88%	-	83%	87%	84%	89%	78%	-	76%	86%
Paperwork/administrative procedures	79%	75%	83%	82%	87%	89%	-	81%	85%	84%	87%	78%	-	79%	85%
Competition from businesses that don't comply	50%	49%	52%	50%	55%	64%	-	60%	63%	46%	51%	53%	-	46%	54%
Regulations favour larger businesses	2%	2%	2%	2%	1%	0%	-	3%	0%	2%	2%	1%	-	0%	2%
Lack of consistency in regulations/too many changes	6%	8%	3%	3%	4%	4%	-	6%	0%	3%	4%	2%	-	2%	3%
Other	*%	0%	*%	0%	1%	1%	-	*%	*%	*%	*%	*%	-	*%	*%
Uncertain	3%	6%	*%	0%	1%	1%	-	*%	1%	0%	0%	*%	-	0%	*%
Unwilling to answer	*%	0%	1%	1%	*%	0%	-	2%	0%	*%	0%	1%	-	0%	1%
Unweighted N =	681	56	625	180	309	136	21	170	83	351	405	220	21	101	503

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where consider health and safety regulations to be obstacles to business success; unweighted N = 681

If environmental regulations were highlighted as an obstacle to business success, the business was asked in what way they were a hindrance.

Table 5.19 opposite shows their responses; firstly for all businesses that mentioned environmental regulations as an obstacle, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- the costs of making changes to ensure compliance with environmental regulations was an issue for businesses; this was also the most common response, being mentioned by 86 per cent of businesses
- three popular responses, each being highlighted by over two-thirds of businesses, were: the paperwork/administrative procedures generated by this regulation (82 per cent), the difficulty/time/effort involved in deciding how to comply (80 per cent), and the uncertainty about how or whether the regulation applies to a business (70 per cent).

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

- as for all businesses, the most widely cited response was the cost of making changes to comply with the regulation (86 per cent). This was then followed by the paperwork/administrative procedures generated by the regulation (83 per cent) and then the difficulty/time/effort involved in deciding how to comply (81 per cent)
- businesses which proposed to grow, were more likely to have mentioned the difficulty/cost in obtaining advice about whether environmental regulations were relevant to them than businesses which did not propose to grow. 67 per cent of businesses proposing to grow mentioned this issue in comparison to 54 per cent of businesses not proposing to grow
- the smaller a business was, the more likely it was to view uncertainty about how and if environmental regulations apply to them as an issue. Eighty per cent of businesses with fewer than ten employees mentioned this response, whereas only 72 per cent of businesses with ten to forty-nine employees highlighted it.

Table 5.19: Ways in which environmental regulations are obstacles to business success - prompted (multiple response) (Q83)

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Uncertainty about whether or how regulations apply to your business	70%	-	78%	80%	72%	-	-	62%	-	80%	76%	82%	-	-	79%
Difficulty/cost in obtaining advice about relevance to your business	46%	-	62%	62%	58%	-	-	50%	-	60%	67%	54%	-	-	59%
Difficulty/time/effort in deciding how to comply	80%	-	81%	83%	77%	-	-	80%	-	81%	82%	80%	-	-	83%
Costs of making changes to ensure compliance	86%	-	86%	86%	88%	-	-	83%	-	86%	84%	89%	-	-	88%
Paperwork/administrative procedures	82%	-	83%	84%	80%	-	-	77%	-	80%	81%	86%	-	-	86%
Competition from businesses that don't comply	46%	-	60%	58%	68%	-	-	63%	-	55%	59%	63%	-	-	61%
High level of taxation	*%	-	*%	0%	1%	-	-	*%	-	*%	*%	*%	-	-	*%
Regulations favour larger businesses	3%	-	1%	1%	0%	-	-	5%	-	0%	0%	3%	-	-	1%
Lack of consistency in regulations/too many changes	7%	-	3%	2%	6%	-	-	2%	-	1%	4%	1%	-	-	3%
Uncertain	2%	-	3%	3%	2%	-	-	8%	-	1%	1%	4%	-	-	3%
Unwilling to answer	*%	-	1%	1%	*%	-	-	0%	-	2%	1%	0%	-	-	*%
Unweighted N =	266	43	223	76	101	46	29	73	11	110	154	69	9	28	186

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where consider environmental regulations to be obstacles to business success; unweighted N = 266

Businesses that indicated that pension regulations were an obstacle to the success of their business were asked to identify in what ways they considered them to be a hindrance.

Only 24 individuals responded to this question therefore this table is omitted from the report.

If regulations relating to anti-discrimination legislation were specified as an obstacle to the success of a business, the business was asked in what ways they were a hindrance.

Only 34 individuals responded to this question therefore this table is omitted from the report.

Businesses that cited planning/building/development regulations as an obstacle to their success were asked in what ways they considered them a hindrance.

Table 5.20 opposite shows their responses; firstly for all businesses that mentioned planning/building/development regulations as an obstacle, and then looking in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff. We are unable to report on many of the variations between different kinds of businesses due to the small sample base and therefore the points below focus solely on all businesses.

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

- the way in which the highest proportion of businesses felt this regulation was an issue was the paperwork/administrative procedures associated with it (79 per cent)
- just fewer than three-quarters of businesses stated that the difficulty/time/effort involved in deciding how to comply with these regulations (73 per cent) and the costs of making changes to comply with the regulation (71 per cent) acted as barriers to their success
- high levels of taxation associated with this regulation as an obstacle was only mentioned by less than 0.5 per cent of businesses.

Table 5.20: Ways in which planning/building/development regulations are obstacles to business success - prompted (multiple response) (Q83)

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Uncertainty about whether or how regulations apply to your business	53%	-	68%	-	-	-	-	-	-	55%	70%	-	-	-	66%
Difficulty/cost in obtaining advice about relevance to your business	58%	-	63%	-	-	-	-	-	-	60%	59%	-	-	-	61%
Difficulty/time/effort in deciding how to comply	73%	-	74%	-	-	-	-	-	-	69%	73%	-	-	-	75%
Costs of making changes to ensure compliance	71%	-	73%	-	-	-	-	-	-	71%	73%	-	-	-	81%
Paperwork/administrative procedures	79%	-	78%	-	-	-	-	-	-	79%	78%	-	-	-	77%
Competition from businesses that don't comply	45%	-	36%	-	-	-	-	-	-	28%	34%	-	-	-	41%
High level of taxation	*%	-	*%	-	-	-	-	-	-	*%	0%	-	-	-	*%
Regulations favour larger businesses	2%	-	0%	-	-	-	-	-	-	0%	0%	-	-	-	0%
Lack of consistency in regulations/too many changes	9%	-	8%	-	-	-	-	-	-	9%	10%	-	-	-	7%
Uncertain	1%	-	2%	-	-	-	-	-	-	1%	0%	-	-	-	2%
Unweighted N =	122	16	106	44	40	22	4	9	24	69	76	30	6	20	80

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where consider planning/building/development regulations to be obstacles to business success; unweighted N = 122

Businesses that cited tax-related regulations as an obstacle to their success were asked in what ways they considered them a hindrance.

Table 5.21 opposite shows their responses; firstly for all businesses that highlighted tax-related regulations as an obstacle, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- the four most widely mentioned responses in descending order were: paperwork/administrative procedure (78 per cent), difficulty/time/effort in deciding how to comply with the regulation (57 per cent), the costs of making changes to ensure compliance (54 per cent) and uncertainty felt by a business about how and if the regulation applied to them (53 per cent)
- only one per cent of businesses stated that tax-related regulations were an obstacle due to the high level of taxation.

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

- the most common response, mentioned by a considerable proportion of businesses (85 per cent), was that paperwork/administrative procedures associated with tax-related regulations was a hindrance to their success
- three issues which were each cited by just under two-thirds of businesses were: the difficulty/time/effort linked to deciding how to comply with the regulations (65 per cent), the costs of making changes to ensure compliance (65 per cent), and the uncertainty businesses felt about how and if the regulations applied to them (64 per cent)
- businesses operating in the service sector, in comparison to businesses that operate in the production sector, were nearly twice as likely to mention that the difficulty/cost of obtaining advice about the relevance of the regulations to their business was an issue – the proportions were 56 per cent and 29 per cent respectively. However, the base for the production sector sub-category was small and therefore this result must be treated with caution
- there was just over a 20 percentage point difference in the proportions of businesses not proposing growth, and those which were, which mentioned the cost of making changes to ensure compliance with the regulation as an obstacle. Those businesses not proposing growth were more likely to cite this factor (81 per cent) in comparison to businesses that were proposing growth in the next two or three years (58 per cent). However, the base for the 'not proposing to grow' sub-category was small and therefore this result must be treated with caution.

Table 5.21: Ways in which tax-related regulations are obstacles to business success - prompted (multiple response) (Q83)

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Uncertainty about whether or how regulations apply to your business	53%	-	64%	65%	57%	-	-	55%	-	67%	70%	50%	-	66%	64%
Difficulty/cost in obtaining advice about relevance to your business	48%	-	47%	47%	45%	-	-	29%	-	56%	49%	43%	-	53%	43%
Difficulty/time/effort in deciding how to comply	57%	-	65%	66%	61%	-	-	50%	-	72%	68%	59%	-	64%	67%
Costs of making changes to ensure compliance	54%	-	65%	64%	77%	-	-	46%	-	75%	58%	81%	-	67%	68%
Paperwork/administrative procedures	78%	-	85%	86%	82%	-	-	86%	-	89%	87%	81%	-	91%	83%
Competition from businesses that don't comply	51%	-	53%	52%	55%	-	-	38%	-	56%	55%	48%	-	53%	53%
High level of taxation	1%	-	1%	1%	3%	-	-	1%	-	1%	1%	*%	-	2%	1%
Regulations favour larger businesses	*%	-	*%	0%	2%	-	-	1%	-	0%	*%	0%	-	0%	*%
Lack of consistency in regulations/too many changes	5%	-	1%	1%	4%	-	-	*%	-	1%	1%	*%	-	1%	1%
Uncertain	4%	-	2%	2%	4%	-	-	1%	-	*%	1%	4%	-	0%	3%
Unwilling to answer	3%	-	1%	1%	2%	-	-	0%	-	1%	*%	2%	-	0%	1%
Unweighted N =	277	35	242	102	91	49	5	55	22	160	177	65	12	68	162

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where consider tax-related regulations to be obstacles to business success; unweighted N = 277

If a business specified that employment protection was an obstacle to the success of their business, they were asked in what ways this was a hindrance.

Table 5.22 opposite shows their responses; firstly for all businesses that mentioned employment protection regulation as a hindrance, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- the paperwork and administrative procedures involved with these regulations was the most mentioned way in which this regulation was an obstacle (87 per cent)
- three ways in which this regulation was a hindrance, each being cited by over three-quarters of businesses, were: the difficulty/time/effort needed in order to decide how to comply with the regulation (81 per cent), the costs of making changes to ensure that the business complied with the regulation (79 per cent), and the uncertainty businesses felt about how and if the regulation applied to them (78 per cent).

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

- the most widely mentioned response, in contrast to all businesses with and without employees, was the costs of making changes to comply with employment protection regulations (87 per cent)
- two answers which were each stated by over three-quarters of businesses were the paperwork and administrative procedures generated by the regulation (83 per cent) and the difficulty/time/effort involved in deciding how to ensure the business complied with it (78 per cent)
- businesses that stated that they were proposing to grow in the next two or three years, were more likely than businesses that were not proposing to grow, to have stated that competition from businesses that did not comply with employment protection regulations was an obstacle – the proportions were 50 per cent and 35 per cent respectively
- the bigger the business, in terms of employment size, the more likely it was to have identified the paperwork and administrative procedures linked to these regulations as a hindrance to their success. A sizeable proportion of businesses with 50 or more employees mentioned this response (94 per cent), in comparison to 82 per cent of businesses with fewer than ten employees.

Table 5.22: Ways in which employment protection regulations are obstacles to business success - prompted (multiple response) (Q83)

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Uncertainty about whether or how regulations apply to your business	78%	-	69%	72%	64%	69%	-	61%	-	72%	69%	70%	-	63%	71%
Difficulty/cost in obtaining advice about relevance to your business	54%	-	53%	53%	51%	58%	-	48%	-	55%	51%	56%	-	58%	53%
Difficulty/time/effort in deciding how to comply	81%	-	78%	78%	77%	83%	-	75%	-	78%	82%	71%	-	77%	77%
Costs of making changes to ensure compliance	79%	-	87%	87%	88%	88%	-	79%	-	89%	88%	86%	-	81%	90%
Paperwork/administrative procedures	87%	-	83%	82%	83%	94%	-	82%	-	83%	87%	77%	-	80%	84%
Competition from businesses that don't comply	61%	-	45%	42%	49%	54%	-	45%	-	43%	50%	35%	-	42%	46%
Fear of being penalised	2%	-	2%	2%	1%	0%	-	2%	-	2%	*%	4%	-	0%	2%
High level of taxation	*%	-	*%	0%	*%	0%	-	0%	-	*%	0%	*%	-	0%	*%
Regulations favour larger businesses	1%	-	1%	0%	2%	1%	-	2%	-	*%	1%	1%	-	1%	*%
Lack of consistency in regulations/too many changes	2%	-	3%	2%	6%	7%	-	2%	-	3%	4%	2%	-	1%	2%
Uncertain	2%	-	2%	2%	1%	0%	-	9%	-	0%	*%	4%	-	0%	2%
Unweighted N =	366	27	339	72	159	108	5	84	17	233	248	91	9	68	262

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where consider employment protection regulations to be obstacles to business success; unweighted N = 366

Businesses that considered regulations surrounding providing information/record-keeping an obstacle to their business's success were asked to specify how they acted as a hindrance.

Only 60 individuals responded to this question; therefore this table is omitted from the report.

It may nevertheless be interesting to note, that the most widely cited way in which regulations regarding information/record-keeping obstructed business success was due to the paperwork and administrative procedures connected to these regulations.

If trading standards regulations were mentioned by a business as an obstacle to their success they were then asked in what ways they considered them to be a hindrance.

Only 47 individuals responded to this question therefore this table is omitted from the report.

It may nevertheless be interesting to note, that the most widely cited way in which trading standards regulations obstructed business success was due to the paperwork and administrative procedures connected to these regulations.

Working time regulations were identified by some businesses as an obstacle to their success. These businesses were then asked to specify in what way these regulations are a hindrance.

Table 5.23 opposite shows their responses; firstly for all businesses that mentioned working time regulations as an obstacle, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff. We are unable to report on many of the variations between different kinds of businesses due to the small sample base and therefore the points below focus solely on all businesses.

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

- 92 per cent of businesses stated that the cost of making changes to ensure compliance with working time regulations was a barrier to their success
- sizeable proportions of businesses indicated that the paperwork and administrative procedures linked to these regulations was an issue (86 per cent), as was the difficulty/time/effort involved in deciding how to comply (81 per cent).

Table 5.23: Ways in which working time regulations are obstacles to business success - prompted (multiple response) (Q83)

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Uncertainty about whether or how regulations apply to your business	76%	-	57%	-	-	-	-	-	-	51%	60%	-	-	-	60%
Difficulty/cost in obtaining advice about relevance to your business	69%	-	38%	-	-	-	-	-	-	31%	30%	-	-	-	35%
Difficulty/time/effort in deciding how to comply	81%	-	63%	-	-	-	-	-	-	58%	61%	-	-	-	61%
Costs of making changes to ensure compliance	92%	-	79%	-	-	-	-	-	-	77%	85%	-	-	-	83%
Paperwork/administrative procedures	86%	-	80%	-	-	-	-	-	-	78%	84%	-	-	-	82%
Competition from businesses that don't comply	75%	-	65%	-	-	-	-	-	-	60%	70%	-	-	-	69%
High level of taxation	*%	-	1%	-	-	-	-	-	-	1%	0%	-	-	-	1%
Regulations favour larger businesses	*%	-	1%	-	-	-	-	-	-	1%	0%	-	-	-	2%
Lack of consistency in regulations/too many changes	2%	-	5%	-	-	-	-	-	-	6%	6%	-	-	-	7%
Uncertain	3%	-	8%	-	-	-	-	-	-	10%	0%	-	-	-	4%
Unwilling to answer	1%	-	2%	-	-	-	-	-	-	2%	0%	-	-	-	0%
Unweighted N =	86	6	80	15	35	30	1	14	4	61	54	26	2	16	62

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where consider working time regulations to be obstacles to business success; unweighted N = 86

Businesses that gave a generic response to this question (ie citing no specific/all regulations as obstacles to the success of their business) were asked to isolate in what ways they considered them a hindrance.

Table 5.24 opposite shows their responses; firstly for all businesses that mentioned that no specific or all regulations were an obstacle, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- 83 per cent of businesses mentioned that the paperwork and administrative procedures involved with regulations in general was a barrier to their success
- just over two-thirds, 69 per cent, of businesses stated that the expense of making changes to ensure they complied with the regulations was an issue.

Looking just at those businesses 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 paperwork and administrative procedures connected to them (86 per cent)
- two responses, each cited by a sizeable proportion of businesses, were: the costs of making changes to comply with regulations (82 per cent) and the difficulty/time/effort involved in deciding how to comply with them (71 per cent)
- approximately two-thirds (66 per cent) of businesses stated that the uncertainty surrounding how and if the regulations affected them was an issue
- businesses proposing growth over the next two or three years, in comparison to businesses not proposing growth, were more likely to have stated that uncertainty over how and if regulations applied to them was a hindrance to their success – the proportions were 72 per cent and 60 per cent respectively.

Table 5.24: Ways in which unspecified/all regulations are obstacles to business success - prompted (multiple response) (Q83)

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Uncertainty about whether or how regulations apply to your business	65%	64%	66%	66%	67%	58%	-	63%	62%	68%	72%	60%	-	70%	65%
Difficulty/cost in obtaining advice about relevance to your business	45%	42%	51%	50%	55%	48%	-	52%	52%	51%	54%	47%	-	55%	49%
Difficulty/time/effort in deciding how to comply	64%	60%	71%	70%	73%	79%	-	72%	67%	70%	72%	69%	-	75%	69%
Costs of making changes to ensure compliance	69%	62%	82%	82%	84%	89%	-	84%	94%	79%	81%	84%	-	83%	81%
Paperwork/administrative procedures	83%	81%	86%	86%	88%	89%	-	91%	89%	84%	85%	88%	-	81%	88%
Competition from businesses that don't comply	46%	44%	50%	49%	52%	52%	-	52%	55%	47%	50%	49%	-	49%	50%
Fear of being penalised	*%	0%	1%	1%	*%	0%	-	0%	0%	1%	*%	1%	-	*%	1%
Regulations favour larger businesses	1%	*%	1%	2%	1%	1%	-	2%	5%	1%	2%	1%	-	2%	1%
Lack of consistency in regulations/too many changes	5%	6%	3%	4%	3%	1%	-	1%	*%	5%	1%	7%	-	3%	4%
Uncertain	4%	6%	1%	1%	1%	1%	-	1%	0%	1%	2%	*%	-	3%	1%
Unwilling to answer	*%	0%	*%	*%	1%	0%	-	0%	0%	*%	*%	*%	-	*%	*%
Unweighted N =	819	107	712	233	339	140	25	162	60	465	458	254	23	132	557

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where consider no specific/all regulations to be obstacles to business success; unweighted N = 819

If businesses indicated that sector specific regulations were an obstacle to the success of their business, they were then asked to specify in what way they considered them a hindrance.

Table 5.25 opposite shows their responses; firstly for all businesses that mentioned that sector specific regulations were an obstacle, and then looking in more detail at businesses that employed staff, and at variations between different kinds of businesses that employed staff.

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

- 81 per cent of businesses stated that the expense of making changes to ensure they complied with sector specific regulations was an obstacle to their success
- three-quarters (75 per cent) of businesses mentioned that paperwork and administrative procedures linked to these regulations acted as a barrier
- the third and fourth most common responses were that the difficulty/time/effort involved in deciding how to comply was an issue (71 per cent), as was uncertainty over how and if the regulations applied to a business (64 per cent).

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

- the four most widely cited responses, as for all businesses, were: the costs of making changes to comply with the regulations (81 per cent), the paperwork and administrative procedures involved (79 per cent), the difficulty/time/effort needed to decide how to comply (70 per cent), and the ambiguity about how and whether or not the regulations applied to their business (63 per cent)
- businesses proposing growth, in comparison to those not proposing growth, were more likely to have mentioned that the costs of making changes to ensure compliance with sector specific regulations was an obstacle to their success – the proportions were 83 per cent and 77 per cent respectively
- a sizable proportion of businesses that operate in the production sector, 92 per cent, identified paperwork and administrative procedures associated with these regulations as an issue. This compares to 77 per cent of businesses that operate in the service sector having cited this response. However, the base for the production sector sub-category was small and therefore this result must be treated with caution
- service sector businesses were more likely, in comparison to production sector businesses, to have mentioned competition from businesses that don't comply with sector specific regulations as an obstruction to their businesses success – 44 per cent of service sector businesses gave this response compared with 39 per cent of production sector businesses. However, the base for the production sector sub-category was small and therefore this result must be treated with caution.

Table 5.25: Ways in which sector specific regulations are obstacles to business success - prompted (multiple response) (Q83)

Proportions who said...	All firms			Firms with employees only											
	All firms		With or without employees	Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All firms	Without		Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Uncertainty about whether or how regulations apply to your business	64%	64%	63%	64%	60%	63%	-	65%	-	61%	63%	64%	-	64%	63%
Difficulty/cost in obtaining advice about relevance to your business	47%	45%	49%	50%	45%	46%	-	55%	-	47%	48%	51%	-	47%	51%
Difficulty/time/effort in deciding how to comply	71%	71%	70%	69%	73%	74%	-	77%	-	66%	68%	73%	-	67%	73%
Costs of making changes to ensure compliance	81%	82%	81%	80%	82%	85%	-	82%	-	79%	83%	77%	-	83%	79%
Paperwork/administrative procedures	75%	73%	79%	79%	80%	86%	-	92%	-	77%	80%	79%	-	77%	82%
Competition from businesses that don't comply	45%	46%	43%	42%	45%	41%	-	39%	-	44%	43%	43%	-	42%	43%
Regulations favour larger businesses	2%	2%	2%	2%	1%	2%	-	1%	-	2%	3%	*%	-	*%	2%
Lack of consistency in regulations/too many changes	3%	2%	4%	4%	6%	5%	-	1%	-	5%	5%	4%	-	8%	3%
Other	*%	0%	*%	0%	1*	1*	-	1%	-	*%	*%	*%	-	0%	*%
Uncertain	3%	4%	3%	3%	2%	1%	-	0%	-	4%	3%	3%	-	2%	4%
Unwilling to answer	1%	2%	*%	0%	0%	1%	-	0%	-	*%	0%	*%	-	0%	*%
Unweighted N =	601	85	516	209	201	106	25	66	33	392	348	168	26	125	365

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where consider sector specific regulations to be obstacles to business success; unweighted N = 601

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 5.26 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 businesses that employed staff.

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

- the highest proportion of businesses spent one to two hours per week on paperwork relating to complying with government regulations and taxes (38 per cent)
- the mean number of hours spent on this paperwork per week was 5.52 hours. On average, actual weekly hours of work in the UK are 32.1 hours¹, and so it would seem that somebody in these businesses spent, on average, just over a sixth of a manager or employee's working week on paperwork relating to complying with government regulations and taxes.

Looking just at those businesses 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 8.34 hours. Therefore, as on average actual weekly hours of work are 32.1 hours², businesses on average spent just over a quarter of a manager or employee's working week on this paperwork
- businesses that were older spent more hours on average per week on their paperwork. In particular, businesses over ten years spent on average 9.11 hours a week, compared to 7.37 hours spent by businesses between four to ten years old
- construction sector businesses spent more time, on average, per week on paperwork relating to government regulations and taxes, in comparison to businesses from the other three industrial sectors (9.95 hours).

¹ This figure is based on all in employment, employees and self-employed, full and part-time workers, across the period October-December 2005. Source: Lindsay, C. 'February 2006 Assessment' Labour Market Trends: March 2006, Vol. 114, No. 3, p. 59-64.

² Ibid.

Table 5.26: Approximate amount of time businesses spend on paperwork relating to complying with government regulations and taxes in a week (hours) (Q84)

	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
Proportions who said...	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
None	6%	8%	3%	3%	2%	3%	1%	3%	1%	3%	3%	4%	5%	4%	3%
1-2 hours	38%	44%	24%	27%	13%	9%	19%	22%	19%	26%	23%	26%	27%	26%	23%
3-4 hours	18%	18%	18%	19%	15%	9%	28%	17%	17%	18%	18%	18%	22%	19%	18%
5-9 hours	19%	17%	24%	23%	27%	19%	29%	26%	25%	23%	23%	25%	21%	22%	25%
10-30 hours	14%	11%	23%	22%	29%	31%	18%	21%	30%	23%	25%	21%	21%	24%	23%
More than 30 hours	1%	1%	3%	2%	9%	19%	2%	4%	5%	3%	4%	2%	1%	2%	4%
Don't know	3%	3%	4%	4%	5%	9%	2%	7%	2%	4%	4%	4%	4%	4%	4%
Base for stats	8,377	6,008	2,370	1,992	327	51	100	382	185	1,703	1,329	1,041	219	717	1,434
Mean number of hours	5.52	4.41	8.34	7.12	12.6	28.8	7.46	8.24	9.95	8.23	9.11	7.35	6.46	7.37	9.11
Standard error	0.13	0.17	0.24	0.24	0.34	2.69	0.76	0.36	0.57	0.32	0.37	0.22	0.36	0.24	0.35
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

Note: * = less than 0.5 per cent.

Base: All businesses; unweighted N = 8,640

6 Financing the Business

Effective capital markets will facilitate business start-ups, enable SMEs to finance potentially viable investments, and provide them with funding for innovation. Consequently, improving access to finance for SMEs is an important objective of the Small Business Service. By identifying and removing unnecessary constraints that SMEs might face in securing finance, the overall efficiency of the capital market can be improved, and the opportunities for SME growth enhanced.

In this chapter we look at the experiences of respondents in financing their business. It covers 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 the related legislation.

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. The reader is advised to refer to Table 1.2 which provides guidance on statistical confidence limits applying to survey sub-samples.

6.1 Seeking finance

All businesses 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, and then looking in more detail at businesses that employed staff, and at variations between different kinds of business that employed staff. Table 6.1 has an additional line which shows the combined proportions of people who had applied for finance once and more than once to create the category 'have tried to obtain finance at all'. The following commentary is based on this grouping.

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

- over one in ten (13 per cent) had applied for finance at least once in the previous 12 months
- a higher proportion of businesses with employees had applied for finance than those without employees (17 per cent compared to 12 per cent).

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

- the larger the company, the more likely they were to have applied for finance. Whereas 16 per cent of micro businesses had tried to obtain finance, around a quarter of small (22 per cent) and medium businesses (26 per cent) had done so
- according to industrial sector, businesses in the production and construction sectors were more likely to have applied for finance in the previous 12 months (23 and 21 per cent respectively)
- businesses that were proposing growth were twice as likely to have applied for finance as those not proposing growth. Twenty-two per cent of the former had tried to obtain finance compared to 11 per cent of the latter
- the proportion of young businesses applying for finance was higher, with around a fifth of businesses under ten years old applying for finance (21 per cent of those under four years and 19 per cent of four to ten year old businesses) compared to 16 per cent of businesses ten years and older.

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

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Have tried to obtain finance at all	13%	12%	17%	16%	22%	26%
Have tried to obtain finance once only	10%	9%	13%	12%	16%	17%
Have tried to obtain finance more than once	3%	2%	5%	4%	6%	9%
Have not tried to obtain finance	86%	88%	82%	83%	76%	71%
Don't know	*%	*%	1%	*%	1%	3%
Unwilling to answer	*%	*%	*%	*%	*%	*%
<i>Unweighted N =</i>	<i>8,640</i>	<i>1,430</i>	<i>7,210</i>	<i>2,900</i>	<i>2,889</i>	<i>1,421</i>

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Have tried to obtain finance at all	17%	23%	21%	15%	22%	11%	21%	19%	16%
Have tried to obtain finance once only	12%	17%	15%	12%	16%	9%	16%	13%	12%
Have tried to obtain finance more than once	5%	7%	6%	4%	6%	3%	5%	5%	4%
Have not tried to obtain finance	80%	76%	78%	84%	77%	88%	77%	80%	83%
Don't know	1%	1%	1%	1%	1%	*%	1%	1%	1%
Unwilling to answer	1%	*%	*%	*%	*%	*%	1%	*%	*%
<i>Unweighted N =</i>	<i>228</i>	<i>1,476</i>	<i>595</i>	<i>4,911</i>	<i>4,517</i>	<i>2,693</i>	<i>465</i>	<i>1,826</i>	<i>4,919</i>

Note: * = less than 0.5 per cent.

Base: All businesses; unweighted N = 8,640

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 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 SMEs as a whole are concerned it shows that:

- the most common reasons for seeking finance were working capital/cashflow (44 per cent); acquiring capital, equipment or vehicles (30 per cent); buying land or buildings (ten per cent) and improving buildings (eight per cent)
- Nearly half (47 per cent) of businesses without employees had tried to obtain working capital compared to two-fifths of businesses with employees. Sole traders were also more likely to have applied for finance to acquire capital, equipment or vehicles (32 per cent compared to 26 per cent).

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

- micro businesses were more likely than small and medium businesses to have applied for finance for working capital and cashflow. Two-fifths (41 per cent) of micro businesses had done so compared to 37 per cent of small and 35 per cent of medium ones. A third (32 per cent) of small businesses had applied for finance for acquiring capital, equipment or vehicles compared to a quarter of micro and medium businesses
- businesses in the construction sector were less likely to apply for finance for working capital (32 per cent compared to around two-fifths of businesses in the production and service sectors) and more likely to have tried to obtain capital for buying land or buildings (19 per cent). (Caution should be used due to the low base in the construction sector)
- over two-fifths (43 per cent) of businesses proposing future growth had tried to obtain finance for working capital compared to a third not proposing growth. Businesses not proposing growth were more likely to apply for finance to acquire capital, equipment or vehicles (30 per cent compared to 25 per cent of those proposing growth)
- older businesses (of ten years plus) were more likely to have tried to obtain finance for working capital than the younger businesses. Over two-fifths (43 per cent) had done so, compared to 39 per cent of those under four years, and 36 per cent of businesses four to ten years old.

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

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Working capital, cashflow	44%	47%	40%	41%	37%	35%	-	45%	32%	40%	43%	33%	39%	36%	43%
Buying land or buildings	10%	9%	11%	12%	11%	12%	-	8%	19%	12%	12%	11%	7%	15%	10%
Improving buildings	8%	8%	7%	7%	8%	13%	-	5%	3%	8%	7%	9%	8%	6%	8%
Acquiring capital equipment or vehicles	30%	32%	26%	25%	32%	25%	-	33%	28%	23%	25%	30%	22%	31%	24%
Research & development	2%	1%	4%	3%	4%	5%	-	3%	5%	4%	3%	4%	4%	3%	4%
Acquiring intellectual property	1%	1%	1%	2%	2%	*%	-	*%	*%	2%	2%	1%	2%	3%	*%
Training/staff development	2%	1%	2%	3%	1%	2%	-	4%	3%	2%	2%	3%	3%	*%	3%
Buying another business	3%	2%	4%	4%	4%	7%	-	4%	2%	4%	4%	4%	6%	4%	3%
Marketing	3%	3%	2%	2%	2%	3%	-	2%	*%	2%	2%	1%	5%	3%	1%
Business expansion/growth	*%	0%	1%	1%	1%	1%	-	1%	*%	1%	1%	*%	2%	2%	1%
Overdraft facility/extend overdraft	*%	0%	1%	1%	*%	2%	-	*%	*%	1%	1%	0%	2%	*%	1%
Other	1%	1%	1%	1%	1%	*%	-	*%	*%	1%	1%	*%	1%	*%	*%
Don't know	1%	1%	3%	3%	1%	1%	-	1%	2%	3%	2%	4%	2%	2%	3%
Unwilling to answer	1%	*%	2%	2%	1%	2%	-	1%	5%	1%	1%	2%	2%	1%	2%
Unweighted N =	1,688	172	1,516	474	655	387	48	384	117	967	1,154	362	106	401	1,009

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where have tried to obtain finance in past 12 months; unweighted N = 1,688

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 for expenditure for the introduction of new products, the entry into new markets or the use of new technologies.

Table 6.3 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 SMEs as a whole are concerned, it shows that:

- over two-fifths (44 per cent) of businesses had applied for finance to fund new products, markets or technologies
- there were few differences noted between businesses with or without employees.

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. Over half (54 per cent) of medium-sized businesses had done so compared to under half of micro (42 per cent) and small (49 per cent) businesses
- a larger proportion of businesses in the production sector had sought finance for a specific programme (53 per cent)
- businesses proposing growth were marginally more likely than those not proposing growth to have sought finance for the introduction of new products, entry into new markets or the use of new technologies (44 per cent compared to 42 per cent)
- the younger businesses, particularly those between four and ten years old, were more likely to have applied for finance for such programmes. Fifty per cent of four to ten year old businesses and 44 per cent of businesses under four years old had done so compared to 40 per cent of businesses ten years plus.

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...	All firms			Firms with employees only		
	All	Without employees	With employees	Employment size		
				Micro 1-9	Small 10-49	Medium 50-250
Wanted to fund new products, markets or technologies	44%	44%	44%	42%	49%	54%
Did not want to fund new products, markets or technologies	54%	53%	55%	56%	49%	45%
Don't know	2%	2%	1%	1%	2%	1%
Unwilling to answer	*%	*%	*%	*%	*%	0%
<i>Unweighted N =</i>	<i>1,688</i>	<i>172</i>	<i>1,516</i>	<i>474</i>	<i>655</i>	<i>387</i>

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Wanted to fund new products, markets or technologies	-	53%	42%	42%	44%	42%	44%	50%	40%
Did not want to fund new products, markets or technologies	-	47%	55%	56%	54%	55%	54%	49%	58%
Don't know	-	*%	3%	2%	1%	2%	2%	1%	1%
Unwilling to answer	-	0%	0%	*%	*%	1%	0%	*%	*%
<i>Unweighted N =</i>	<i>48</i>	<i>384</i>	<i>117</i>	<i>967</i>	<i>1154</i>	<i>362</i>	<i>106</i>	<i>401</i>	<i>1,009</i>

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where have tried to obtain finance in past 12 months; unweighted N = 1,688

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, 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 SMEs as a whole are concerned, it shows that:

- the most popular source of finance was in the form of a bank loan (54 per cent), followed by a bank overdraft (25 per cent). Between five and ten per cent of businesses had sought finance from leasing or hire purchase (eight per cent), mortgage for property purchase or improvements (seven per cent) and grants (six per cent). Less than one per cent of businesses had sought equity investment from existing shareholders, and the same proportion had sought equity investment from new shareholders. The two per cent of responses combined into the 'other' category include: asset finance; venture capital (which alone makes up one per cent); business loan; invoice discounting; loan from a loan/finance company; small business loan; finance through a client; and private funding
- businesses without employees were more likely to have sought finance from a bank loan (57 per cent), whereas those with employees were more likely to have used a leasing or hire purchase arrangement (11 per cent).

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

- a higher proportion of micro companies (25 per cent) had sought finance in the form of a bank overdraft than small (16 per cent) and medium (17 per cent) ones. The medium-sized businesses were more likely to have a leasing or hire purchase agreement (15 per cent) or a grant (11 per cent)
- businesses in the construction sector were more likely than the other sectors to have used bank loans (54 per cent) and leasing or hire purchase agreements (16 per cent). Service sector businesses were more likely to have applied for finance through a bank overdraft (24 per cent)
- a quarter (25 per cent) of businesses proposing growth had sought a bank overdraft compared to under a fifth (18 per cent) of those not proposing growth
- businesses more than ten years old were more likely to have sought a bank loan (51 per cent) than their younger counterparts (45 per cent).

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

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Equity investment from existing shareholders	*%	0%	*%	*%	1%	1%	-	1%	*%	*%	1%	*%	1%	*%	*%
Equity investment from new shareholders	*%	0%	*%	0%	1%	1%	-	*%	0%	*%	*%	*%	0%	*%	*%
Bank overdraft	25%	26%	23%	25%	16%	17%	-	17%	21%	24%	25%	18%	26%	21%	24%
Bank loan	54%	57%	48%	49%	47%	46%	-	45%	54%	50%	47%	52%	45%	45%	51%
Mortgage for property purchase or improvements	7%	7%	5%	5%	4%	4%	-	6%	7%	5%	4%	7%	6%	5%	5%
Leasing or hire purchase	8%	6%	11%	10%	16%	15%	-	12%	16%	9%	12%	9%	11%	14%	10%
Factoring	1%	1%	1%	1%	1%	1%	-	2%	0%	1%	1%	1%	3%	1%	*%
Loan from family/business partner/directors	1%	0%	2%	2%	1%	2%	-	1%	*%	2%	1%	3%	2%	2%	2%
Loan from a Community Development Finance Institution	2%	2%	2%	2%	3%	1%	-	3%	2%	2%	2%	1%	2%	3%	1%
Credit card finance	1%	*%	1%	1%	*%	1%	-	*%	0%	1%	1%	2%	0%	2%	1%
Grant	6%	6%	6%	6%	8%	11%	-	9%	*%	6%	7%	4%	8%	7%	6%
Other	2%	2%	2%	2%	3%	4%	-	5%	*%	2%	3%	2%	3%	3%	1%
Don't know	1%	0%	2%	2%	2%	3%	-	2%	0%	2%	2%	2%	3%	1%	2%
Unwilling to answer	1%	1%	1%	1%	1%	2%	-	1%	3%	1%	1%	1%	5%	*%	1%
Unweighted N =	1,688	172	1,516	474	655	387	48	384	117	967	1,154	362	106	401	1,009

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where have tried to obtain finance in past 12 months; unweighted N = 1,688

6.4 Equity finance

We noted above in Table 6.4 that 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 that had not sought equity finance in the past twelve months were asked whether or not they had considered using equity finance 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, 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 SMEs as a whole are concerned, it shows that:

- four per cent of businesses had considered but not used equity finance while a further two per cent had considered and used equity finance. The survey showed that 92 per cent had not considered equity finance
- businesses without employees were marginally more likely than those with employees to state that they had not considered equity finance (93 per cent compared to 91 per cent).

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

- the smaller the business, the less likely they were to have considered equity finance. Among micro businesses, 92 per cent had not considered using equity finance, compared to 89 per cent of small businesses and 85 per cent of medium-sized businesses
- businesses in the primary and construction sectors were less likely to have considered equity finance. Ninety-six and 95 per cent respectively of businesses in these two sectors had not considered equity finance, compared to 90 per cent in the production sector and 91 per cent in services
- those proposing growth were more likely than those not proposing growth to have considered, or used, equity finance (ten per cent compared to four per cent)
- older businesses were less likely to have considered equity finance. Ninety-three per cent of businesses over ten years old had not considered equity finance, compared to 89 per cent of businesses between four and ten years old, and 88 per cent of businesses under four years old.

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

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Have considered and used equity finance	2%	2%	3%	3%	4%	6%
Have considered but not used equity finance	4%	4%	4%	4%	5%	6%
Have not considered equity finance	92%	93%	91%	92%	89%	85%
Don't know	1%	1%	2%	1%	2%	3%
Unweighted N =	8,618	1,430	7,188	2,898	2,877	1,413

Proportions who said...	Firms with employees only							
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business	
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years
Have considered and used equity finance	1%	3%	1%	3%	4%	2%	5%	4%
Have considered but not used equity finance	1%	5%	3%	4%	6%	2%	5%	5%
Have not considered equity finance	96%	90%	95%	91%	88%	95%	88%	89%
Don't know	2%	2%	2%	1%	2%	1%	2%	1%
Unweighted N =	226	1,470	594	4,898	4,497	2,691	463	1,818

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

Base: All businesses; unweighted N = 8,618

Those businesses that had not sought equity finance in the past twelve months or not considered seeking it were asked why they had not chosen to pursue this kind of finance.

Table 6.6 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 SMEs as a whole are concerned, it shows that:

- the most commonly cited reasons for not choosing equity finance were that it was not necessary/no need (62 per cent) and it is irrelevant and not appropriate to the business (13 per cent). Some of the lesser cited reasons were that the business is too small (six per cent), don't want to lose control (four per cent), did not want to use it/no interest (four per cent)¹
- there were few differences between those with and those without employees.

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

- micro and small businesses were more likely than medium-sized businesses to say that equity finance wasn't necessary (64 and 63 per cent compared to 60 per cent). Micro employers were also more likely than the other employers to say equity finance was irrelevant – 13 per cent of micro businesses compared to nine per cent of small and 11 per cent of medium-sized businesses
- businesses in the primary sector were more likely to say equity finance was irrelevant (17 per cent) while businesses in the construction sector were more likely to say equity finance wasn't necessary (65 per cent). One in ten businesses (nine per cent) in the production sector stated they did not seek equity finance because they did not want to lose control
- businesses proposing growth were twice as likely as businesses not proposing growth to say they had not sought equity finance so as not to lose control (nine per cent compared to four per cent). Businesses not proposing growth were more likely than those proposing growth to state that equity finance is irrelevant (14 per cent compared to ten per cent) or wasn't necessary (67 per cent compared to 61 per cent)
- older businesses of four years plus were more likely to say equity finance wasn't necessary (63 and 64 per cent compared to 59 per cent of businesses under four years).

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...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Business does not need that much capital investment	3%	2%	4%	4%	2%	1%	3%	5%	3%	4%	4%	3%	5%	3%	4%
Investors would not be interested in my business	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	2%	1%	1%
Thought business would be turned down	*%	*%	*%	*%	*%	*%	0%	0%	*%	*%	*%	*%	0%	*%	*%
Don't know how to raise equity finance/find an investor	1%	1%	1%	2%	1%	1%	*%	1%	1%	2%	2%	1%	3%	2%	1%
Equity finance costs too much	1%	1%	1%	1%	1%	1%	1%	1%	*%	1%	1%	*%	*%	1%	1%
Terms and conditions are unacceptable	*%	*%	1%	1%	1%	1%	1%	1%	*%	1%	1%	1%	*%	1%	1%
Don't want to lose control	4%	3%	7%	6%	8%	9%	4%	9%	5%	7%	9%	4%	2%	7%	7%
Don't want investors involved in running the business	1%	1%	2%	2%	2%	1%	*%	2%	2%	2%	2%	1%	2%	2%	2%
Too much hassle to arrange an equity deal	1%	1%	1%	1%	1%	1%	2%	1%	*%	1%	1%	*%	1%	*%	1%
Irrelevant/not appropriate to business	13%	13%	12%	13%	9%	11%	17%	11%	10%	12%	10%	14%	12%	12%	12%
Wasn't necessary/no need	62%	62%	63%	64%	63%	60%	60%	64%	65%	63%	61%	67%	59%	63%	64%
Didn't want to use it/no interest	4%	4%	5%	5%	4%	4%	3%	4%	4%	5%	5%	4%	6%	4%	4%
Business is too small	6%	7%	4%	4%	3%	1%	6%	3%	4%	4%	4%	4%	6%	4%	4%
Other	3%	3%	4%	4%	4%	6%	3%	4%	2%	4%	4%	3%	7%	4%	3%
Nothing in particular	1%	*%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	*%	2%	1%
Don't know	2%	2%	1%	1%	2%	3%	2%	1%	2%	1%	1%	1%	1%	1%	1%
Unwilling to say	1%	1%	*%	*%	*%	1%	0%	1%	*%	*%	*%	*%	1%	*%	*%
Unweighted N =	8,159	1,382	6,777	2,776	2,713	1,288	218	1,380	570	4,609	4,188	2,589	430	1,702	4,645

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

Base: Where have not considered/chosen equity finance; unweighted N = 8,159

6.5 Amount of finance sought

We noted above, in Table 6.1, that 13 per cent of businesses 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, 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 SMEs as a whole are concerned, it shows that:

- grouping those in the first four categories, nearly half (49 per cent) had sought less than £25,000. The largest proportion (23 per cent) had sought between £10,000 and £24,999. The second largest proportion (14 per cent) sought between £25,000 and £50,000. Over one in ten (12 per cent) had sought over £100,000
- businesses with employees sought larger amounts of finance. Around a quarter (23 per cent) of businesses with employees sought more than £100,000 compared to under a tenth (six per cent) of those without employees.

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

- the larger the business, the more finance they sought. Over half (53 per cent) of medium-sized businesses had sought more than £100,000, compared to a third (34 per cent) of small businesses and under a fifth (18 per cent) of micro businesses
- businesses in the construction sector were more likely to seek larger sums of money. Nearly one-third (30 per cent) of construction sector businesses had sought over £100,000 compared to around a quarter in the production (23 per cent) and services sector (22 per cent)
- a slightly higher proportion of businesses proposing growth sought amounts of finance over £100,000 – a quarter (24 per cent) compared to a fifth (20 per cent) of those not proposing growth
- the older businesses sought larger amounts of money. Around a quarter of older businesses aged four to ten years (26 per cent) and ten years and older (24 per cent) sought more than £100,000, compared to under a tenth (nine per cent) of businesses under four years.

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

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Less than £1,000	1%	*%	1%	1%	*%	*%	-	*%	0%	1%	1%	1%	1%	1%	1%
£1,000 to £4,999	12%	17%	4%	5%	2%	1%	-	4%	2%	5%	4%	5%	4%	5%	4%
£5,000 to £9,999	13%	15%	8%	9%	4%	1%	-	9%	7%	8%	9%	6%	7%	9%	8%
£10,000 to £24,999	23%	23%	22%	25%	12%	5%	-	19%	14%	25%	22%	22%	32%	20%	22%
£25,000 to £49,999	14%	15%	12%	13%	11%	3%	-	15%	12%	11%	13%	11%	12%	12%	12%
£50,000 to £99,999	7%	5%	9%	9%	13%	11%	-	9%	4%	9%	10%	8%	7%	8%	11%
£100,000 to £249,999	6%	3%	12%	11%	17%	15%	-	15%	16%	10%	12%	11%	1%	16%	12%
£250,000 to £499,999	2%	2%	4%	3%	8%	9%	-	3%	7%	4%	4%	4%	2%	5%	4%
£500,000 to £999,999	1%	*%	3%	2%	5%	12%	-	4%	3%	3%	3%	3%	2%	2%	4%
£1 million to £2 million	1%	0%	2%	1%	2%	8%	-	1%	1%	2%	2%	1%	2%	1%	2%
£2 million to £4 million	1%	0%	1%	1%	1%	5%	-	*%	3%	2%	2%	1%	2%	1%	2%
More than £4 million	1%	1%	1%	*%	1%	4%	-	*%	*%	1%	1%	*%	*%	1%	*%
Don't know	6%	5%	6%	6%	8%	8%	-	6%	11%	6%	5%	11%	7%	6%	7%
Unwilling to answer	13%	12%	14%	14%	16%	18%	-	14%	21%	14%	13%	17%	22%	14%	13%
Unweighted N =	1,688	172	1,516	474	655	387	48	384	117	967	1,154	362	106	401	1,009

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where have tried to obtain finance in past 12 months; unweighted N = 1,688

6.6 Difficulty in obtaining finance

We noted above in Table 6.1 that 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 they approached.

Table 6.8 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 SMEs as a whole are concerned, it shows that:

- over one in ten (13 per cent) had been unable to obtain finance from the first source they approached, which amounts to just two per cent of all small businesses
- 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 seven 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, a fifth (20 per cent) of businesses had problems accessing finance
- a higher proportion of businesses without employees were unable to obtain any finance (15 per cent, compared to nine per cent of those with employees).

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

- the smaller the business, the more likely they were to have had difficulties. Combined, a fifth (20 per cent) of micro businesses were unable to obtain any finance or obtained some with difficulty, compared to 17 per cent of small businesses and 14 per cent of medium-sized businesses
- more businesses in the production and services sectors reported that they had been unable to obtain any finance compared to the other sectors – 12 per cent in production and nine per cent in services had been unable to obtain finance
- those businesses that were proposing growth in the coming years reported having greater difficulties obtaining finance compared to those not proposing growth – one in ten had been unable to obtain any finance and the same had obtained finance but with some difficulties (11 per cent)
- younger companies faced greater difficulties in obtaining finance. Among the businesses under four years old, 15 per cent had been unable to obtain finance compared to 11 per cent of those four to ten years old, and seven per cent of those ten years plus.

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

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Unable to obtain any finance	13%	15%	9%	9%	8%	6%
Obtained some or all finance required with difficulty	7%	6%	10%	11%	9%	8%
Yes, obtained some but not all of the finance required	2%	*%	4%	5%	3%	2%
Yes, obtained all the finance required but with some problems	6%	5%	6%	6%	6%	6%
No, had no difficulties in obtaining finance	79%	78%	79%	78%	80%	84%
Don't know	1%	1%	1%	1%	1%	2%
Unwilling to answer	*%	0%	1%	1%	1%	*%
Unweighted N =	1,688	172	1,516	474	655	387

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Unable to obtain any finance	-	12%	3%	9%	10%	7%	15%	11%	7%
Obtained some or all finance required with difficulty	-	11%	8%	11%	11%	9%	12%	13%	8%
Yes, obtained some but not all of the finance required	-	3%	4%	5%	5%	3%	7%	5%	3%
Yes, obtained all the finance required but with some problems	-	7%	4%	6%	6%	6%	5%	9%	5%
No, had no difficulties in obtaining finance	-	76%	89%	78%	77%	83%	71%	74%	84%
Don't know	-	1%	*%	2%	1%	1%	*%	2%	1%
Unwilling to answer	-	*%	0%	1%	1%	*%	2%	*%	1%
Unweighted N =	48	384	117	967	1,154	362	106	401	1,009

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where have tried to obtain finance in past 12 months; unweighted N = 1,688

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.

Table 6.9 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.

Caution should be used due to small base numbers in some categories in Table 6.9.

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

- the most commonly cited reasons for problems with obtaining finance are: no credit history (13 per cent), poor business credit history (12 per cent), insufficient security (12 per cent) and poor personal credit history (ten per cent). In 14 per cent of cases, no reason was given.¹

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

- micro-sized employers had more difficulties due to poor business credit history (11 per cent) than did businesses with ten employees or more
- production sector businesses referred more often than average to problems due to no security (11 per cent). Business in the production and services sectors were more likely to say the business sector was too risky (13 per cent)
- businesses proposing growth were more likely to list insufficient security as a barrier to finance (19 per cent)
- older businesses, four years and older, found obtaining finance difficult due to the business sector being seen as risky (17 per cent and 12 per cent).

¹ The extra responses combined into the 'other' category include: time consuming with administrative procedures; didn't offer enough money; provided insufficient application details; based in wrong geographical area; they were asking for high returns; regulations and funding reached available limit.

Table 6.9: Reasons given for: application for finance being turned down; less finance being obtained than required; and/or problems being experienced raising finance - unprompted (multiple response) (Q98)

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
No security	4%	-	3%	3%	3%	7%	-	11%	-	1%	4%	-	-	7%	1%
Insufficient security	12%	-	16%	16%	13%	17%	-	16%	-	16%	19%	-	-	15%	14%
Poor personal credit history	10%	-	2%	2%	1%	0%	-	1%	-	2%	1%	-	-	3%	1%
Poor business credit history	12%	-	9%	11%	3%	0%	-	12%	-	9%	7%	-	-	14%	6%
No credit history/not in business long enough	13%	-	11%	11%	8%	10%	-	1%	-	14%	9%	-	-	8%	10%
Applied for too much	2%	--	3%	3%	2%	4%	-	6%	-	2%	*%	-	-	3%	4%
Applied for too little	*%	-	2%	2%	1%	0%	-	0%	-	2%	2%	-	-	1%	0%
Too many outstanding loans/mortgages	4%	-	3%	3%	2%	0%	-	0%	-	3%	2%	-	-	6%	1%
Inadequate business plan	5%	-	6%	6%	6%	3%	-	9%	-	4%	7%	-	-	4%	5%
Business sector too risky	7%	-	12%	10%	21%	15%	-	13%	-	13%	12%	-	-	17%	12%
Wrong business sector	7%	-	6%	5%	5%	15%	-	2%	-	7%	5%	-	-	9%	2%
Poor business performance/profit margins	4%	-	8%	6%	16%	4%	-	5%	-	7%	8%	-	-	3%	10%
Business is too small	3%	-	*%	0%	1%	1%	-	1%	-	*%	*%	-	-	1%	0%
Other	12%	-	13%	13%	11%	10%	-	20%	-	11%	16%	-	-	13%	13%
No reason given	14%	-	9%	8%	13%	5%	-	9%	-	6%	8%	-	-	6%	15%
Don't know/unwilling to answer	8%	-	12%	13%	7%	10%	-	12%	-	13%	15%	-	-	4%	14%
Unweighted N =	266	35	231	76	105	50	4	68	14	145	190	41	27	69	135

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where experienced difficulties raising finance; unweighted N = 266

Finally, those businesses that had tried to obtain finance, but had encountered difficulties in doing so, were asked whether they had eventually gone on to obtain the finance they needed, for example from another source.

Table 6.10 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.

Caution should be used due to small base numbers in some categories in Table 6.10.

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

- over half (54 per cent) eventually obtained the required finance.

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

- the likelihood of eventually obtaining the finance increased with employment size. Three fifths (60 per cent) of small and medium-sized businesses were able to obtain the required finance compared to just over half (53 per cent) of micro companies
- two-thirds (61 per cent) of businesses in the production sector had managed to obtain finance eventually
- just over half (53 per cent) of businesses proposing growth obtained the required finance
- businesses of ten years plus were more likely to have obtained the required finance (57 per cent) than their counterparts of between four and ten years (48 per cent).

Table 6.10: Proportion of businesses that eventually obtained the finance they needed (Q99)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Obtained required finance	54%	-	54%	53%	60%	60%
Did not obtain finance	46%	-	44%	45%	39%	37%
Unwilling to answer	1%	-	2%	2%	1%	3%
Unweighted N =	294	35	259	88	115	56

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-struction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Obtained required finance	-	61%	-	55%	53%	-	-	48%	57%
Did not obtain finance	-	38%	-	43%	45%	-	-	51%	42%
Unwilling to answer	-	*%	-	2%	2%	-	-	*%	1%
Unweighted N =	4	76	16	163	212	47	28	81	150

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where experienced difficulties raising finance; unweighted N = 294

6.7 Impact of difficulties raising finance

We showed in Table 6.8 above, that 20 per cent of businesses that had tried to secure finance in the past year had experienced some kind of difficulty in obtaining it. Their applications had been turned down, they had received less finance than they had sought, or had encountered other kinds of problems in raising all their finance; although, as Table 6.10 shows, over half were able to get it from another source. Those businesses that had encountered any difficulty in raising finance, were asked what kind of effect this had had on their business.

Table 6.11 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.

Caution should be used due to small base numbers in some categories in Table 6.11.

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

- just under a quarter (23 per cent) reported little effect as they were able to get the finance elsewhere. The most common effects cited were; can't grow as fast as they would like (19 per cent), affects productivity (14 per cent) and takes up management time (11 per cent).

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

- the effect on business growth was more often reported by micro and small employers (27 and 26 per cent respectively). Micro employers were more likely to say it takes up management time (14 per cent)
- one in three (30 per cent) businesses in the service sector reported that difficulties with finance meant that they could not grow as fast as they would like
- over a quarter (28 per cent) of businesses proposing growth pointed out that difficulties obtaining finance meant they could not grow as fast as they would like
- older businesses, ten years plus, were more likely to say difficulties obtaining finance takes up management time (21 per cent). They were also more likely to say that difficulties raising finance threatened their survival.

Table 6.11: Effects of difficulties in raising finance on businesses - unprompted (multiple response) (Q100)

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Threatens survival	4%	-	9%	8%	10%	8%	-	12%	-	8%	8%	-	-	4%	16%
Can't grow as fast as would like	19%	-	26%	27%	26%	20%	-	18%	-	30%	28%	-	-	33%	21%
Takes up management time	11%	-	13%	14%	8%	17%	-	16%	-	14%	15%	-	-	8%	21%
Pushes up costs	8%	-	8%	8%	8%	6%	-	2%	-	9%	9%	-	-	8%	5%
Affects investment	6%	-	9%	9%	6%	11%	-	10%	-	8%	8%	-	-	8%	12%
Affects productivity	14%	-	10%	10%	9%	9%	-	8%	-	11%	12%	-	-	3%	11%
Not much effect, got finance from elsewhere	23%	-	11%	12%	4%	6%	-	10%	-	9%	7%	-	-	7%	11%
Used external finances/resources instead	1%	-	3%	3%	2%	0%	-	5%	-	2%	2%	-	-	3%	3%
Affected personal health	2%	-	3%	3%	3%	3%	-	4%	-	3%	4%	-	-	3%	3%
Curtails/slows down business plan	5%	-	8%	7%	9%	4%	-	10%	-	7%	8%	-	-	11%	3%
Reduced workforce	1%	-	2%	*%	6%	9%	-	2%	-	2%	1%	-	-	2%	2%
Lost work/business/contract	*%	-	1%	0%	4%	3%	-	1%	-	1%	1%	-	-	*%	1%
Cash flow problems	9%	-	8%	7%	10%	9%	-	6%	-	7%	10%	-	-	7%	8%
Caused stress	1%	-	3%	4%	2%	1%	-	5%	-	3%	2%	-	-	3%	5%
Additional paperwork	1%	-	2%	1%	2%	0%	-	5%	-	0%	*%	-	-	0%	4%
Other	3%	-	0%	0%	0%	0%	-	0%	-	0%	0%	-	-	0%	0%
Nothing specific	9%	-	10%	9%	11%	12%	-	7%	-	12%	10%	-	-	14%	8%
Don't know	1%	-	2%	2%	3%	12%	-	6%	-	1%	3%	-	-	4%	2%
Unwilling to answer	*%	-	1%	1%	0%	0%	-	0%	-	1%	1%	-	-	0%	0%
Unweighted N =	294	35	259	88	115	56	4	76	16	163	212	47	28	81	150

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where experienced difficulties raising finance; unweighted N = 294

6.8 Late payment

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

6.8.1 Extent of problem of late payment

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

Table 6.12 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 SMEs as a whole are concerned, it shows that:

- over a quarter (28 per cent) had a problem (either big or small) with late payment. The same proportion (28 per cent) said this was not relevant as the business does not provide credit
- businesses with employees were more likely to have had problems with late payment. A third (35 per cent) of such businesses had a problem compared to a quarter (25 per cent) of businesses without employees.

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

- larger businesses reported more problems with late payment. Over two-fifths (43 per cent) of small and medium-sized businesses had problems of some scale, compared to a third (33 per cent) of micro businesses
- businesses in the production and construction sectors experienced problems with late payment more often than businesses in the other two sectors. Just under half (46 per cent) of businesses in these sectors had problems with late payment compared to a third (32 per cent) of service sector firms and under a fifth (18 per cent) of primary sector companies
- businesses proposing growth in the next few years were more likely to report problems with late payment. Two-fifths (41 per cent) of businesses proposing growth did so, compared to a quarter (27 per cent) of businesses not proposing growth
- older businesses reported having more problems with late payment than younger businesses. Over a third (36 per cent) of businesses of four years plus had experienced problems, compared to a quarter (27 per cent) of businesses under four years old.

Table 6.12: Extent to which late payment is a problem (Q106)

Proportions who said...	All firms			Firms with employees only		
	All	Without employees	With employees	Employment size		
				Micro 1-9	Small 10-49	Medium 50-250
Big problem	10%	9%	12%	11%	17%	14%
Small problem	18%	16%	23%	22%	26%	29%
No problem	43%	43%	41%	43%	34%	32%
Not relevant, as don't provide them with credit	28%	31%	23%	23%	23%	25%
Don't know	1%	1%	1%	1%	1%	*%
Unwilling to answer	*%	0%	*%	*%	*%	0%
Unweighted N =	4,236	670	3,566	1,433	1,453	680

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Big problem	5%	18%	20%	10%	14%	9%	14%	13%	11%
Small problem	13%	28%	26%	22%	27%	18%	13%	23%	25%
No problem	54%	39%	35%	42%	41%	42%	45%	41%	41%
Not relevant, as don't provide them with credit	28%	15%	19%	25%	17%	30%	27%	23%	22%
Don't know	0%	1%	*%	1%	1%	1%	2%	1%	1%
Unwilling to answer	0%	0%	0%	*%	*%	*%	*%	0%	*%
Unweighted N =	114	749	304	2,399	2,214	1,352	244	911	2,411

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

Base: Random half of all respondents; unweighted N = 4,236

6.8.2 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 would pay.

Table 6.13 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 SMEs as a whole are concerned, it shows that:

- over two-thirds (68 per cent) of businesses agree written terms and conditions with their customers covering payments
- businesses with employees were slightly more likely than those without to agree written terms (70 per cent compared to 67 per cent).

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

- the larger the businesses, the more likely they were to agree written terms. The vast majority of small (79 per cent) and medium-sized (86 per cent) businesses had agreed terms, compared to two-thirds (68 per cent) of micro businesses
- businesses in the production and construction (80 per cent) sectors were more likely to have agreed written terms than those in the primary (43 per cent) and services (68 per cent) sectors
- three-quarters (76 per cent) of businesses proposing growth had agreed written terms compared to three-fifths (60 per cent) of those not proposing growth
- younger businesses, of under ten years, were slightly more likely to have agreed written terms than those ten years plus (72 to 73 per cent compared to 68 per cent).

Table 6.13: Proportion of businesses that agree written terms and conditions with their customers covering when they will pay you (Q107)

Proportions who said...	All firms			Firms with employees only		
	All	Without employees	With employees	Employment size		
				Micro 1-9	Small 10-49	Medium 50-250
Agree written terms	68%	67%	70%	68%	79%	86%
Do not agree written terms	32%	33%	30%	32%	21%	14%
Unweighted N =	3,193	458	2,735	1,083	1,138	514

Proportions who said...	Firms with employees only							
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business	
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years
Agree written terms	43%	80%	80%	68%	76%	60%	72%	73%
Do not agree written terms	57%	20%	20%	32%	24%	40%	28%	27%
Unweighted N =	80	620	249	1,786	1,824	911	181	678

Base: Businesses that provide credit; unweighted N = 3,193

6.8.3 Customer taken to court

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 had ever taken a customer to court for not paying their debts.

Table 6.14 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 SMEs as a whole are concerned, it shows that:

- just under a fifth (18 per cent) of all businesses had taken a customer to court for not paying their debts
- businesses with employees were twice as likely as those without employees to have taken a customer to court. Over a quarter (28 per cent) of businesses with employees had done so compared to 14 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. Half (51 per cent) of medium-sized businesses and two-fifths (40 per cent) of small businesses had done so, compared to a quarter (25 per cent) of micro businesses
- higher proportions of businesses in the production and construction sectors had taken a customer to court regarding their debts. Around a third of businesses in production (37 per cent) and construction (31 per cent) had taken such action compared to a quarter (26 per cent) of service sector businesses
- a slightly higher proportion of those proposing growth had taken a customer to court – 28 per cent compared to 26 per cent of businesses not proposing growth
- older businesses were more likely to have taken a customer to court. A third (34 per cent) of businesses ten years plus had done so, while only one in ten (ten per cent) of businesses under four years old had done so.

Table 6.14: Proportion of businesses that have ever taken a customer to court for not paying their debts (Q108)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Have taken customers to court	18%	14%	28%	25%	40%	51%
Have not taken customers to court	81%	85%	71%	74%	59%	47%
Don't know	*%	*%	1%	1%	1%	1%
Unwilling to answer	*%	*%	*%	*%	*%	*%
Unweighted N =	3,193	458	2,735	1,083	1,138	514

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Have taken customers to court	8%	37%	31%	26%	28%	26%	10%	20%	34%
Have not taken customers to court	92%	60%	67%	73%	70%	72%	88%	79%	64%
Don't know	0%	2%	1%	1%	1%	1%	2%	1%	1%
Unwilling to answer	0%	*%	0%	*%	*%	1%	*%	*%	*%
Unweighted N =	80	620	249	1,786	1,824	911	181	678	1,876

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

Base: Businesses that provide credit; unweighted N = 3,193

6.8.4 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 6.15 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 SMEs as a whole are concerned, it shows that:

- well over half (58 per cent) of all businesses were aware of legislation dealing with late payment
- businesses with employees were more likely to be aware of such legislation. Over three-fifths (63 per cent) of businesses with employees were aware of the legislation regarding late payment, compared to around half (55 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. Three-quarters (74 per cent) of medium-sized businesses and over two-thirds (69 per cent) of small businesses had heard of the late payment legislation, compared to three-fifths (62 per cent) of micro businesses
- businesses in the construction sector reported higher levels of awareness than those in the other sectors. Three-quarters (73 per cent) of these businesses were aware of the legislation, compared to under two-thirds of those in the production (64 per cent) and service sectors (63 per cent)
- businesses proposing growth showed higher levels of awareness of such legislation than businesses not proposing growth (66 per cent compared to 59 per cent)
- older businesses of four years or more were more likely to be aware of the legislation regarding late payment. Two-thirds (65 per cent) of businesses of this age were aware of the legislation compared to half (51 per cent) of businesses under four years old.

Table 6.15: Proportion of businesses that are aware that there is legislation dealing with late payment (Q109)

Proportions who said...	All firms			Firms with employees only		
	All	Without employees	With employees	Employment size		
				Micro 1-9	Small 10-49	Medium 50-250
Aware	58%	55%	63%	62%	69%	74%
Not aware	40%	42%	35%	36%	29%	22%
Don't know	2%	2%	2%	2%	2%	3%
Unwilling to answer	*%	*%	*%	*%	*%	1%
Unweighted N =	3,193	458	2,735	1,083	1,138	514

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Aware	48%	64%	73%	63%	66%	59%	51%	65%	65%
Not aware	52%	34%	27%	35%	32%	39%	45%	34%	33%
Don't know	*%	2%	*%	2%	2%	2%	4%	1%	2%
Unwilling to answer	0%	*%	0%	*%	*%	*%	0%	*%	*%
Unweighted N =	80	620	249	1,786	1,824	911	181	678	1,876

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

Base: Businesses that provide credit; unweighted N = 3,193

6.8.5 Legal action under the late payment legislation

The following section leaves aside both those businesses that said that 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 that were aware of the late payment legislation were asked whether they had taken legal action against anyone under the late payment legislation in the last 12 months.

Table 6.16 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 SMEs as a whole concerned, it shows that:

- less than one in ten (eight per cent) had taken legal action against someone under the late payment legislation in the previous 12 months
- businesses with employees were slightly more likely than those without to have taken legal action (nine per cent compared to seven 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. A quarter (26 per cent) of medium-sized businesses had done so, compared to a fifth (18 per cent) of small businesses and seven per cent of micro businesses
- businesses in the production sector were more likely to have taken legal action (13 per cent) while businesses in the construction sector were less likely to have taken action (five per cent)
- businesses proposing growth in the next few years were more likely to have taken legal action than businesses not proposing growth (11 per cent compared to seven per cent)
- there were slight differences with regard to the age of business, with businesses over ten years more likely to have taken legal action (ten per cent compared to eight per cent of businesses under ten years old).

Table 6.16: Proportion of businesses that have taken legal action against anyone under the late payment legislation in the last 12 months (Q110)

Proportions who said...	All firms			Firms with employees only		
	All	Without employees	With employees	Employment size		
				Micro 1-9	Small 10-49	Medium 50-250
Taken legal action under the late payment legislation	8%	7%	9%	7%	18%	26%
Have not taken legal action under the late payment legislation	87%	89%	84%	86%	76%	68%
Don't know	4%	3%	6%	6%	6%	6%
Unwilling to answer	1%	1%	1%	1%	*%	1%
Unweighted N =	2,085	247	1,838	668	788	382

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Taken legal action under the late payment legislation	-	13%	5%	9%	11%	7%	8%	8%	10%
Have not taken legal action under the late payment legislation	-	78%	87%	85%	83%	85%	84%	86%	83%
Don't know	-	7%	7%	6%	5%	7%	6%	5%	6%
Unwilling to answer	-	3%	2%	1%	1%	1%	2%	1%	1%
Unweighted N =	45	434	179	1,180	1,282	556	90	449	1,299

Note: * = less than 0.5 per cent; - = result not shown, unweighted base < 50.

Base: Where aware of late payment legislation; unweighted N = 2,085

6.8.6 Effects of late payment

We showed earlier, in Table 6.12, that 28 per cent of businesses said 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 6.17 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 SMEs as a whole are concerned, it shows that:

- two-thirds (67 per cent) of businesses reported that late payment caused difficulties with cash flow; for 18 per cent it was an ongoing problem, for seven per cent it was often a problem, and for 42 per cent it was an occasional problem
- businesses with employees were more likely to say it was an ongoing problem (20 per cent compared to 17 per cent of those without employees).

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

- the impact of late payment on cash flow was more of an ongoing problem for the micro and small businesses. A fifth (20 and 21 per cent) of these had problems with late payment on an ongoing basis compared to 13 per cent of medium-sized businesses
- businesses in the construction sector reported having problems with cash flow due to late payment more than businesses in the other sectors. Over four-fifths (84 per cent) of businesses in construction had such problems compared to two-thirds (64 per cent) in the service sector
- those businesses proposing growth in the next few years were more likely to have been affected by late payment on an ongoing basis. Over a fifth (22 per cent) of businesses proposing growth reported having ongoing problems compared to 16 per cent of businesses proposing to stay the same size
- younger businesses reported having difficulties with cash flow due to late payment more often than businesses of ten years plus. One-third (33 per cent) of businesses under four years old had problems on an on-going basis, as did a quarter (23 per cent) of businesses between four and ten years old; this compares to 17 per cent of businesses ten years plus.

Table 6.17: Frequency with which late payment causes businesses to experience cash flow problems (Q111)

Proportions who said...	All firms			Firms with employees only		
	All	Without employees	With employees	Employment size		
				Micro 1-9	Small 10-49	Medium 50-250
Yes, it's an ongoing problem	18%	17%	20%	20%	21%	13%
Yes, often	7%	7%	9%	9%	8%	8%
Yes, on occasion	42%	45%	38%	39%	35%	34%
No	32%	31%	33%	32%	36%	45%
Don't know	1%	1%	*%	*%	*%	1%
Unwilling to answer	*%	0%	*%	0%	*%	0%
Unweighted N =	1,551	173	1,378	462	630	286

Proportions who said...	Firms with employees only							
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business	
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years
Yes, it's an ongoing problem	-	21%	21%	20%	22%	16%	33%	23%
Yes, often	-	9%	17%	8%	9%	8%	5%	12%
Yes, on occasion	-	42%	46%	36%	37%	41%	37%	39%
No	-	27%	16%	37%	32%	35%	25%	27%
Don't know	-	*%	0%	*%	*%	*%	0%	0%
Unwilling to answer	-	0%	*%	0%	*%	0%	0%	*%
Unweighted N =	28	372	155	823	994	384	65	337

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where have problems with late payment; unweighted N = 1,551

7 Business Advice and Support

As detailed in Chapter 4, one of the Small Business Service's strategic themes centres on building the capacity for business growth among SMEs. A key method through which this, and other objectives, may be achieved is encouraging improvements in awareness, accessibility and utility of the several sources of advice and support available to SMEs.

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

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. The reader is advised to refer to Table 1.2 which provides guidance on statistical confidence limits applying to survey sub-samples.

7.1 General advice and information on business matters

All businesses were asked whether they had sought general advice and information on business matters in the previous 12 months (England) or where they had got such advice from during that period (Scotland, Wales and Northern Ireland). In order to be consistent with previous research, the questions addressing this were asked slightly differently in the four different countries and it is not therefore possible to combine these perspectives at the UK level. Instead, we look in this section, just at businesses in England, recalling that they make up some 85 per cent of the sample.

Table 7.1 opposite shows their responses; firstly for all English businesses, and then looking in more detail at English businesses that employed staff and at variations between different kinds of these businesses employing staff.

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

- about a quarter (24 per cent) had sought general advice and information on business matters in the previous 12 months
- businesses with employees were more likely than those without employees to have sought advice (27 per cent compared to 23 per cent).

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

- the larger the business, the more likely they were to have sought advice and information. Over a third (33 and 35 per cent respectively) of small and medium-sized businesses had done so, compared to around a quarter (26 per cent) of micro businesses
- two-fifths (37 per cent) of businesses in the primary sector had sought advice compared to around a quarter of businesses in the other sectors
- businesses proposing growth in the future were more likely to have sought advice than businesses not proposing growth (30 per cent compared to 22 per cent)
- one-third (32 per cent) of younger businesses (under four years old) had sought advice compared to a quarter (25 per cent) of older businesses (ten years plus).

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

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Have sought information and advice	24%	23%	27%	26%	33%	35%
Have not sought information and advice	75%	76%	72%	74%	65%	62%
Don't know	1%	1%	1%	1%	1%	2%
Unweighted N =	6,027	997	5,030	2,031	2,007	992

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Have sought information and advice	37%	28%	25%	26%	30%	22%	32%	29%	25%
Have not sought information and advice	63%	72%	75%	73%	69%	77%	68%	70%	74%
Don't know	*%	1%	*%	1%	1%	1%	*%	1%	1%
Unweighted N =	125	1,075	425	3,405	3,157	1,873	331	1,310	3,389

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

Base: England only : All businesses; unweighted N = 6,027

7.2 Advice on regulations

In addition to their use of external sources for general business advice, all businesses were also asked whether they had sought advice in the previous 12 months specifically about how regulations might affect their business and if so, what sources they had consulted. This question was asked on a more systematic basis in all locations, and so the responses here now revert to the UK as a whole, and the focus stays on the UK for the remainder of this chapter.

Table 7.2 opposite shows these 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 SMEs as a whole are concerned:

- half of UK SMEs (51 per cent) had not sought any advice about regulations
- where they had done so, the most commonly cited source of advice was accountants (23 per cent). Businesses with employees were slightly more likely to have used accountants than those without (25 per cent compared to 22 per cent)
- businesses without employees were more likely to report using no external advice (55 per cent) than those with employees (44 per cent)
- one in ten businesses had sought advice from a government source, but fewer than five per cent had sought advice from any single public sector organisation such as a Local Authority (three per cent), other regulators (two per cent) or DTI/SBS/other (one per cent).

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

- nearly half (45 per cent) of micro businesses had not sought advice compared to 37 per cent of small businesses and 29 per cent of medium-sized businesses
- small and medium-sized businesses were more likely to have sought advice from trade/business associations and consultants than micro employers
- businesses in the service sector were more likely to have sought advice from accountants (26 per cent, compared to 23 per cent of construction and production sector businesses and 16 per cent of primary sector). Those in the primary sector cited trade/business associations more frequently (11 per cent, compared to six per cent of production and construction businesses and seven per cent of services)
- a quarter (27 per cent) of businesses proposing growth had sought advice from an accountant compared to a fifth (22 per cent) of those not proposing growth
- younger businesses (under ten years) were more likely to have consulted an accountant than businesses ten years plus (30 and 28 per cent, compared to 22 per cent).

Table 7.2: 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...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Accountant	23%	22%	25%	25%	24%	24%	16%	23%	23%	26%	27%	22%	30%	28%	22%
Bank	3%	3%	4%	4%	5%	5%	3%	4%	3%	4%	5%	3%	5%	4%	4%
Trade/Business Association	5%	5%	6%	6%	10%	11%	11%	6%	6%	7%	7%	6%	5%	4%	8%
Business Support Organisations	2%	2%	3%	3%	5%	5%	3%	5%	3%	3%	4%	2%	3%	4%	3%
Consultant	2%	2%	3%	2%	7%	9%	5%	4%	5%	2%	3%	2%	4%	2%	3%
Chamber of Commerce	1%	1%	2%	2%	2%	3%	0%	3%	2%	2%	2%	2%	1%	1%	2%
HMRC Customs and Excise	*%	*%	1%	1%	*%	*%	0%	1%	1%	*%	*%	1%	*%	*%	1%
Internet/Library/Press	5%	5%	5%	6%	4%	5%	6%	5%	5%	5%	6%	5%	5%	6%	5%
Customers/Suppliers/Other small businesses/Friends/Family/Mentor	3%	3%	3%	3%	3%	3%	4%	2%	3%	3%	3%	2%	3%	3%	3%
Solicitor	2%	2%	4%	3%	5%	12%	*%	4%	2%	4%	5%	3%	3%	4%	4%
Enterprise Agency	*%	*%	*%	*%	*%	1%	*%	*%	*%	*%	*%	*%	*%	*%	*%
HMRC Inland Revenue functions	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Local Authority	3%	3%	3%	3%	4%	2%	3%	2%	2%	3%	3%	2%	3%	3%	3%
Other regulators (HSE/Environment Agency etc.)	2%	2%	2%	2%	4%	5%	4%	2%	5%	2%	3%	2%	3%	2%	3%
DTI/SBS/Other government	1%	1%	3%	3%	3%	3%	4%	3%	1%	3%	3%	3%	2%	4%	3%
Other	*%	*%	1%	1%	1%	1%	3%	1%	*%	*%	*%	1%	*%	*%	1%
All government sources	10%	9%	12%	12%	16%	15%	14%	12%	11%	12%	14%	10%	12%	12%	12%
None	51%	55%	44%	45%	37%	29%	40%	45%	44%	43%	38%	51%	41%	43%	44%
Don't know	1%	1%	2%	2%	2%	3%	2%	2%	2%	2%	2%	1%	2%	1%	2%
Unwilling to answer	*%	*%	*%	*%	*%	*%	0%	*%	1%	*%	*%	*%	*%	*%	*%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

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

Base: All businesses; unweighted N = 8,640

7.3 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 advice they received.

Businesses were asked to rate their satisfaction on a scale of one to five where one was very dissatisfied and five was very satisfied.

Table 7.3 shows the percentage of positive responses which was created by combining the responses 'satisfied' and 'very satisfied'. The responses are shown first for all businesses, then looking in more detail at businesses that employed staff and at variations between different kinds of business that employed staff. Due to the small base numbers in most of these categories (as clear in Table 7.3), this section primarily concentrates on accountants.

So far as SMEs as a whole are concerned:

- there were high levels of satisfaction with the services provided by private sector sources, including accountants (90 per cent), and trade and business associations (90 per cent). Lower levels of satisfaction were evident for advice provided by public sector sources, such as local authorities (72 per cent) and other regulators (74 per cent). Caution should be used due to low base numbers
- there were few obvious differences between those with and those without employees across the main sources of advice. Levels of satisfaction with accountants were slightly higher for those without than with employees (91 per cent compared to 88 per cent)
- some 79 per cent of users of any government source reported that they were satisfied or very satisfied.

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

- small and medium-sized business were marginally more satisfied with the advice from accountants than micro businesses (91 and 92 per cent, compared to 88 per cent)
- levels of satisfaction with accountants were higher amongst production (94 per cent) and construction sectors (93 per cent) than the service (87 per cent) sector
- there were few differences between businesses proposing growth and not proposing growth. Of the former, 89 per cent were satisfied with accountants, compared to 88 per cent of the latter
- businesses of four years and over showed higher levels of satisfaction with accountants than those under four years (89 per cent compared to 83 per cent).

Table 7.3: Summary table: Level of satisfaction with advice received on regulations, percentages of businesses that were 'satisfied' or 'very satisfied' (Q118, Q120, Q122, Q124)

	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
Proportions who said...	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Accountant	90%	91%	88%	88%	91%	92%	-	94%	93%	87%	89%	88%	83%	89%	89%
Bank	76%	78%	73%	69%	90%	77%	-	71%	93%	72%	68%	84%	53%	77%	75%
Trade/Business association	90%	91%	88%	88%	91%	92%	-	94%	93%	87%	89%	88%	83%	89%	89%
Local Business Support Service	82%	88%	74%	73%	79%	81%	-	75%	86%	73%	78%	66%	98%	76%	71%
Consultant	90%	93%	87%	87%	87%	81%	-	90%	95%	86%	91%	79%	86%	87%	87%
Chamber of Commerce	88%	88%	87%	86%	96%	76%	-	90%	100%	85%	89%	84%	89%	88%	87%
HMRC Customs and Excise	81%	88%	71%	71%	70%	46%	-	33%	62%	87%	78%	65%	100%	95%	61%
Internet/Library/Press	83%	84%	81%	80%	89%	89%	-	86%	76%	83%	81%	82%	94%	82%	79%
Customer/Supplier/ Other small business Friend/Family/Mentor	90%	92%	84%	83%	90%	90%	-	100%	81%	84%	88%	77%	83%	95%	81%
Solicitor	85%	84%	86%	83%	93%	91%	-	84%	98%	85%	90%	77%	100%	81%	86%
Enterprise Agency	94%	100%	62%	38%	85%	95%	-	100%	100%	58%	49%	98%	100%	100%	53%
HMRC Inland Revenue Functions	84%	81%	91%	92%	100%	41%	-	94%	26%	95%	99%	80%	100%	90%	91%
Local Authority	72%	71%	72%	70%	84%	72%	-	78%	91%	69%	74%	69%	56%	79%	72%
Other regulators	74%	68%	84%	83%	88%	81%	-	89%	100%	80%	83%	87%	99%	76%	84%
DTI/BS/Other government	83%	91%	79%	78%	86%	80%	-	97%	69%	78%	78%	80%	99%	74%	80%
All government sources	79%	78%	82%	81%	87%	77%	-	90%	83%	81%	82%	80%	99%	78%	81%
Unweighted N =	2,042	305	1,737	710	685	342	40	304	152	1,241	1,156	581	134	485	1,118

Note: 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where consulted (where provided a response between 1 and 5); unweighted N = 2,042

7.4 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.

Table 7.4 opposite shows their responses for the UK as a whole; 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 SMEs as a whole are concerned, the survey found that:

- the most common reason for not seeking advice was that businesses did not need help at the time. Three-quarters (75 per cent) of businesses cited this as the reason
- One-fifth (19 per cent) of businesses said they had not sought external advice because they had their own in-house expertise available to them.

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

- micro businesses were more likely than medium-sized businesses to report that they did not need help in the way of advice or information during the previous 12 months (75 per cent compared to 70 per cent)
- businesses in the construction (84 per cent) and primary sectors (85 per cent, although note small base) were more likely to say they did not need help, while businesses in the service sector were more likely to say they had their own in-house expertise (19 per cent)
- businesses not proposing growth were more likely to say they had not needed help than those proposing growth (78 per cent compared to 71 per cent)
- three-quarters (76 per cent) of older businesses, of ten plus years, reported not needing help in the way of advice and information compared to 72 per cent of young businesses, under four years old.

Table 7.4: 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...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Insufficient time	3%	3%	3%	3%	2%	2%	0%	6%	1%	2%	3%	3%	3%	4%	2%
It would have cost too much	2%	2%	3%	3%	2%	2%	0%	6%	0%	2%	3%	2%	1%	4%	2%
Don't need help at the moment	75%	75%	74%	75%	71%	70%	85%	70%	84%	74%	71%	78%	72%	72%	76%
Outsider couldn't help	4%	4%	4%	3%	4%	2%	5%	4%	2%	4%	3%	4%	*%	5%	3%
Like to be independent	1%	1%	2%	2%	1%	1%	4%	1%	*%	2%	1%	2%	3%	2%	1%
No one understands my business	2%	2%	1%	1%	1%	1%	0%	3%	0%	*%	1%	*%	1%	*%	1%
Couldn't find suitable advice	1%	1%	2%	3%	2%	3%	1%	2%	1%	3%	3%	2%	1%	2%	3%
Bad experience in the past	1%	2%	1%	1%	1%	1%	*%	*%	*%	1%	1%	*%	*%	1%	1%
Didn't know any advice was available	1%	*%	2%	2%	2%	1%	0%	2%	2%	2%	3%	1%	2%	2%	2%
Have in-house expertise	19%	19%	18%	18%	19%	19%	14%	15%	14%	19%	19%	17%	19%	19%	17%
Other	*%	*%	*%	*%	0%	0%	0%	1%	0%	*%	1%	0%	0%	1%	*%
No reason given	2%	2%	1%	1%	1%	2%	1%	2%	1%	1%	1%	2%	2%	1%	1%
Don't know	1%	1%	2%	1%	2%	1%	3%	1%	*%	2%	1%	2%	3%	2%	1%
Unwilling to answer	2%	1%	3%	3%	4%	2%	0%	4%	5%	3%	4%	2%	5%	2%	3%
Unweighted N =	2,633	609	2,024	1,007	745	272	63	407	174	1,380	1,072	952	134	516	1,374

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

Base: Where not sought any advice or information in last 12 months; unweighted N = 2,633

7.5 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, 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 SMEs as a whole are concerned:

- one-fifth (21 per cent) of businesses felt that private sector organisations provide as much business support as was needed. Slightly fewer (18 per cent) thought there were some gaps in provision, while slightly more (23 per cent) thought there were some big gaps in local provision
- there were few marked differences between businesses with or without employees. Those with employees were slightly more likely than those without to say there were gaps. While 44 per cent of those with employees reported some gaps, or big gaps, this was the case for 40 per cent of those without employees.

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

- medium-sized businesses were more likely to say they had as much support as they needed than micro and small employers (28 per cent, compared to 22 and 24 per cent)
- a quarter (24 per cent) of primary sector businesses considered there to be some (but not big) gaps in support compared to around a fifth of businesses in the other sectors
- there were few differences with regard to whether a business was proposing growth or not. Businesses proposing growth were slightly more likely than those not proposing growth to say they had as much information as they needed (23 per cent compared to 22 per cent)
- those businesses under four years and those over ten years were marginally more likely than businesses aged between four and ten years to say they had as much business support from the private sector as they needed (24 and 23 per cent, compared to 21 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...	All firms			Firms with employees only		
	All	Without employees	With employees	Employment size		
				Micro 1-9	Small 10-49	Medium 50-250
As much as you need	21%	21%	22%	22%	24%	28%
Mostly, but there are some gaps	18%	17%	20%	20%	22%	24%
There are some big gaps in local provision	23%	23%	24%	24%	25%	23%
Don't know	36%	38%	32%	32%	27%	24%
Unwilling to answer	1%	1%	1%	2%	1%	1%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
As much as you need	21%	25%	24%	22%	23%	22%	24%	21%	23%
Mostly, but there are some gaps	24%	19%	21%	20%	20%	20%	22%	22%	19%
There are some big gaps in local provision	22%	25%	24%	24%	25%	24%	23%	24%	25%
Don't know	31%	30%	31%	32%	31%	33%	30%	32%	32%
Unwilling to answer	2%	2%	*%	1%	1%	1%	2%	1%	2%
Unweighted N =	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

Note: * = less than 0.5 per cent.

Base: All businesses; unweighted N = 8,640

8 Contact with and Use of Government Services

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

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. The reader is advised to refer to Table 1.2 which provides guidance on statistical confidence limits applying to survey sub-samples.

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, 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 SMEs as a whole are concerned:

- over half (53 per cent) had had contact with government departments or agencies in the previous 12 months
- businesses with employees were more likely to have had contact with government departments. Three-fifths (61 per cent) had done so, compared to half of those without employees.

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. Almost three-quarters (73 per cent) of medium businesses had had contact, compared with two-thirds (66 per cent) of small businesses and three-fifths (59 per cent) of micro businesses
- there were few differences between the primary, construction and service sectors; however, businesses in the production sector were less likely to have had contact with government departments (56 per cent)
- the proportion of businesses having contact with government departments was higher among businesses that were proposing growth. Two-thirds (67 per cent) of businesses proposing growth had contact, compared to half (52 per cent) of those not proposing growth
- the younger the business, the more likely they were to have had contact with government departments. While over two-thirds (69 per cent) of businesses under four years had contact, this was the case for three-fifths (59 per cent) of businesses over ten years old.

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...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Have had contact	53%	50%	61%	59%	66%	73%
No contact	44%	47%	37%	38%	32%	24%
Don't know	2%	2%	2%	2%	2%	2%
Unwilling to answer	1%	1%	1%	1%	1%	*%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Have had contact	62%	56%	63%	61%	67%	52%	69%	61%	59%
No contact	37%	41%	33%	36%	30%	45%	28%	37%	38%
Don't know	1%	3%	3%	2%	2%	2%	2%	2%	2%
Unwilling to answer	*%	*%	*%	1%	1%	1%	1%	*%	1%
Unweighted N =	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

Note: * = less than 0.5 per cent.

Base: All businesses; unweighted N = 8,640

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. Businesses were asked to rate their satisfaction on a scale of one to five, where one was very dissatisfied and five was very satisfied. In order to present variations in satisfaction in an accessible way, an index of user satisfaction was calculated by attributing a value to each of the 'satisfied/dissatisfied' categories shown below and multiplying it by the percentage of businesses in that cell. The values used are:

Very satisfied	+2
Satisfied	+1
Neither satisfied or dissatisfied	0
Dissatisfied	-1
Very dissatisfied	-2
Don't know	0
Not answered	0

The possible 'scores' therefore range from a maximum of +200 to a minimum of -200. It is accepted that these values are arbitrary but, applied equally to all the sources of advice, they provide a relative measure for assessing each source against the other. It is also worth noting that these are indices of satisfaction only for users of these sources of advice; they tell us nothing about the views of the non-users regarding the satisfactory nature or otherwise of these sources of advice.

Table 8.2 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 SMEs as a whole are concerned:

- 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 a score of 89. Although contact regarding employee matters was rated highly by businesses without employees (98), it gained a lower approval rating from businesses with employees (66)
- satisfaction with government contact was lowest in the context of the planning permission process (16 overall).

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

- there was no consistent pattern to the differences in levels of satisfaction according to the size of the business

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

Proportions who said...	All firms			Firms with employees only		
	All	Without employees	With employees	Employment size		
				Micro 1-9	Small 10-49	Medium 50-250
VAT processes	74	82	73	73	77	69
Processes over other taxes	54	48	55	55	57	50
Process for claiming grants or loans	40	33	40	35	43	40
Processes with Companies House	89	92	89	88	92	86
Processes over Patenting	74	57	75	78	77	74
Processes over obtaining Business Advice	60	54	61	58	59	65
Regulation enforcement processes	39	44	37	37	40	35
Processes concerned with consultations or surveys	54	62	53	59	51	53
Processes concerning the employee related matters	69	98	66	69	69	61
Planning permission process	16	32	15	14	15	15

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
VAT processes	85	73	72	74	75	70	83	76	85
Processes over other taxes	72	57	51	53	55	54	59	56	72
Process for claiming grants or loans	37	46	57	35	39	44	60	37	37
Processes with Companies House	80	86	92	91	91	81	94	94	80
Processes over Patenting	80	79	72	74	81	47	78	78	80
Processes over obtaining Business Advice	20	64	92	58	62	57	72	62	20
Regulation enforcement processes	12	33	40	40	37	42	65	44	12
Processes concerned with consultations or surveys	61	49	41	56	57	42	73	59	61
Processes concerning the employee related matters	66	61	71	66	70	57	75	66	66
Planning permission process	12	13	13	15	14	15	34	13	12

Base: All businesses contacting government agencies in last 12 months

- businesses in the primary sector were more dissatisfied with contact regarding the regulation enforcement process compared to other sectors, which took a moderately positive view, but the number of cases covered here was quite small
- Companies House gained consistently positive ratings (varying from 80 to 94) from all groups of employers.

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.

So far as SMEs as a whole are concerned:

- fewer than half of the businesses agreed or strongly agreed with each statement.

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

- around half the businesses surveyed agreed or strongly agreed with the following statements: *'There are too many government agencies offering similar services'* (51 per cent); *'There is inconsistency in the quality of services delivered to business'* (50 per cent) and; *'I would like government support to develop my business but struggle to find out what is available'* (51 per cent)
- just over two-fifths agreed or strongly agreed with the statement: *'I find government services easily accessible'* (43 per cent), while just under half strongly agreed or agreed with the statement: *'I know which government department or agency to go to for most business matters'* (47 per cent)
- Respondents from larger businesses were more likely to agree with the statements: *'I know which department or agency to go to for most business matters'* (47 per cent of micros, 51 per cent of small, and 56 per cent of medium); *'I find government services easily accessible'* (43 per cent of micro, 44 per cent of small, and 47 per cent of medium); *'There are too many government agencies offering similar services'* (50 per cent of micro, 55 per cent of small and 58 per cent of medium), and *'There is inconsistency in the quality of services delivered to business'* (49 per cent of micro, 55 per cent of small and 57 per cent of medium)
- Respondents from older businesses were less likely to agree that: *'I know which department or agency to go to for most business matters'* (46 per cent of ten plus years compared with 50 per cent and 51 per cent respectively of businesses less than four years old and four to ten years); *'I find government services easily accessible'* (42 per cent and 44 per cent of ten plus years and four to ten years respectively, compared with 50 per cent of those less than four years old); and *'I would like government support to develop my business but struggle to find out what is available'* (49 per cent of businesses over ten years old compared with 54 per cent and 56 per cent respectively of those aged four to ten years and less than four years)
- Businesses aiming to grow were more likely than average to agree that: *'I know which department or agency to go to for most business matters'* (49 per cent); *'I find government services easily accessible'* (45 per cent); *'There is inconsistency in the quality of services delivered to business'* (52 per cent); and *'I would like government support to develop my business but struggle to find out what is available'* (56 per cent).

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)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
I know which department or agency to go to for most business matters	46%	46%	47%	47%	51%	56%
I find government services easily accessible	42%	42%	43%	43%	44%	47%
There are too many government agencies offering similar services	46%	45%	51%	50%	55%	58%
There is inconsistency in the quality of services delivered to business	45%	44%	50%	49%	55%	57%
I would like government support to develop my business but struggle to find out what is available	46%	43%	51%	51%	53%	49%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
I know which department or agency to go to for most business matters	48%	41%	46%	49%	49%	45%	50%	51%	46%
I find government services easily accessible	41%	40%	45%	44%	45%	41%	50%	44%	42%
There are too many government agencies offering similar services	53%	51%	49%	51%	51%	50%	50%	49%	52%
There is inconsistency in the quality of services delivered to business	48%	47%	53%	50%	52%	47%	50%	51%	49%
I would like government support to develop my business but struggle to find out what is available	49%	55%	50%	51%	56%	46%	56%	54%	49%
Unweighted N =	1,476	595	4,911	4,517	2,693	465	1,826	4,919	1,476

Base: All businesses; unweighted N = 8,640

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, 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 SMEs as a whole are concerned:

- over a third (36 per cent) of all small businesses felt government took no account of their concerns
- businesses with employees were slightly more likely to feel government took no account of small business concerns (37 per cent).

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

- the smaller the business the more likely they were to feel the government took no account of their concerns. Nearly two-fifths (38 per cent) of micro businesses felt this way, compared to around a third of small (34 per cent) and medium (32 per cent) businesses
- over two-fifths (42 per cent) of businesses in the production sector felt government took no account of their concerns, compared to about a third of businesses in the other sectors
- businesses not proposing growth were more likely to feel that government took no account of their concerns (41 per cent compared with 34 per cent of businesses proposing growth.)
- the older the business, the more likely they were to feel government did not take account of their concerns. Two-fifths of businesses ten years plus (39 per cent) thought this was the case, compared to 35 per cent of businesses between four and ten years old and 29 per cent of businesses under four years old.

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

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
1 - Not at all	36%	36%	37%	38%	34%	32%
2 - A little	46%	46%	48%	48%	52%	51%
3 - Quite a lot	8%	8%	8%	8%	8%	12%
4 - Very much	1%	1%	1%	1%	1%	1%
Don't know	8%	9%	5%	5%	4%	4%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
1 - Not at all	34%	42%	36%	36%	34%	41%	29%	35%	39%
2 - A little	49%	46%	51%	49%	51%	45%	49%	50%	47%
3 - Quite a lot	9%	6%	6%	8%	9%	7%	12%	8%	7%
4 - Very much	2%	1%	2%	1%	1%	1%	3%	1%	1%
Don't know	6%	4%	5%	5%	5%	5%	7%	5%	5%
Unweighted N =	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

Base: All businesses; unweighted N = 8,640

8.5 Interest in public sector contracts

All businesses were asked whether in the previous 12 months they had expressed an interest in or bid for 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, 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 SMEs as a whole are concerned:

- overall, less than one in ten (seven per cent) of businesses had expressed an interest in or bid for any contract advertised by the public sector
- ten per cent of businesses with employees had expressed an interest or bid compared to six per cent of businesses without employees.

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

- the larger the firm, the more likely they were to have expressed an interest or bid. A quarter (25 per cent) of medium-sized businesses had expressed an interest or bid for work compared to 16 per cent of small businesses and nine per cent of micro businesses
- businesses in the construction sector were more likely than businesses in the other sectors to have expressed an interest or bid – 16 per cent of businesses in construction had done so compared to ten per cent or less in the production, services or primary sectors
- a higher proportion of businesses proposing growth than not proposing growth had expressed an interest or bid (13 per cent compared to six per cent)
- there were few differences with this question according to age of business.

Table 8.5: Proportion of businesses that have expressed an interest in, or bid for, any contract advertised by the public sector in the last 12 months (Q159)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Have expressed an interest, but did not bid	2%	2%	3%	3%	5%	7%
Have bid	5%	4%	7%	6%	11%	18%
Neither expressed an interest, nor bid	91%	92%	88%	89%	82%	74%
Don't know	2%	2%	2%	2%	1%	2%
Unwilling to answer	1%	1%	*%	*%	*%	*%
<i>Unweighted N =</i>	<i>8,640</i>	<i>1,430</i>	<i>7,210</i>	<i>2,900</i>	<i>2,889</i>	<i>1,421</i>

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Have expressed an interest, but did not bid	*%	4%	5%	3%	4%	2%	4%	3%	3%
Have bid	2%	6%	11%	7%	9%	4%	6%	7%	7%
Neither expressed an interest, nor bid	95%	88%	82%	88%	85%	92%	87%	88%	88%
Don't know	2%	1%	1%	2%	2%	1%	4%	1%	1%
Unwilling to answer	0%	1%	1%	*%	*%	1%	*%	*%	1%
<i>Unweighted N =</i>	<i>228</i>	<i>1,476</i>	<i>595</i>	<i>4,911</i>	<i>4,517</i>	<i>2,693</i>	<i>465</i>	<i>1,826</i>	<i>4,919</i>

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

Base: All businesses; unweighted N = 8,640

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, 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 SMEs as a whole are concerned:

- 15 per cent had done some work for the public sector
- businesses with employees were more likely to have done work for the public sector – one-fifth (21 per cent) had done so compared to 12 per cent of businesses without employees.

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

- the larger the firm, the more likely they were to have done some work for the public sector. A third (34 per cent) of medium-sized businesses had done some work for the public sector, while this was the case for a quarter (28 per cent) of small businesses and a fifth of micro businesses (20 per cent)
- the proportion of businesses doing public sector work was highest in the construction sector. A third of businesses in construction (33 per cent) had done public sector work in the previous 12 months compared to a quarter in production (25 per cent), a fifth in services (20 per cent) and a tenth in the primary sector (ten per cent)
- a quarter (25 per cent) of businesses proposing growth had done some public sector work compared to 16 per cent of businesses not proposing growth
- businesses of four years and older were more likely than their younger counterparts to have done public sector work. More than a fifth of businesses between four and ten years (21 per cent), and ten years plus (22 per cent), had done so compared to under a fifth (17 per cent) of businesses under four years old.

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...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Have done some work for the public sector	15%	12%	21%	20%	28%	34%
Have not done any work for the public sector	83%	86%	78%	79%	71%	63%
Don't know	1%	1%	1%	1%	1%	2%
Unwilling to answer	1%	1%	*%	*%	*%	*%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Have done some work for the public sector	10%	25%	33%	20%	25%	16%	17%	21%	22%
Have not done any work for the public sector	89%	73%	65%	79%	74%	82%	83%	78%	77%
Don't know	2%	1%	2%	1%	1%	1%	*%	1%	1%
Unwilling to answer	0%	*%	*%	*%	*%	*%	0%	*%	*%
Unweighted N =	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

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

Base: All businesses; unweighted N = 8,640

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, 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 SMEs as a whole are concerned:

- the most commonly cited public sector customers were local authorities (57 per cent), health service (15 per cent) and higher/further education institutions (11 per cent)
- there were few differences between businesses with and without employees. Businesses with employees were slightly more likely than those without employees to have done work for local authorities (58 per cent compared to 56 per cent) while businesses without employees were more likely to have done work for higher/further education institutions (12 per cent compared with nine per cent).

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

- small businesses were more likely to have done work for local authorities. Three-fifths had done so (61 per cent) compared to 58 per cent of micro businesses and 56 per cent of medium businesses. Slightly higher proportions of micro and medium businesses had done work for higher/further education institutions (ten per cent compared to seven per cent of small businesses)
- over two-thirds (69 per cent) of businesses in the construction sector had done work for local authorities, while businesses in the production sector were more likely to have done work for the health service (19 per cent)
- businesses proposing growth were slightly more likely to have done work for Departments of State. Seven per cent of these businesses had done so compared to five per cent of businesses not proposing growth. Businesses not proposing growth were more likely to have procured work from local authorities (60 per cent compared to 58 per cent) and the health service (19 per cent compared to 15 per cent)
- a higher proportion of younger businesses of under four years had worked for Departments of State (14 per cent) while older businesses of ten years plus were more likely to have done work for local authorities (64 per cent).

Table 8.7: Businesses' main public sector customer - prompted (Q161)

	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
Proportions who said...	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Departments of State (but not Ministry of Defence), including Central Government, the Scottish Executive and the National Assembly for Wales	7%	7%	6%	5%	8%	7%	-	4%	1%	7%	7%	5%	14%	8%	4%
Ministry of Defence	4%	3%	5%	6%	4%	5%	-	6%	4%	6%	6%	4%	8%	7%	5%
Local authorities, eg local council	57%	56%	58%	58%	61%	56%	-	55%	69%	57%	58%	60%	53%	47%	64%
Health Service, including primary, secondary trusts etc.	15%	15%	16%	16%	14%	17%	-	19%	15%	15%	15%	19%	11%	22%	14%
Higher/further education institutions	11%	12%	9%	10%	7%	10%	-	10%	10%	9%	10%	8%	6%	11%	9%
Other	2%	3%	1%	1%	1%	1%	-	1%	0%	1%	1%	1%	2%	1%	1%
Don't know	4%	5%	3%	3%	2%	3%	-	4%	1%	3%	3%	3%	5%	4%	3%
Unwilling to answer	*%	0%	1%	*%	1%	1%	-	*%	*%	1%	1%	1%	1%	1%	*%
Unweighted N =	2,061	177	1,884	558	832	494	34	387	244	1,219	1,361	523	81	430	1,373

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where have worked for public sector; unweighted N = 2,061

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, 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 SMEs as a whole are concerned:

- the most commonly cited barriers to selling more to the public sector were the effort involved in bidding or pre-qualifying (14 per cent), red tape/regulations (eight per cent) and lack of information about opportunities (five per cent). Twenty-nine per cent reported that this issue was not applicable to the business¹
- businesses with employees were more likely to cite the lack of information about opportunities (seven per cent compared to four per cent).

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

- medium-sized employers cited red tape/regulations more often than micro employers (11 per cent compared to eight per cent)
- businesses in the construction sector were more likely to list the effort involved in bidding as a barrier (19 per cent), while respondents in the primary sector were more likely to cite red tape (12 per cent)
- businesses proposing growth were nearly twice as likely as those not proposing growth to say the lack of information about opportunities is a barrier (nine per cent compared to five per cent)
- the younger the firm, the more likely they were to have found the lack of information a barrier to public procurement – nine per cent of businesses under four years said this was the case, compared to six per cent of businesses ten years plus.

¹ The 'other' categories included: level of competition, small size of business/limited facilities, and lack of interest in selling.

Table 8.8: Barriers to selling (more) to the public sector - unprompted (multiple response) (Q164)

	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
Proportions who said...	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Procurers perceptions of risk of dealing with SMEs	1%	1%	*%	*%	1%	1%	*%	1%	*%	*%	1%	*%	*%	1%	*%
Lack of information about opportunities	5%	4%	7%	7%	7%	6%	2%	7%	8%	8%	9%	5%	9%	8%	6%
Lack of understanding of the procurement process	2%	2%	2%	2%	3%	2%	1%	3%	2%	3%	3%	2%	3%	2%	2%
Effort involved in bidding or pre-qualifying	14%	14%	15%	15%	15%	15%	15%	16%	19%	14%	16%	13%	15%	15%	15%
Feel excluded through framework contracts, approved suppliers list etc	3%	2%	4%	4%	4%	5%	3%	3%	6%	4%	4%	3%	5%	5%	3%
Difficulties engaging with prime contractors	1%	1%	2%	2%	1%	1%	*%	1%	2%	2%	2%	1%	3%	2%	1%
Difficulties in selling an innovative product	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	*%	1%	1%
Specifications exclude my business	2%	2%	2%	2%	1%	1%	2%	3%	*%	1%	2%	1%	2%	1%	2%
Lack of consistency in the tendering process	2%	2%	3%	3%	3%	3%	2%	1%	4%	3%	3%	2%	3%	3%	2%
Dissatisfied with post-tender debriefing process	1%	1%	1%	1%	1%	1%	1%	1%	2%	1%	1%	*%	*%	1%	1%
Red tape/regulations	8%	7%	8%	8%	10%	11%	12%	8%	8%	8%	9%	7%	10%	7%	9%
Not applicable to my business	29%	30%	27%	27%	27%	25%	33%	26%	22%	28%	23%	32%	24%	28%	27%
Other	13%	13%	14%	14%	13%	12%	6%	12%	14%	15%	14%	13%	15%	15%	13%
None of these	18%	17%	18%	18%	20%	18%	18%	20%	19%	18%	18%	19%	17%	18%	19%
Don't know/unwilling to answer	15%	15%	14%	15%	10%	13%	20%	14%	15%	13%	13%	15%	14%	11%	15%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

Note: * = less than 0.5 per cent.

Base: All businesses; unweighted N = 8,640

9 Other Issues

This chapter addresses miscellaneous issues relevant to SMEs. The range of issues covered varies slightly from year to year, ensuring some comparability of results over time alongside some breadth and variety in topics included.

This year, the issues covered are:

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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. The reader is advised to refer to Table 1.2 which provides guidance on statistical confidence limits applying to survey sub-samples.

9.1 Crime

The survey included a series of questions to assess the extent and strength of SMEs' concerns about crime. In order to contain the length of the interview, this series of questions was asked of just half of the sample of businesses, selected on a random basis.

9.1.1 Perceptions of the crime problem

The businesses selected were firstly asked 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, 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 SMEs as a whole are concerned, the survey showed that:

- the majority of businesses felt that crime was not a problem at all (54 per cent) and almost a third more (29 per cent) said that crime was not a very big problem. In total only 16 per cent of businesses thought crime was either a very big problem or a fairly big problem.

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

- as above, the majority considered crime not to be a problem at all in relation to their premises and the area around them (54 per cent)
- only a small proportion (five per cent) of businesses stated that crime was a very big problem
- the fewer employees a business had, the more likely it was to have stated that crime was not a problem at all. Over half (54 per cent) of businesses with fewer than ten employees felt this, compared to 51 per cent of small-sized businesses (ten to 49) and 46 per cent of businesses with 50 or more employees
- the younger the business was, the more likely it was to have indicated that crime was not a problem at all – 64 per cent of businesses aged under four years gave this response, in comparison to 50 per cent of businesses over ten years old.

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...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
A very big problem	5%	5%	5%	6%	5%	4%
A fairly big problem	11%	12%	11%	11%	11%	14%
Not a very big problem	29%	29%	29%	28%	32%	34%
Not a problem at all	54%	54%	54%	54%	51%	46%
Don't know	*%	*%	1%	1%	1%	*%
Unwilling to answer	*%	*%	*%	*%	*%	1%
Unweighted N =	4,238	674	3,564	1,450	1,418	696

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
A very big problem	2%	7%	5%	5%	5%	6%	3%	4%	6%
A fairly big problem	13%	8%	9%	12%	11%	11%	5%	9%	13%
Not a very big problem	31%	26%	32%	29%	30%	28%	27%	27%	31%
Not a problem at all	52%	58%	54%	53%	53%	54%	64%	59%	50%
Don't know	2%	*%	0%	1%	1%	1%	1%	1%	1%
Unwilling to answer	0%	1%	*%	*%	*%	*%	*%	*%	*%
Unweighted N =	103	745	292	2,424	2,213	1,351	243	883	2,438

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

Base: Random half of all businesses; unweighted N = 4,238

9.1.2 Incidence of crime

Businesses were also asked about their actual experience of crime victimisation over the previous 12 months. This included incidents in which the respondent, or members of their staff, had been a victim of crime whilst carrying out their business duties.

Table 9.2 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 SMEs as a whole are concerned, the survey showed that:

- the vast majority of businesses had not been a victim of crime in the last 12 months (84 per cent)
- 16 per cent in total had been a victim on one or more occasions. Coincidentally, 16 per cent is the proportion of businesses in total which thought crime was either a very big problem or a fairly big problem in the previous table (Table 9.1). However, it cannot be deduced that they are the same 16 per cent of businesses.

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

- just over three-quarters (78 per cent) of businesses had not been a victim of crime in the last 12 months; whereas 21 per cent of businesses with employees had been a victim on one or more occasions in the last 12 months
- 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 (32 per cent) of businesses with 50 or more employees had been a victim of crime in comparison to just under a fifth (19 per cent) of businesses with one to nine employees
- it was more likely that a business with 50 or more employees had been a victim of crime on several occasions (22 per cent) than only once (ten per cent)
- a business aged over ten years was more likely to have been a victim of crime, either on one or more occasions, in the last 12 months compared to businesses aged four to ten years or under four years – 24 per cent, 16 per cent and 17 per cent respectively.

Table 9.2: Proportion of businesses that have been a victim of crime in the last 12 months (Q166)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Victim on several occasions	8%	7%	11%	10%	17%	22%
Victim once	8%	7%	10%	10%	12%	10%
Not a victim	84%	86%	78%	80%	70%	68%
Don't know	*%	0%	1%	1%	1%	*%
Unwilling to answer	*%	*%	*%	*%	*%	*%
Been a victim of crime (1+2)	16%	14%	21%	19%	29%	32%
Unweighted N =	4,238	674	3,564	1,450	1,418	696

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Victim on several occasions	8%	9%	12%	12%	11%	11%	8%	8%	13%
Victim once	6%	12%	14%	10%	10%	10%	10%	8%	11%
Not a victim	83%	77%	73%	78%	78%	78%	82%	83%	75%
Don't know	2%	1%	1%	1%	*%	1%	1%	1%	1%
Unwilling to answer	0%	1%	*%	*%	*%	*%	*%	*%	*%
Been a victim of crime (1+2)	14%	21%	26%	21%	21%	21%	17%	16%	24%
Unweighted N =	103	745	292	2,424	2,213	1,351	243	883	2,438

Note: * = less than 0.5 per cent.

Base: Random half of all businesses; unweighted N = 4,238

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, 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 SMEs as a whole are concerned, the survey showed that:

- the majority of businesses reported all of the incidents of crime they had experienced (71 per cent); 14 per cent had reported some of the incidents, and 15 per cent had reported none.

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

- 71 per cent, of businesses reported all incidents of crime they had experienced, and 13 per cent of businesses reported some of them
- 16 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 – 85 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 69 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.

Table 9.3: Proportion of businesses that reported incident(s) to the police (Q167)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Yes - reported it/all of the incidents	71%	70%	71%	69%	76%	85%
Yes - reported some of the incidents	14%	14%	13%	14%	9%	8%
No - didn't report	15%	15%	16%	17%	14%	7%
Don't know	*%	0%	*%	*%	*%	0%
Unweighted N =	1,004	86	918	284	418	216

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Yes - reported it/all of the incidents	-	74%	71%	71%	67%	76%	58%	72%	72%
Yes - reported some of the incidents	-	9%	15%	13%	14%	11%	17%	10%	13%
No - didn't report	-	17%	14%	16%	19%	12%	25%	18%	14%
Don't know	-	0%	0%	1%	*%	1%	0%	0%	1%
Unweighted N =	18	180	93	627	615	303	54	189	675

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where have been a victim of crime; unweighted N = 1,004

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.

Table 9.4 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 SMEs as a whole are concerned, the survey showed 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 34 per cent of businesses
- just under a quarter (24 per cent) of businesses stated that they had been the victim of criminal damage. The same proportion (24 per cent) had been burgled
- 12 per cent of businesses had experienced vehicle crime.

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

- as above, the most widely mentioned type of crime experienced was theft by others (38 per cent). This was followed by criminal damage (27 per cent), burglary (23 per cent) and one tenth (ten per cent) of businesses stated they had experienced vehicle crime
- businesses that operate in the production sector, in comparison to those in the services sector, were less likely to have experienced theft by others (29 per cent and 39 per cent respectively)
- businesses over ten years old were more likely than younger businesses to have mentioned that they had been the victim of criminal damage – 29 per cent of businesses over ten years compared to 24 per cent of businesses aged four to ten years and 16 per cent of businesses aged under four years. However, the base for the ‘aged under four’ sub-category is small and therefore this result must be treated with caution.

Table 9.4: Type of crime experienced - unprompted (multiple response) (Q168)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Burglary	24%	24%	23%	22%	27%	25%
Robbery	8%	10%	5%	5%	4%	3%
Violent crime	5%	6%	3%	2%	3%	1%
Theft by staff	2%	2%	1%	1%	2%	*%
Theft by others	34%	31%	38%	39%	37%	41%
Vehicle crime	12%	13%	10%	11%	8%	10%
Fraud	2%	0%	4%	5%	3%	3%
Arson	1%	2%	1%	1%	1%	1%
Anti-social behaviour	3%	3%	4%	4%	3%	3%
Criminal damage	24%	22%	27%	26%	29%	30%
Theft (unspecified)	2%	2%	4%	4%	3%	7%
None of these	*%	0%	*%	0%	*%	0%
Don't know	*%	0%	1%	1%	*%	1%
Unweighted N =	1,004	86	918	284	418	216

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Burglary	-	23%	17%	24%	24%	22%	18%	24%	24%
Robbery	-	2%	5%	5%	6%	3%	5%	9%	3%
Violent crime	-	1%	1%	3%	3%	3%	10%	2%	2%
Theft by staff	-	4%	*%	*%	*%	2%	6%	*%	1%
Theft by others	-	29%	46%	39%	36%	41%	41%	40%	38%
Vehicle crime	-	7%	24%	9%	12%	8%	5%	9%	11%
Fraud	-	9%	0%	4%	6%	3%	5%	7%	4%
Arson	-	2%	0%	1%	2%	*%	0%	3%	1%
Anti-social behaviour	-	4%	1%	4%	3%	5%	5%	7%	3%
Criminal damage	-	24%	11%	30%	24%	31%	16%	24%	29%
Theft (unspecified)	-	3%	9%	3%	3%	6%	*%	2%	5%
None of these	-	*%	0%	0%	*%	0%	0%	0%	*%
Don't know	-	0%	0%	1%	*%	1%	0%	*%	1%
Unweighted N =	18	180	93	627	615	303	54	189	675

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base <50.

Base: Where have been a victim of crime; unweighted N = 1,004

9.1.5 Effect on business

Businesses were questioned about the effect of crime on the business. Table 9.5 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 SMEs as a whole are concerned, the survey showed that:

- the most common response, mentioned by nearly a third (32 per cent) of businesses, was that crime had no effect on their business. This was closely followed by 30 per cent of businesses having stated that the impact of crime was the cost of replacements and repairs which resulted
- just over a tenth (11 per cent) of businesses stated that crime had generated fear which impacted on working behaviour at the business.

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

- the highest proportion of businesses, 37 per cent, stated that crime had no effect on their business
- the most widely cited way crime had affected businesses was through the costs of replacements and repairs (28 per cent). The remaining 15 ways listed in the table, through which crime could have impacted on a business, were each cited by less than ten per cent of businesses
- seven per cent more of businesses not proposing to grow (32 per cent), compared to businesses proposing to grow (25 per cent), stated that the costs of replacements and repairs were the way in which crime had impacted on their business
- businesses that operate in the production sector (36 per cent) and construction sector (40 per cent) were more likely, when compared to businesses that operate in the services sector (25 per cent), to have highlighted the costs of replacements and repairs as the effect of crime.

Table 9.5: Ways in which crime has affected businesses - unprompted (multiple response) (Q169)

	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
Proportions who said...	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Costs of replacements and repairs	30%	31%	28%	27%	30%	33%	-	36%	40%	25%	25%	32%	17%	30%	28%
Cost of increased security	5%	3%	9%	8%	9%	10%	-	6%	3%	9%	7%	10%	9%	9%	9%
Increased insurance premium	4%	4%	4%	4%	4%	4%	-	1%	6%	4%	5%	2%	5%	2%	4%
Loss of income from closure	5%	6%	4%	5%	4%	3%	-	2%	2%	6%	4%	6%	1%	6%	4%
Absence of staff	*%	0%	*%	1%	0%	1%	-	0%	0%	1%	1%	0%	0%	*%	1%
Working behaviour affected by fear of crime	11%	15%	4%	4%	5%	3%	-	1%	6%	5%	4%	5%	5%	3%	4%
Loss of custom through fear of crime	2%	2%	3%	4%	2%	3%	-	4%	1%	4%	3%	4%	0%	3%	4%
Difficulty in recruitment	*%	0%	*%	0%	*%	0%	-	0%	0%	*%	0%	*%	0%	*%	*%
Inconvenience	5%	5%	5%	5%	6%	5%	-	8%	9%	4%	6%	5%	10%	2%	6%
Loss of profit	1%	0%	3%	3%	2%	1%	-	0%	0%	4%	4%	1%	0%	5%	3%
General business costs	4%	5%	4%	3%	6%	6%	-	4%	1%	4%	5%	2%	*%	6%	4%
Loss of time	1%	1%	1%	1%	1%	3%	-	3%	*%	*%	1%	1%	0%	*%	1%
Minor impact	3%	4%	1%	*%	1%	3%	-	0%	1%	*%	*%	1%	0%	*%	1%
Other	1%	2%	1%	*%	2%	1%	-	1%	0%	1%	*%	1%	0%	*%	1%
No effect	32%	30%	37%	37%	36%	36%	-	37%	39%	37%	41%	31%	47%	39%	35%
Don't know	2%	2%	3%	4%	1%	3%	-	6%	0%	3%	3%	3%	7%	2%	3%
Unweighted N =	1,004	86	918	284	418	216	18	180	93	627	615	303	54	189	675

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where have been a victim of crime; unweighted N = 1,004

9.2 Staff training

The issue of provision of staff training was pursued with a randomly-selected half of the respondent businesses, but 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 and then looking in more detail at variations between different kinds of business that employed staff.

So far as SMEs that employed staff are concerned, the survey showed that:

- 41 per cent of businesses had funded or arranged training or development, compared with 59 per cent which had not
- the more employees a business had, the more likely it was to have arranged or funded training or development. Businesses with 50 or more employees (77 per cent) were more than twice as likely to have done this in comparison to businesses with fewer than ten employees (35 per cent); whereas the proportion of businesses with between ten and 49 employees which stated that they had funded or arranged development or training was 67 per cent
- the majority of businesses that operate in the services sector had not arranged or funded any training or development (60 per cent), whereas in the construction sector the majority had (52 per cent)
- businesses that were proposing growth were more likely to have funded or arranged training or development in comparison to those businesses not proposing growth – 47 per cent and 32 per cent respectively
- the younger a business was, the less likely it was to have arranged or funded development or training. Only a third (33 per cent) of businesses under four years old had, compared with 38 per cent of businesses aged between four and ten years and 43 per cent of businesses over ten years old.

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...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Have funded or arranged training or development	41%	0%	41%	35%	67%	77%
Have not funded or arranged any training or development	59%	0%	59%	64%	33%	22%
Don't know	*%	0%	*%	*%	*%	1%
Unwilling to answer	*%	0%	*%	*%	*%	*%
Unweighted N =	3,572	0	3,572	1,395	1,434	743

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Have funded or arranged training or development	43%	38%	52%	40%	47%	32%	33%	38%	43%
Have not funded or arranged any training or development	57%	61%	48%	60%	52%	67%	67%	62%	56%
Don't know	0%	*%	0%	1%	*%	*%	*%	1%	*%
Unwilling to answer	*%	1%	0%	*%	*%	*%	0%	*%	*%
Unweighted N =	108	739	297	2,428	2,246	1,326	233	907	2,432

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

Base: Random half of all businesses where employ any staff; unweighted N = 3,572

9.2.2 Formal or informal training?

Those businesses that had funded or arranged any training for staff 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, and then looking in more detail at variations between different kinds of business that employed staff.

So far as SMEs that employed staff are concerned, the survey showed that:

- the majority of businesses that provided training stated that the training and development they arranged or funded led to a qualification (55 per cent). However, almost as many (45 per cent) said that the training and development did not lead to a qualification
- there were two sub-groups of businesses for which the majority of businesses stated that training and development did not lead to qualifications: businesses that operate in the production sector and those aged under four years
- the larger and older a business was, the more likely it was that the training and development they provided resulted in a qualification – this training led to a qualification in 52 per cent of micro businesses and 72 per cent of medium sized ones, while 58 per cent of businesses aged over ten years stated that this was the case, compared to 50 per cent of businesses aged four to ten years and 47 per cent of businesses aged under four years
- whether or not a business was proposing to grow in the next two or three years did not, to any large degree, affect whether or not training and development led to a qualification.

Table 9.7: Whether any of the training and development was designed to lead to a formal qualification (Q175)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Leads to a qualification	55%	0%	55%	52%	58%	72%
Does not lead to a qualification	45%	0%	45%	47%	41%	27%
Don't know	*%	0%	*%	1%	*%	1%
Unwilling to answer	*%	0%	*%	0%	*%	0%
Unweighted N =	2,018	0	2,018	493	956	569

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Leads to a qualification	-	48%	63%	54%	54%	55%	47%	50%	58%
Does not lead to a qualification	-	52%	32%	46%	45%	45%	53%	50%	42%
Don't know	-	*%	4%	*%	*%	1%	0%	1%	*%
Unwilling to answer	-	0%	1%	0%	*%	0%	0%	0%	*%
Unweighted N =	45	430	196	1,347	1,451	567	111	481	1,426

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where have funded training and development; unweighted N = 2,018

9.2.3 Training for SME managers

A randomly selected half of all businesses with employees 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, and then looking in more detail at variations between different kinds of business that employed staff.

So far as SMEs that employed staff are concerned, the survey showed that:

- the majority of businesses, 75 per cent, stated that their business managers had not received any training or development to improve their leadership and management skills
- in total, approximately 23 per cent of businesses, had trained or developed at least some of their business managers; with ten 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 had trained or developed at least some 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 to improve their leadership and management skills. Businesses with fewer than ten employees were twice as likely as those with 50 or more employees to have not trained or developed their business managers – 78 per cent and 39 per cent respectively
- the younger the business was, the more likely it was that all of its business managers had received training or development to improve their leadership and management skills – 16 per cent of businesses under four years old had trained or developed all their business managers, compared to ten per cent of businesses aged four to ten years and nine per cent of businesses aged over ten years
- businesses proposing to grow were more likely to have stated that all of their managers had been trained or developed to improve their leadership and management skills – 12 per cent of businesses that were proposing to grow had developed or trained all their business managers compared to eight per cent of businesses not proposing to grow.

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...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
None	75%	0%	75%	78%	62%	39%
1% - 9%	4%	0%	4%	4%	6%	6%
10% - 24%	3%	0%	3%	2%	6%	12%
25% - 49%	2%	0%	2%	1%	4%	6%
50% - 74%	4%	0%	4%	4%	6%	11%
75% - 99%	*%	0%	*%	*%	2%	5%
All	10%	0%	10%	9%	13%	19%
Don't know	1%	0%	1%	1%	*%	1%
Refused	1%	0%	1%	1%	1%	1%
Any managers received some training (1%+)	23%	0%	23%	20%	37%	59%
Unweighted N =	3,572	0	3,572	1,395	1,434	743

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
None	79%	79%	70%	75%	71%	81%	71%	79%	74%
1% - 9%	4%	3%	6%	4%	4%	3%	5%	3%	4%
10% - 24%	5%	4%	2%	3%	4%	2%	2%	2%	4%
25% - 49%	1%	2%	2%	2%	2%	1%	*%	2%	2%
50% - 74%	5%	5%	5%	4%	5%	3%	5%	4%	4%
75% - 99%	*%	*%	1%	*%	1%	*%	*%	1%	*%
All	4%	5%	12%	11%	12%	8%	16%	10%	9%
Don't know	1%	1%	1%	1%	1%	1%	1%	1%	1%
Refused	*%	2%	1%	1%	1%	1%	1%	*%	1%
Any managers received some training (1%+)	20%	19%	28%	24%	28%	18%	27%	20%	24%
Unweighted N =	108	739	297	2,428	2,246	1,326	233	907	2,432

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

Base: Random half of all businesses; unweighted N = 3,572

9.2.4 Shortage of managerial skills/expertise

In Chapter 5 (Table 5.1), we saw that 14 per cent of businesses with employees had identified a shortage of managerial skills or expertise as an obstacle to the success of their business. These respondents were asked to say more about the kinds of skill that they lacked.

Table 9.9 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. It must be noted that the base for this table is small, at 122, and therefore results must be treated with caution.

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

- the largest proportion of businesses stated that the type of managerial skills/expertise lacking was job specific or technical skills (21 per cent). This was followed by 18 per cent of businesses having cited general management skills as the issue.

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

- over a quarter (26 per cent) of businesses mentioned that job specific or technical skills were lacking. 15 per cent of businesses indicated that general management skills were an issue.

Table 9.9: Type of managerial skills/expertise lacking in businesses - unprompted (multiple response) (Q177)

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
General management skills	18%	-	15%	-	19%	-	-	-	-	16%	15%	-	-	-	17%
Job specific /technical skills	21%	-	26%	-	25%	-	-	-	-	27%	25%	-	-	-	35%
Senior management skills	13%	-	4%	-	2%	-	-	-	-	6%	5%	-	-	-	7%
Marketing skills	5%	-	11%	-	4%	-	-	-	-	11%	8%	-	-	-	13%
Personnel management skills	3%	-	7%	-	1%	-	-	-	-	11%	10%	-	-	-	7%
Business skills	8%	-	*%	-	1%	-	-	-	-	0%	*%	-	-	-	*%
Leadership skills	3%	-	8%	-	12%	-	-	-	-	10%	10%	-	-	-	6%
Financial management skills	2%	-	3%	-	7%	-	-	-	-	1%	3%	-	-	-	4%
IT/computer skills	1%	-	1%	-	4%	-	-	-	-	*%	2%	-	-	-	*%
Sales skills	5%	-	5%	-	5%	-	-	-	-	2%	2%	-	-	-	7%
People management	5%	-	11%	-	9%	-	-	-	-	11%	9%	-	-	-	5%
Not enough experience	2%	-	5%	-	4%	-	-	-	-	1%	6%	-	-	-	1%
Other	13%	-	5%	-	5%	-	-	-	-	1%	5%	-	-	-	2%
Nothing specific	*%	-	*%	-	0%	-	-	-	-	0%	0%	-	-	-	1%
Don't know	13%	-	5%	-	12%	-	-	-	-	5%	3%	-	-	-	7%
Unwilling to say	12%	-	18%	-	12%	-	-	-	-	20%	15%	-	-	-	18%
Unweighted N =	122	9	113	26	52	35	2	25	14	72	94	19	6	27	80

Note: * = less than 0.5 per cent; 0% = no cases observed: - = result not shown, unweighted base <50.

Base: Where lack of managerial skills/expertise the biggest obstacle to business success; unweighted N = 122

9.3 Use of ICT

All respondents to the survey were asked whether or not their business used technology such as computers and the Internet.

Table 9.10 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 SMEs as a whole are concerned, it shows that:

- over three-quarters (77 per cent) of businesses use computers
- businesses with employees were more likely to use ICT – 86 per cent did so compared to 74 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 84 per cent of micro businesses
- a higher proportion of businesses in the production sector used computers than in any other sector – 95 per cent did so compared to 75 per cent in the primary sector, 83 per cent in services and 91 per cent in construction
- those proposing growth in the next two or three years were more likely to use ICT. Whereas 91 per cent of businesses proposing growth had used computers, this was the case for 79 per cent of businesses not proposing growth
- younger businesses of ten years and under were slightly more likely to use computers – 87-88 per cent did so, compared to 84 per cent of businesses ten years plus.

Table 9.10: Summary table: Proportion of businesses that use computers (ICT) at all (Q181 and Q181c)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Use computers	77%	74%	86%	84%	94%	98%
Do not use computers	23%	26%	14%	16%	6%	2%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Use computers	75%	95%	91%	83%	91%	79%	87%	88%	84%
Do not use computers	25%	5%	9%	17%	9%	21%	13%	12%	16%
Unweighted N =	228	1,476	595	4,911	4517	2,693	465	1,826	4,919

Base: All businesses; unweighted N = 8,640

All respondents to the survey were also specifically asked whether or not their business used the Internet.

Table 9.11 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 SMEs as a whole are concerned, it shows that:

- two-thirds (66 per cent) of businesses used the Internet
- three-quarters (77 per cent) of businesses with employees used the Internet compared to three-fifths (62 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. Three-quarters (75 per cent) of micro businesses had used the Internet compared to 96 per cent of medium businesses
- businesses in the production sector were most likely to have used the Internet – 89 per cent had done so
- over four-fifths (85 per cent) of businesses proposing growth had used the Internet compared to two-thirds (66 per cent) of businesses not proposing growth
- businesses between four and ten years old were most likely to have used the Internet. Four-fifths (81 per cent) had done so compared to around three-quarters of businesses under four years (77 per cent) and over ten years (75 per cent).

Table 9.11: Proportion of businesses that use the Internet (Q181)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Yes	66%	62%	77%	75%	88%	96%
No	34%	38%	23%	25%	12%	4%
Don't know	*%	*%	*%	*%	*%	*%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Yes	61%	89%	75%	75%	85%	66%	77%	81%	75%
No	39%	11%	25%	25%	15%	33%	23%	19%	25%
Don't know	0%	*%	*%	*%	*%	*%	*%	*%	*%
Unweighted N =	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

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

Base: All businesses; unweighted N = 8,640

Those businesses that did use the Internet, were subsequently asked how they used it.

Table 9.12 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 SMEs as a whole are concerned, it shows that:

- the most commonly cited purposes for using the Internet were email (94 per cent), purchasing (64 per cent), business website (62 per cent) and sales (49 per cent)
- businesses with employees were more likely to have used the Internet for sales (54 per cent), and for the business website (69 per cent).

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, with the exception of research which micro businesses were slightly more likely to have used the Internet for
- businesses in the production sector were more likely to use the Internet for sales (61 per cent), businesses in the service sector were more likely to use the Internet for purchasing (68 per cent), while those in the primary sector were more likely to have used the Internet for research purposes (ten per cent)
- businesses proposing growth were more likely than their counterparts not proposing growth to have used the Internet for all the main purposes listed
- younger businesses of ten years and under were more likely to use the Internet for all the main purposes mentioned.

Table 9.12: Purposes for which the Internet is used - prompted (multiple response) (Q181b)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Email	94%	93%	94%	93%	97%	99%
Sales	49%	47%	54%	52%	60%	68%
Purchasing	64%	63%	67%	66%	68%	73%
Business website	62%	58%	69%	67%	79%	88%
Banking	2%	2%	1%	1%	1%	2%
Research	7%	8%	6%	6%	4%	5%
Other	11%	7%	18%	19%	14%	11%
Nothing	*%	*%	*%	0%	*%	*%
Don't know	1%	2%	1%	2%	*%	*%
Unwilling to answer	*%	0%	*%	*%	0%	*%
<i>Unweighted N =</i>	<i>6,824</i>	<i>839</i>	<i>5,985</i>	<i>2,103</i>	<i>2,521</i>	<i>1,361</i>

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Email	90%	95%	94%	94%	95%	92%	94%	96%	93%
Sales	30%	61%	38%	54%	58%	46%	58%	59%	50%
Purchasing	57%	66%	57%	68%	70%	62%	70%	70%	64%
Business website	53%	73%	59%	70%	74%	62%	72%	73%	67%
Banking	2%	1%	2%	1%	2%	1%	1%	1%	1%
Research	8%	5%	6%	6%	7%	4%	11%	5%	5%
Other	10%	20%	8%	19%	19%	17%	21%	17%	18%
Nothing	0%	*%	0%	*%	*%	*%	0%	*%	*%
Don't know	1%	*%	3%	1%	1%	2%	2%	1%	2%
Unwilling to answer	0%	0%	1%	*%	*%	*%	0%	*%	*%
<i>Unweighted N =</i>	<i>148</i>	<i>1,361</i>	<i>491</i>	<i>3,985</i>	<i>4,042</i>	<i>1,943</i>	<i>369</i>	<i>1,550</i>	<i>4,066</i>

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

Base: *Where use the internet; unweighted N = 6,824*

9.4 VAT

The survey began this area of questioning by inquiring whether or not businesses were registered for VAT.

Table 9.13 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 SMEs as a whole are concerned, it shows that:

- over two-thirds (68 per cent) of businesses were VAT registered
- businesses with employees were more likely than those without employees to be VAT registered. Over four-fifths (87 per cent) of businesses with employees were VAT registered, compared to three-fifths (61 per cent) of businesses without employees.

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

- higher proportions of small (96 per cent) and medium-sized (95 per cent) businesses were VAT registered
- businesses in the production and construction sectors were more likely to be VAT registered. This was the case for 94 per cent of employers in these sectors compared to 85 per cent in the service sector and 86 per cent in the primary sector
- a higher proportion of businesses proposing growth than not proposing growth were VAT registered (89 per cent compared to 84 per cent)
- the older the business, the more likely they were to be VAT registered. Four-fifths (80 per cent) of businesses under four years old were registered, compared to 86 per cent of those between four and ten years and 89 per cent of businesses over ten years old.

Table 9.13: Proportion of businesses that are VAT registered (Q189)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
VAT registered	68%	61%	87%	85%	96%	95%
Not VAT registered	31%	38%	12%	14%	3%	4%
Unwilling to answer	1%	1%	1%	1%	1%	1%
<i>Unweighted N =</i>	<i>8,640</i>	<i>1,430</i>	<i>7,210</i>	<i>2,900</i>	<i>2,889</i>	<i>1,421</i>

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
VAT registered	86%	94%	94%	85%	89%	84%	80%	86%	89%
Not VAT registered	13%	5%	5%	15%	10%	15%	20%	13%	11%
Unwilling to answer	1%	1%	1%	1%	1%	1%	1%	*%	1%
<i>Unweighted N =</i>	<i>228</i>	<i>1,476</i>	<i>595</i>	<i>4,911</i>	<i>4,517</i>	<i>2,693</i>	<i>465</i>	<i>1,826</i>	<i>4,919</i>

Note: * = less than 0.5 per cent.

Base: All businesses; unweighted N = 8,640

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 9.14 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 SMEs as a whole are concerned, it shows that:

- over half (55 per cent) of small businesses were VAT registered at the time of start up/at the introduction of VAT. A quarter (26 per cent) were registered prior to start up
- businesses with employees were slightly more likely to have registered prior to start up – 28 per cent had done so compared to 26 per cent of businesses without employees.

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

- there was little variation between businesses with regard to their employment size
- there was also little variation between businesses in terms of industrial sector although businesses in the construction and primary sectors were slightly more likely to say they had become VAT registered after longer than two years
- a slightly higher proportion of businesses not proposing growth reported VAT registration had been at the time of start up. (56 per cent compared to 53 per cent of businesses proposing growth)
- the biggest differences in responses to this question come with age of business. Businesses of four years and under were more likely to say they had been VAT registered prior to start up. Four-fifths (39 per cent) registered prior to start up compared to under 30 per cent of older businesses. Older businesses of four years plus were more likely to say they had registered at the time of start up (55 per cent compared to 46 per cent of those under four years).

Table 9.14: Time following start up from which businesses were VAT registered (Q190)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Prior to start up	26%	26%	28%	28%	27%	28%
At the time of start up/ at the introduction of VAT	55%	55%	54%	54%	56%	56%
Within 6 months of start up	5%	5%	4%	4%	3%	2%
7-12 months	2%	1%	2%	2%	1%	1%
After 1 year but no more than 2 years	3%	4%	2%	2%	1%	1%
After 2 years but no more than 4 years	2%	1%	2%	2%	1%	1%
After 4 years	4%	5%	2%	2%	2%	1%
Don't know	4%	3%	5%	5%	8%	11%
Unwilling to answer	*%	*%	*%	*%	*%	1%
Unweighted N =	7,486	874	6,612	2,473	2,782	1,357

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Prior to start up	28%	29%	23%	28%	28%	27%	39%	29%	26%
At the time of start up/ at the introduction of VAT	55%	51%	51%	55%	53%	56%	46%	55%	55%
Within 6 months of start up	*%	4%	2%	5%	5%	3%	10%	5%	3%
7-12 months	2%	1%	4%	2%	2%	2%	2%	3%	2%
After 1 year but no more than 2 years	*%	2%	2%	2%	2%	1%	2%	3%	1%
After 2 years but no more than 4 years	4%	2%	5%	2%	2%	2%	0%	2%	2%
After 4 years	6%	2%	5%	2%	2%	2%	0%	1%	3%
Don't know	5%	8%	7%	5%	6%	5%	1%	2%	8%
Unwilling to answer	0%	*%	*%	*%	*%	1%	0%	*%	1%
Unweighted N =	206	1,435	574	4,397	4,220	2,392	393	1,624	4,595

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

Base: VAT registered businesses; unweighted N = 7,486

9.5 Home working

All businesses were asked about homeworking beginning by asking whether or not respondents mainly worked from their homes.

Table 9.15 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 SMEs as a whole are concerned, it shows that:

- home is the main business or work premises for two-fifths (41 per cent) of small business
- half (49 per cent) of businesses without employees have home as the main business or work premises compared to a fifth (21 per cent) of businesses with employees.

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. A quarter (25 per cent) reported this was the case compared to under ten per cent of small (six per cent) and medium (one per cent) businesses
- a higher proportion of businesses in the primary sector were based at home (74 per cent) while those in production were least likely to be home based (ten per cent)
- businesses not proposing growth were more likely to say home is the main business/premises. A quarter (25 per cent) said this was the case compared to a fifth (19 per cent) of those proposing growth
- businesses of ten years and under were slightly more likely to say home is the main business or work on the premises. A quarter (23 per cent) of businesses under ten years reported this compared to a fifth (21 per cent) of businesses ten years plus.

Table 9.15: Proportion of businesses for whom home is their main business or work premises (Q191)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Home is main business/work premises	41%	49%	21%	25%	6%	1%
Home is not main business/work premises	58%	50%	78%	75%	93%	99%
Unwilling to answer	1%	1%	*%	*%	*%	1%
<i>Unweighted N =</i>	<i>8,640</i>	<i>1,430</i>	<i>7,210</i>	<i>2,900</i>	<i>2,889</i>	<i>1,421</i>

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Home is main business/work premises	74%	10%	33%	20%	19%	25%	23%	23%	21%
Home is not main business/work premises	26%	89%	67%	80%	81%	75%	77%	77%	79%
Unwilling to answer	*%	1%	*%	*%	*%	*%	*%	*%	*%
<i>Unweighted N =</i>	<i>228</i>	<i>1,476</i>	<i>595</i>	<i>4,911</i>	<i>4,517</i>	<i>2,693</i>	<i>465</i>	<i>1,826</i>	<i>4,919</i>

Note: * = less than 0.5 per cent.

Base: All businesses; unweighted N = 8,640

The survey went on to ask those respondents who did not normally work from home whether or not they worked from their homes on average at least one day a week.

Table 9.16 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 SMEs as a whole are concerned, it shows that:

- 15 per cent of these respondents reported that they work from home, on average, at least once a week
- there was little difference between those with and without employees (14 per cent and 15 per cent respectively).

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

- micro businesses were more likely to work from home at least one day a week – 15 per cent did so, compared to around one in ten small (11 per cent) and medium (ten per cent) businesses
- businesses in the primary sector were more likely to report working from home at least one day a week. A quarter (23 per cent) did so compared to 14 per cent of businesses in the other sectors (caution is needed here due to small base in primary sector)
- businesses proposing growth were slightly more likely to work at home at least one day a week – 16 per cent reported they did so compared to 13 per cent of their counterparts not proposing growth
- younger businesses showed a higher propensity to work from home at least one day a week. A fifth (19 per cent) of businesses under four years old reported working from home at least one day a week, compared to 15 per cent of businesses between four and ten years, and 13 per cent of businesses over ten years old.

Table 9.16: Proportion of businesses that work at home, on average, at least one day of each week (Q192)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Work at home at least one day a week	15%	15%	14%	15%	11%	10%
Do not work at home at least one day a week	84%	84%	85%	84%	89%	90%
Unwilling to answer	1%	1%	*%	1%	*%	*%
<i>Unweighted N =</i>	<i>7,009</i>	<i>718</i>	<i>6,291</i>	<i>2,182</i>	<i>2,694</i>	<i>1,415</i>

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Work at home at least one day a week	23%	14%	14%	14%	16%	13%	19%	15%	13%
Do not work at home at least one day a week	76%	85%	86%	85%	84%	87%	80%	85%	86%
Unwilling to answer	1%	1%	*%	*%	1%	*%	*%	*%	1%
<i>Unweighted N =</i>	<i>87</i>	<i>1,404</i>	<i>492</i>	<i>4,308</i>	<i>4,050</i>	<i>2,241</i>	<i>373</i>	<i>1,548</i>	<i>4,370</i>

Note: * = less than 0.5 per cent.

Base: Where home is not main business/work premises; unweighted N = 7,009

Finally, the survey asked those respondents who worked from home at all (ie home was the main business or work premises, or they worked at home on average at least one day a week) why they did so.

Table 9.17 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 SMEs as a whole are concerned, it shows that:

- the most commonly cited reasons for working from home were: convenience for working purposes (31 per cent), live at business premises (24 per cent) and cost (21 per cent)
- business without employees were more likely to say cost (22 per cent compared to 18 per cent of those with employees), and convenient for working purposes (32 per cent compared to 29 per cent). Businesses with employees were more likely to say: to catch up with work/heavy workload (11 per cent compared to four per cent); productivity – can get more work done (five per cent compared to two per cent); and comfort – prefer to work in home environment (seven per cent compared to four per cent).

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

- a fifth (19 per cent) of micro businesses said the reason for working from home was cost compared to no more than five per cent of larger businesses. Medium-sized businesses were more likely to say they worked from home because of productivity (17 per cent) and because it saves time travelling (15 per cent)
- businesses in the construction sector were more likely to cite cost as a reason for working from home (28 per cent). Those in the production sector reported that working from home saves time travelling (13 per cent) and increases productivity (ten per cent). A high proportion of those in the primary sector lived at the business premises (65 per cent)
- businesses proposing growth were marginally more likely to say homeworking was convenient for working purposes (32 per cent compared to 26 per cent of those not proposing growth) while businesses not proposing growth were more likely to say they live at the business premises (28 per cent compared to 21 per cent)
- cost was the most common driver for businesses between four and ten years old (23 per cent) while businesses over ten years old commonly reported living at the business premises (28 per cent).

Table 9.17: Reasons for working from home - unprompted (multiple response) (Q193)

Proportions who said...	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Cost	21%	22%	18%	19%	5%	3%	14%	15%	28%	18%	18%	18%	11%	23%	17%
Technology makes it possible	2%	2%	2%	2%	1%	4%	1%	5%	1%	2%	2%	3%	*%	2%	3%
Cost of IT	*%	0%	*%	*%	0%	0%	0%	0%	1%	*%	*%	*%	0%	*%	*%
Saves time travelling to and from business premises	6%	6%	6%	6%	7%	15%	3%	13%	4%	6%	5%	7%	8%	5%	6%
Improved family/ personal life balance (or work-life balance)	1%	1%	1%	1%	1%	*%	0%	1%	2%	1%	1%	1%	1%	1%	1%
Productivity - can get more done at home	3%	2%	5%	5%	9%	17%	2%	10%	5%	5%	6%	4%	6%	6%	4%
Can choose when to work	2%	2%	1%	1%	2%	0%	0%	1%	1%	1%	1%	1%	1%	1%	1%
Comfort - prefer to work in home environment	5%	4%	7%	7%	7%	11%	3%	7%	3%	8%	8%	6%	6%	8%	6%
Convenient for working purposes	31%	32%	29%	29%	26%	29%	13%	30%	31%	31%	32%	26%	33%	32%	27%
Live at business premises	24%	24%	24%	24%	22%	6%	65%	10%	13%	22%	21%	28%	20%	18%	28%
No/reduces need for business premises	10%	12%	4%	4%	2%	2%	3%	3%	9%	4%	3%	5%	4%	4%	4%
More time for family/ leisure	1%	1%	1%	1%	1%	2%	0%	*%	1%	1%	2%	1%	5%	1%	1%
To catch up with work/ heavy workload	6%	4%	11%	10%	22%	21%	5%	14%	9%	12%	12%	10%	11%	11%	11%
Nothing	*%	0%	*%	*%	0%	1%	0%	*%	1%	0%	*%	*%	0%	*%	*%
Don't know	*%	*%	*%	*%	1%	0%	0%	0%	1%	*%	*%	1%	0%	*%	1%
Unwilling to answer	1%	1%	*%	*%	2%	*%	0%	*%	1%	*%	*%	*%	*%	*%	*%
Unweighted N =	2,524	829	1,695	1,056	499	140	162	225	155	1,153	999	696	163	480	1,052

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

Base: Where work from home at all; unweighted N = 2,524

9.6 Innovation

A randomly-selected half of the survey respondents in England, and all respondents in Wales, Scotland and Northern Ireland, 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 9.18 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 SMEs 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
- businesses with employees were more likely than those without employees to have introduced new or improved products or services. A third (32 per cent) of business with employees had done so compared to under a quarter (23 per cent) of businesses without employees.

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

- the likelihood of product innovation increased with size. Nearly half (47 per cent) of medium-sized businesses had introduced new or improved products or services in the previous 12 months compared to 40 per cent of small and 30 per cent of micro businesses
- a higher proportion of businesses in the production and services sectors had introduced new or improved products or services in the last year. A third of businesses (33 per cent) in each of these two sectors had done so compared to a quarter (23 per cent) of businesses in the construction sector and 14 per cent of businesses in the primary sector
- businesses proposing growth were more than twice as likely as those not proposing growth to have introduced new or improved products or services. Two-fifths (42 per cent) of businesses proposing growth had done so compared to one-fifth (19 per cent) of businesses not proposing growth

Table 9.18: Proportion of businesses that have introduced new or significantly improved products or services in the past 12 months (Q112)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Have introduced new/ significantly improved products or services	26%	23%	32%	30%	40%	47%
Have not introduced new/ significantly improved products or services	73%	76%	67%	69%	59%	52%
Don't know	1%	1%	1%	1%	1%	1%
Unwilling to answer	*%	*%	*%	*%	*%	*%
Unweighted N =	5,530	911	4,619	1,841	1,864	914

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Have introduced new/ significantly improved products or services	14%	33%	23%	33%	42%	19%	36%	38%	28%
Have not introduced new/ significantly improved products or services	82%	64%	77%	65%	57%	80%	62%	61%	71%
Don't know	3%	2%	*%	1%	1%	1%	3%	1%	1%
Unwilling to answer	0%	1%	*%	*%	*%	*%	0%	*%	*%
Unweighted N =	172	915	373	3,159	2,921	1,698	292	1,130	3,197

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 = 5,530

- businesses under ten years old showed a higher propensity to innovate. Over a third of businesses under four (36 per cent) and between four and ten years (38 per cent) had introduced new or improved products or services compared to a quarter (28 per cent) of businesses over ten years.

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 9.19 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 SMEs as a whole are concerned, it shows that:

- a quarter (26 per cent) of small businesses reported that the product or service was completely new ie not introduced by anybody before them
- businesses without employees were slightly more likely to say the innovative product or service was completely new – 27 per cent said this was the case compared to 24 per cent of businesses with employees.

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

- there were few differences in responses with regard to size
- businesses proposing growth were more likely to say the products and services were completely new. A quarter (25 per cent) reported this was the case compared to a fifth (21 per cent) of those not proposing growth
- a higher proportion of younger businesses had introduced completely new products. Around a quarter of businesses under four years (27 per cent), and businesses between four and ten years old (26 per cent), reported introducing completely new products compared to a fifth (22 per cent) of businesses under ten years old.

Table 9.19: Whether products or services introduced were new to the business, or completely new (ie not introduced by anybody before them) (Q113)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
New to the business	71%	70%	73%	73%	72%	73%
Completely new	26%	27%	24%	24%	25%	24%
Don't know	3%	4%	3%	3%	3%	2%
Unwilling to answer	*%	0%	*%	0%	0%	*%
Unweighted N =	1,963	210	1,753	573	740	440

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
New to the business	-	76%	82%	72%	73%	75%	73%	71%	75%
Completely new	-	24%	14%	25%	25%	21%	27%	26%	22%
Don't know	-	1%	4%	3%	3%	4%	*%	3%	3%
Unwilling to answer	-	0%	0%	*%	*%	0%	0%	0%	*%
Unweighted N =	32	412	79	1,230	1,395	358	121	462	1,170

Note: * = less than 0.5 per cent; 0% = no cases observed; - = result not shown, unweighted base < 50.

Base: Where have introduced new/significantly improved products or services; unweighted N = 1,963

9.6.2 Process innovation

The survey went on to ask the same randomly-selected half of all the survey respondents in England and all respondents in Wales, Scotland and Northern Ireland whether or not businesses had introduced new or significantly improved processes in the past 12 months.

Table 9.20 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 SMEs as a whole are concerned, it shows that:

- 15 per cent of all small businesses had introduced new or significantly improved processes in the previous 12 months
- businesses with employees were almost twice as likely than those without employees to have introduced new or improved processes (22 per cent compared to 12 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. Over a third (35 per cent) of medium-sized businesses had introduced new or improved processes compared to 29 per cent of small businesses and 21 per cent of micro businesses
- businesses in the production and services sectors were more likely to have introduced new or significantly improved processes. A quarter of businesses in production (24 per cent) and services (23 per cent) had innovated processes compared to ten per cent of those in the primary sector and 15 per cent in construction
- businesses proposing growth were twice as likely as those not proposing growth to have introduced new or improved processes over the proceeding 12 months (29 per cent compared to 14 per cent)
- the younger the firm, the more likely they were to have introduced new or improved processes. Three out of ten (29 per cent) businesses of under four years had introduced new or improved processes compared to a quarter (24 per cent) of businesses between four and ten years, and one fifth (20 per cent) of businesses over ten years old.

Table 9.20: Proportion of businesses that have introduced new or significantly improved processes in the past 12 months (Q114)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Have introduced new/significantly improved processes	15%	12%	22%	21%	29%	35%
Have not introduced new/significantly improved processes	83%	86%	76%	78%	70%	63%
Don't know	2%	2%	1%	1%	1%	2%
Unweighted N =	5,530	911	4,619	1,841	1,864	914

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Have introduced new/significantly improved processes	10%	24%	15%	23%	29%	14%	29%	24%	20%
Have not introduced new/significantly improved processes	87%	74%	83%	75%	70%	85%	69%	74%	78%
Don't know	3%	1%	3%	1%	1%	1%	2%	2%	1%
Unweighted N =	172	915	373	3,159	2,921	1,698	292	1,130	3,197

Base: All businesses in Wales, Scotland and Northern Ireland, random half of all businesses in England; unweighted N = 5,530

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 9.21 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 SMEs as a whole are concerned, it shows that:

- one-fifth (20 per cent) of all small businesses had introduced completely new processes in the previous 12 months
- businesses without employees were slightly more likely than those with employees to have introduced completely new processes (21 per cent compared to 18 per cent).

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

- the likelihood of introducing completely new processes increased with employment size. Over one-fifth (22 per cent) of medium businesses had done so compared to 17 per cent of micro businesses and 19 per cent of small businesses
- businesses in the service sector were more likely to have introduced completely new processes in the previous 12 months (19 per cent)
- businesses proposing growth were slightly more likely to have introduced completely new processes. Nearly one-fifth (18 per cent) of businesses proposing growth had done so compared to 16 per cent of those not proposing growth
- higher proportions of younger businesses had introduced completely new processes in the previous 12 months. One-fifth of businesses under four years (21 per cent) and between four and ten years (20 per cent) reported this was the case compared to 16 per cent of businesses ten years and older.

Table 9.21: Whether processes introduced were new to the business, or completely new (ie not introduced by anybody before them) (Q115)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
New to the business	77%	75%	80%	80%	79%	77%
Completely new	20%	21%	18%	17%	19%	22%
Don't know	3%	3%	2%	2%	2%	1%
Unweighted N =	1,336	108	1,228	377	528	323

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
New to the business	-	87%	84%	78%	79%	81%	78%	78%	81%
Completely new	-	13%	16%	19%	18%	16%	21%	20%	16%
Don't know	-	1%	*%	3%	2%	3%	1%	2%	3%
Unweighted N =	27	304	57	840	989	239	92	319	817

Note: * = less than 0.5 per cent; - = result not shown, unweighted base < 50.

Base: Where have introduced new/significantly improved processes; unweighted N = 1,336

9.7 Family businesses

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 business, the respondents were asked whether or not their business was family owned.

Table 9.22 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 SMEs as a whole are concerned, it shows that:

- two-thirds (65 per cent) of all small businesses were family owned
- this proportion was the same for businesses with and without employees.

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. Two-thirds (67 per cent) of micro businesses were family owned compared to 58 per cent of small businesses and 45 per cent of medium businesses
- family ownership was most common in the primary sector, where 87 per cent reported being family owned. Family ownership was also common in the construction sector (70 per cent)
- businesses not proposing growth were more likely to say the business was family owned. Over two-thirds (69 per cent) of businesses not proposing growth reported this was the case compared to 62 per cent of businesses proposing growth
- the incidence of family ownership was highest amongst the oldest businesses, of ten years and over. Over two-thirds (69 per cent) of businesses of ten plus years reported that they were family owned, compared to 60 per cent of businesses between four and ten years old and 58 per cent of businesses under four years old.

Table 9.22: Proportion of businesses that are family owned (Q194)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Family owned business	65%	65%	65%	67%	58%	45%
Not a family owned business	35%	35%	35%	33%	42%	55%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Family owned business	87%	63%	70%	64%	62%	69%	58%	60%	69%
Not a family owned business	13%	37%	30%	36%	38%	31%	42%	40%	31%
Unweighted N =	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

Base: All businesses; unweighted N = 8,640

Those businesses that indicated that they were family owned, were asked which generation was in control of the business.

Table 9.23 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 SMEs as a whole are concerned, it shows that:

- the vast majority of family-owned businesses were controlled by first or second generation family members. Over three-quarters (77 per cent) of these businesses were controlled by the first generation. Ten per cent were controlled by the second generation and six per cent by the first and second generation
- a higher proportion of businesses without employees were controlled by the first generation (79 per cent compared to 72 per cent of businesses with employees). Businesses with employees were more likely to be controlled by first and second, or second generation families (21 per cent compared to 15 per cent of businesses without employees).

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

- micro businesses were more likely to be controlled by first generation families (74 per cent) while small and medium businesses were twice as likely to be controlled by the second generation (21 per cent)
- control by the first generation was more prevalent in the service (75 per cent) and production (70 per cent) sectors. Businesses in the primary sector were more likely to be controlled by the second generation than in the other sectors. Over a quarter (27 per cent) of primary sector businesses were second generation controlled
- businesses proposing future growth were slightly more likely to be controlled by the first generation than those not proposing growth (73 per cent compared to 70 per cent)
- over four-fifths of businesses under ten years were controlled by first generation (81 per cent of those under four years and 84 per cent of businesses between four and ten years old) while this was the case for two-thirds (65 per cent) of businesses over ten years. One quarter (24 per cent) of businesses of ten years plus were either controlled by first and second generation, or second generation, compared to 14 per cent of those under ten years old.

Table 9.23: Generation in control of family-owned businesses (Q195)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
1st	77%	79%	72%	74%	58%	50%
1st and 2nd	6%	6%	8%	7%	9%	9%
2nd	10%	9%	13%	11%	21%	21%
2nd and 3rd	*%	*%	1%	1%	1%	2%
3rd	3%	3%	4%	4%	5%	8%
3rd and 4th	*%	*%	*%	*%	1%	1%
4th	1%	1%	1%	1%	2%	5%
Other	*%	*%	1%	1%	1%	2%
Don't know	1%	1%	1%	1%	1%	1%
Unwilling to answer	*%	*%	*%	*%	*%	*%
<i>Unweighted N =</i>	<i>5,308</i>	<i>971</i>	<i>4,337</i>	<i>1,954</i>	<i>1,732</i>	<i>651</i>

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
1st	40%	71%	68%	75%	73%	70%	81%	84%	65%
1st and 2nd	8%	7%	8%	8%	8%	7%	4%	9%	8%
2nd	27%	14%	17%	10%	12%	14%	10%	5%	16%
2nd and 3rd	4%	1%	1%	1%	1%	1%	0%	1%	1%
3rd	12%	4%	5%	3%	3%	6%	2%	1%	6%
3rd and 4th	1%	*%	*%	*%	*%	1%	0%	*%	1%
4th	3%	2%	1%	1%	1%	1%	0%	*%	1%
Other	2%	*%	*%	1%	1%	1%	1%	*%	1%
Don't know	3%	1%	1%	1%	1%	*%	1%	*%	1%
Unwilling to answer	40%	71%	68%	75%	73%	70%	81%	84%	65%
<i>Unweighted N =</i>	<i>192</i>	<i>865</i>	<i>406</i>	<i>2,874</i>	<i>2,549</i>	<i>1,788</i>	<i>243</i>	<i>936</i>	<i>3,158</i>

Note: * = less than 0.5 per cent.

Base: Family owned businesses; unweighted N = 5,308

9.8 Transfer/sale/closure of the business

The survey went on to seek information about the ways in which businesses might be transferred into new ownership over time. It began by asking whether the respondent intended to sell the business or keep it in the family when they retired.

Table 9.24 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 SMEs as a whole are concerned, it shows that:

- a quarter (25 per cent) of respondents intended to keep the business in the family when they retire. One-fifth (22 per cent) intended to sell the business when they retire. The largest group (36 per cent) said they had no plans at the time of the survey
- a quarter (26 per cent) of businesses with employees intended to sell the business compared to a fifth (20 per cent) of businesses without employees. Businesses without employees were more likely to be planning to close the business – 15 per cent were intending to do so compared to five per cent of businesses with employees.

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

- micro businesses were more likely than 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 close 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 intended to keep the company in the family at retirement. Two-fifths (44 per cent) of businesses in the primary sector said this compared to 37 per cent of businesses in the construction sector and less than 30 per cent of businesses in production (29 per cent) and services (25 per cent)
- businesses not proposing growth in the near future were more likely to be planning to close the business on retirement – nine per cent reported this compared to two per cent of businesses proposing growth
- older businesses of ten years and more were marginally more likely to be planning to keep the business in the family – 29 per cent compared to 27 per cent of those under four years old and 25 per cent of businesses between four and ten years old.

Table 9.24: Proportion of businesses that intend to sell their business or keep it in the family when they retire (Q196)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Sell the business	22%	20%	26%	27%	24%	20%
Keep it in the family	25%	24%	28%	28%	26%	25%
Close the business	12%	15%	5%	6%	2%	1%
No plans at the moment	36%	36%	35%	34%	40%	43%
Don't know	5%	4%	5%	5%	7%	10%
Unwilling to answer	1%	*	1%	1%	1%	1%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Sell the business	13%	23%	19%	29%	27%	26%	25%	27%	26%
Keep it in the family	44%	29%	37%	25%	28%	27%	27%	25%	29%
Close the business	4%	6%	8%	5%	2%	9%	2%	5%	5%
No plans at the moment	31%	35%	32%	36%	37%	33%	39%	38%	33%
Don't know	7%	6%	4%	5%	6%	5%	7%	4%	6%
Unwilling to answer	0%	1%	1%	1%	1%	1%	0%	1%	1%
Unweighted N =	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

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

Base: All businesses; unweighted N = 8,640

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 9.25 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 SMEs as a whole are concerned, it shows that:

- over one-fifth (22 per cent) of all businesses anticipated a full transfer of ownership or closure in the next five years
- businesses without employees were slightly more likely than those with employees to anticipate the full transfer of ownership or closure (23 per cent compared to 21 per cent).

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

- the smaller the firm, the more likely they were to anticipate a full transfer of ownership or closure. One-fifth (21 per cent) of micro businesses reported this to be the case compared to 18 per cent of small businesses and 15 per cent of medium businesses
- businesses in the primary sector were least likely to anticipate the full transfer of ownership or closure – 16 per cent anticipated this compared to around one-fifth of businesses in the other three sectors
- businesses not proposing growth were considerably more likely to be anticipating a full transfer of ownership or closure in the next five years. Over a quarter (28 per cent) reported this to be the case compared to 16 per cent of businesses that were proposing growth
- older businesses of ten years and over were more likely to be anticipating a full transfer of ownership or closure – a quarter (24 per cent) of older businesses stated this compared to 15 per cent of businesses under four years, and 16 per cent of businesses between four and ten years old.

Table 9.25: Proportion of businesses that anticipate a full transfer of the ownership or closure of their business in the next five years (Q197)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Anticipate full transfer of ownership in next five years	22%	23%	21%	21%	18%	15%
Do not anticipate full transfer of ownership in next five years	78%	77%	79%	79%	82%	85%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Anticipate full transfer of ownership in next five years	16%	22%	20%	21%	16%	28%	15%	16%	24%
Do not anticipate full transfer of ownership in next five years	84%	78%	80%	79%	84%	72%	85%	84%	76%
Unweighted N =	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

Base: All businesses; unweighted N = 8,640

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 9.26 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 SMEs as a whole are concerned, it shows that:

- four per cent of all small businesses had a written transfer plan. One-fifth (20 per cent) were aware of such a plan but did not have one
- businesses with employees were more likely to either have a plan (five per cent) or be aware of a plan but not have one (23 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 a written transfer plan. Nine per cent of medium businesses and eight per cent of small businesses had such a plan compared to five per cent of micro businesses
- businesses in the production, construction and services sector were more likely than those in the primary sector to be aware of a transfer plan (23 per cent compared to 19 per cent)
- businesses that were proposing growth were slightly more likely to have a transfer plan (six per cent compared to five per cent) or be aware of such a plan (25 per cent compared to 21 per cent)
- businesses of under four years and over ten years were marginally more likely to have a full transfer plan (six per cent compared to four per cent of businesses between four and ten years).

Table 9.26: Whether businesses are aware of and/or have a written transfer plan (Q198)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
You have such a plan	4%	3%	5%	5%	8%	9%
You are aware of such a plan but do not have one	20%	18%	23%	23%	24%	22%
You are not aware of such a plan	73%	75%	68%	69%	63%	62%
Don't know	4%	4%	4%	3%	5%	7%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
You have such a plan	5%	5%	4%	5%	6%	5%	6%	4%	6%
You are aware of such a plan but do not have one	19%	23%	23%	23%	25%	21%	23%	24%	23%
You are not aware of such a plan	73%	69%	67%	68%	66%	71%	68%	70%	67%
Don't know	2%	4%	5%	4%	4%	3%	3%	3%	4%
Unweighted N =	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

Base: All businesses; unweighted N = 8,640

9.9 Insolvency

The survey now asked all respondents some questions about insolvency with regard to business reputation. The series of questions began by asking to what extent the current provisions for dealing with insolvency protected the public effectively from reckless and dishonest individuals.

Table 9.27 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 SMEs as a whole are concerned, it shows that:

- over half (53 per cent) of all small businesses felt that the current provisions for dealing with insolvency are not effective. Over one-quarter (28 per cent) did not know whether the provisions are effective. One-fifth (19 per cent) of small businesses thought the provisions are adequate
- small businesses with employees were more likely to say that the current provisions for insolvency are not effective. Three-fifths (59 per cent) of these businesses stated this compared to half (51 per cent) of businesses without employees.

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

- small businesses were more likely to feel that the current provisions for insolvency are not effective. Over three-fifths (62 per cent) of small businesses said this was the case compared to 58 per cent of micro businesses and 59 per cent of medium businesses
- businesses in the production and construction sectors were more likely to consider the provisions on insolvency not to be effective. Around two-thirds of businesses in these sectors (65 per cent in production and 63 per cent in construction) reported this, compared to 52 per cent in the primary sector and 57 per cent in the services sector
- businesses not proposing growth were slightly more likely to state that the current provisions for insolvency are not effective (59 per cent compared to 58 per cent)
- the older the firm, the more likely they were to find that current provisions are not effective. Three-fifths (61 per cent) of businesses of ten years and over felt this to be the case compared to 57 per cent of businesses between four and ten years old, and 53 per cent of businesses under four years old.

Table 9.27: 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...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Yes	19%	19%	18%	18%	19%	21%
No	53%	51%	59%	58%	62%	59%
Don't know	28%	29%	23%	24%	19%	20%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Yes	18%	17%	17%	18%	20%	16%	24%	19%	17%
No	52%	65%	63%	57%	58%	59%	53%	57%	61%
Don't know	30%	18%	20%	25%	22%	25%	23%	25%	23%
Unweighted N =	228	1476	595	4,911	4,517	2,693	465	1,826	4,919

Base: All businesses; unweighted N = 8,640

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 9.28 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 SMEs as a whole are concerned, it shows that:

- they were more willing to have dealings with a discharged bankrupt than an undischarged bankrupt. Of all small businesses, one-quarter would be willing to have dealings with a discharged bankrupt and 15 per cent would be willing to have dealings with an undischarged bankrupt
- businesses with employees were slightly more likely to have dealings with a discharged bankrupt (27 per cent compared to 24 per cent) and an undischarged bankrupt (16 per cent compared to 15 per cent).

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

- there were few differences with regard to size of business
- businesses in the production and service sectors were more willing to have business dealings with bankrupts. A quarter (26 per cent) of production sector respondents reported they would have dealings with a discharged bankrupt while 17 per cent stated they would have dealings with an undischarged bankrupt. Over a quarter (28 per cent) of service sector respondents stated they would have dealings with a discharged bankrupt and 17 per cent reported they would have dealings with an undischarged bankrupt
- businesses proposing growth were more likely to be willing to have dealings with a discharged bankrupt (29 per cent compared to 23 per cent of those not proposing growth). They were also slightly more likely to be willing to have dealings with an undischarged bankrupt (17 per cent compared to 15 per cent)
- younger businesses of under ten years were more likely to work with a discharged bankrupt. Three in ten (29 per cent) businesses under four years, and 28 per cent of those between four and ten years, were willing to have dealings with a discharged bankrupt. Businesses under four years were also slightly more likely to have dealings with an undischarged bankrupt (18 per cent compared to 16 per cent of the other age businesses).

Table 9.28: Proportion of businesses that would be willing to have business dealings with a discharged bankrupt or an undischarged bankrupt (Q200)

	All firms			Firms with employees only											
	All firms	With or without employees		Employment size			Industrial sector (grouped SICs)				Proposing growth in 2 or 3 years		Age of business		
Proportions willing to deal with a discharged bankrupt	All	Without	With	Micro 1-9	Small 10-49	Medium 50-250	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Yes	25%	24%	27%	27%	26%	27%	15%	26%	21%	28%	29%	23%	29%	28%	26%
No	53%	53%	53%	53%	54%	51%	54%	52%	59%	52%	50%	56%	52%	52%	53%
Unsure	22%	23%	21%	21%	20%	22%	30%	22%	20%	20%	21%	20%	19%	21%	21%
Proportions willing to deal with an undischarged bankrupt															
Yes	15%	15%	16%	16%	15%	15%	9%	17%	14%	17%	17%	15%	18%	16%	16%
No	61%	60%	63%	62%	65%	63%	64%	62%	66%	62%	62%	64%	60%	63%	63%
Unsure	24%	25%	21%	21%	20%	22%	28%	21%	20%	21%	22%	21%	21%	21%	21%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

Note: * = less than 0.5 per cent.

Base: All businesses; unweighted N = 8,640

9.10 Disability among SME managers

Finally, the survey turned to the issue of health and disability among 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 9.29 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 SMEs as a whole are concerned, it shows that:

- eight per cent of all small businesses had owners, partners or directors with long-standing illness, disability or infirmity
- businesses without employees were more likely to have owners, partners or directors with a long-standing illness – nine per cent of businesses without employees said this was the case compared to six per cent of businesses with employees.

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

- micro and small businesses were slightly more likely to have owners, partners or directors with a long-standing illness (six per cent compared to five per cent of medium businesses)
- there were few differences with regard to sector. Businesses in the primary sector were marginally more likely to have owners, partners or directors with a long-standing illness, disability or infirmity (seven per cent compared to six per cent in the other sectors)
- there were no differences with regard to intention to grow
- businesses of ten years and over were slightly more likely to have owners, partners or directors with a long-standing illness, disability or infirmity (seven per cent compared to six per cent of businesses under four years old and five per cent of businesses between four and ten years old).

Table 9.29: Proportion of businesses that have any partners/directors with any long-standing illness, disability or infirmity (Q231)

Proportions who said...	All firms			Firms with employees only		
				Employment size		
	All	Without employees	With employees	Micro 1-9	Small 10-49	Medium 50-250
Have partners/directors with long-standing illness, disability or infirmity	8%	9%	6%	6%	6%	5%
Do not have partners/directors with long-standing illness, disability or infirmity	91%	91%	93%	93%	93%	95%
Unwilling to answer	*%	*%	1%	1%	1%	1%
Unweighted N =	8,640	1,430	7,210	2,900	2,889	1,421

Proportions who said...	Firms with employees only								
	Industrial sector (grouped SICs)				Proposing growth in next 2 or 3 years		Age of business		
	Primary AB	Pro-duction CDE	Cons-truction F	Services G-O	Yes	No	<4 years	4-10 years	10 plus years
Have partners/directors with long-standing illness, disability or infirmity	7%	6%	6%	6%	6%	6%	6%	5%	7%
Do not have partners/directors with long-standing illness, disability or infirmity	93%	93%	93%	93%	93%	93%	94%	95%	92%
Unwilling to answer	0%	1%	1%	1%	1%	1%	*%	*%	1%
Unweighted N =	228	1,476	595	4,911	4,517	2,693	465	1,826	4,919

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

Base: All businesses; unweighted N = 8,640

10 Under-Represented Groups

In terms of business ownership in the UK, there are two large sections of society that are not represented to the extent that might be expected given their numbers in the population: women and particular minority ethnic groups. In this chapter, we examine the issues facing business owners from these communities.

The precise definitions of these businesses are given in Chapter 2, but are summarised below for convenience.

- **Women-led businesses** (these data are also for the UK as a whole, and focus on those 17 per cent of SMEs that were either led solely by women or where women constituted a majority of the owners/directors/partners).
- **MEG-led businesses** (these data are for the UK as a whole, and focus on those seven per cent of SMEs that were either led solely by individuals from a minority ethnic group (MEG) background, or such individuals constituted at least half of owners/directors/partners).

Readers should note that, for the most part, this chapter looks just at businesses with employees. However, we begin below by looking at the (employment) size of all SMEs, and so include those without employees.

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. The reader is advised to refer to Table 1.2 which provides guidance on statistical confidence limits applying to survey sub-samples.

10.1 Structural characteristics of Women-led and MEG-led businesses

We begin by looking at the structural characteristics of businesses led by women or MEGs, reviewing in turn:

- their employment size and propensity to employ staff
- their sectoral distribution
- whether or not they are proposing to grow in the coming year
- the age of the business
- their propensity to export.

10.1.1 Employment size and propensity to employ staff

We can see from Table 10.1 that the employment structure of these women and MEG-led businesses looks broadly similar to the UK 'average', showing the same massive bias in distribution towards having no, or few, employees. However:

- women-led businesses are somewhat less likely to employ any staff than UK small businesses as a whole.

Table 10.1: Under-represented groups: employment size and propensity to employ staff

	UK average (all businesses)	MEG-led businesses (UK)	Women-led businesses (UK)
Zero	71%	73%	79%
Micro (1-9 employees)	24%	25%	19%
Small (10-49 employees)	4%	2%	2%
Medium (50-250 employees)	1%	*%	0%
<i>Unweighted bases</i>	<i>8,640</i>	<i>440</i>	<i>1,001</i>

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

Base: All businesses; weighted data; unweighted N = 8,640

10.1.2 Sectoral distribution

Focusing now just on businesses with employees, we can see from Table 10.2 that

- both MEG-led and women-led employers are evidently more concentrated in the service sector than is the case with other businesses.

Table 10.2: Under-represented groups: sectoral distribution

	Businesses with employees only		
	UK average (all businesses)	MEG-led businesses (UK)	Women-led businesses (UK)
Primary (AB)	4%	0%	4%
Production (CDE)	17%	12%	10%
Construction (F)	8%	2%	2%
Services (G-O)	72%	87%	83%
<i>Unweighted bases</i>	<i>7,210</i>	<i>356</i>	<i>728</i>

Note: 0% = no cases observed.

Base: Businesses with employees; weighted data; unweighted N = 7,210

10.1.3 Growth prospects

We can see from Table 10.3 that

MEG-led businesses are about as likely to aim for growth, but women-led businesses (both with employees) are less so, than are their 'UK all businesses' comparator.

Table 10.3: Under-represented groups: growth prospects

	Businesses with employees only		
	UK average (all businesses)	MEG-led businesses (UK)	Women-led businesses (UK)
Aim to grow the business	56%	57%	50%
Will not grow the business	44%	43%	50%
<i>Unweighted bases</i>	<i>7,210</i>	<i>356</i>	<i>728</i>

Base: Businesses with employees; weighted data; unweighted N = 7,210

10.1.4 Age of business

We can see from Table 10.4 that:

- MEG-led and women-led businesses with employees are more likely to be young (ie under four years) than the UK 'average'.

Table 10.4: Under-represented groups: age of business

	Businesses with employees only		
	UK average (all businesses)	MEG-led businesses (UK)	Women-led businesses (UK)
Less than four years	9%	15%	14%
Four to ten years	30%	37%	33%
More than ten years	61%	48%	53%
<i>Unweighted bases</i>	<i>7,210</i>	<i>356</i>	<i>728</i>

Base: Businesses with employees; weighted data; unweighted N = 7,210

10.1.5 Exporting

We can see from Table 10.5 that:

- both women-led and MEG-led businesses are less likely than the average to engage in exporting – most strongly so in the case of women-led businesses.

Table 10.5: Under-represented groups: exporting

	Businesses with employees only		
	UK average (all businesses)	MEG-led businesses (UK)	Women-led businesses (UK)
Sell outside the UK	22%	19%	15%
Do not sell outside the UK	77%	81%	85%
Don't know	*%	0%	*%
<i>Unweighted bases</i>	<i>7,210</i>	<i>356</i>	<i>728</i>

Note: * = less than 0.5 per cent.

Base: Businesses with employees; weighted data; unweighted N = 7,210

10.2 Experiences and perceptions of women and MEG led businesses

We now go on to consider to what extent these small businesses under different ownership actually demonstrate a different set of experiences and perceptions from their counterparts.

10.2.1 Reasons for not aiming to grow

We noted earlier that 56 per cent of employers aimed to grow in the coming two to three years, and that among women-led businesses the proportion was somewhat lower than this. This raises the question that perhaps women-led businesses have a different approach to potential growth than their counterparts, which we address here, or that they may face different constraints to achieving it (addressed below). We can see from Table 10.6 that this is not the case for women-led businesses, and indeed that broadly speaking the distribution of their reasons does not vary much from business to business. However, we note that:

- MEG-led businesses are more likely than other businesses to say that their market would not support such growth
- MEG-led businesses are also somewhat less likely than others to cite prospective retirement or closure as a reason for not growing.

Table 10.6: Under-represented groups: reason for not seeking growth in coming year

	Businesses with employees only		
	UK average (all businesses)	MEG-led businesses (UK)	Women-led businesses (UK)
I am happy with the size we are	47%	46%	48%
I want to remain independent	*%	0%	*%
It is too complicated to take on staff	2%	0%	1%
I want to reduce the number of hours worked	*%	0%	*%
I am looking to retire or close down the business	19%	13%	17%
Regulations deter me	3%	4%	3%
Haven't thought about it	1%	5%	1%
It would cost too much/would need to get into debt	2%	1%	4%
Too risky	1%	1%	1%
Don't have the resources to grow	4%	1%	5%
Market wouldn't support growth	14%	21%	13%
Fear of financial failure	1%	0%	1%
I want to remain below VAT threshold	*%	0%	*%
Cost of insurance	*%	0%	0%
Family business	*%	0%	1%
I am looking to consolidate/downsize the business	4%	5%	3%
Personal/health problems	*%	0%	1%
Too much hassle/effort involved	2%	1%	1%
I won't be able to control/manage it	3%	1%	3%
There is no incentive	6%	6%	7%
Don't have the time	*%	0%	0%
Specialised business sector	*%	0%	*%
Other	*%	1%	1%
No particular reason	2%	3%	1%
Don't know	2%	1%	2%
<i>Unweighted bases</i>	<i>2,693</i>	<i>138</i>	<i>334</i>

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

Base: Employers not anticipating growth in coming year; weighted data; unweighted N = 2,693

10.2.2 Obstacles to business success

We can see from Table 10.7 that:

- MEG-led businesses are more likely to cite competition in the market as an obstacle than are businesses in general, or women-led businesses

Table 10.7: Under-represented groups: biggest obstacles to business success

	Businesses with employees only		
	UK average (all businesses)	MEG-led businesses (UK)	Women-led businesses (UK)
The economy	15%	8%	14%
Obtaining finance	3%	5%	4%
Cash flow	7%	5%	7%
Taxation (VAT, PAYE, National Insurance, business rates)	7%	5%	7%
Recruiting staff	5%	5%	7%
Keeping staff	1%	2%	2%
Transport issues	2%	2%	2%
Lack of broadband access	*%	1%	*%
Regulations	14%	9%	11%
Keeping up with new technology	2%	1%	*%
Availability/cost of suitable premises	2%	2%	2%
Competition in the market	22%	34%	23%
Shortage of managerial skills/expertise	1%	1%	*%
Shortage of skills generally	3%	2%	2%
Lack of financial understanding	1%	1%	*%
Crime	1%	2%	2%
Lack of customer demand	*%	1%	*%
Other	2%	1%	1%
No obstacles	9%	10%	11%
No opinion	4%	2%	4%
Unwilling to answer	1%	1%	0%
<i>Unweighted bases</i>	<i>7,210</i>	<i>356</i>	<i>728</i>

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

Base: *Businesses with employees; weighted data; unweighted N = 7,210*

- MEG-led businesses are much less likely to cite the economy in general as their biggest obstacle than are businesses in general
- both MEG-led and women-led businesses are slightly more inclined to cite difficulty in obtaining finance than are other businesses.

10.2.3 Obtaining finance

Overall, fewer than one in five (17 per cent) small businesses with employees had tried to obtain finance in the previous year, and this picture was not very different for businesses led by women or MEGs. We can see from Table 10.8 that:

- MEG-led and women-led businesses (with employees) had tried to obtain finance slightly less often than the UK 'average'.

Table 10.8: Under-represented groups: obtaining finance

	Businesses with employees only		
	UK average (all businesses)	MEG-led businesses (UK)	Women-led businesses (UK)
Have tried to obtain finance once only	13%	9%	10%
Have tried to obtain finance more than once	5%	6%	2%
Have tried to obtain finance at all	17%	14%	12%
Have not tried to obtained finance	82%	85%	87%
Don't know	1%	1%	*%
Unwilling to answer	*%	1%	1%
<i>Unweighted bases</i>	<i>7,210</i>	<i>356</i>	<i>728</i>

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

Base: *Businesses with employees; weighted data; unweighted N = 7,210*

10.2.4 Problems in obtaining finance

Overall, most businesses that had sought finance had managed to secure it, with ten per cent) encountering problems of some kind on the way, and another one in ten (nine per cent) not being able to secure any. We can see from Table 10.9 that:

- MEG-led businesses were much more likely to experience problems, and much less likely to secure any funding than were businesses in general. However, these data are based on a sample of only 67 businesses and should be treated with caution.

Table 10.9: Under-represented groups: problems in obtaining finance

	Businesses with employees only		
	UK average (all businesses)	MEG-led businesses (UK)	Women-led businesses (UK)
Unable to obtain any finance	9%	14%	7%
Yes, obtained some but not all of the finance required	4%	20%	4%
Yes, obtained all the finance required but with some problems	6%	8%	*%
Obtained some or all finance required with difficulty	10%	28%	4%
No, had no difficulties in obtaining finance	79%	58%	87%
Don't know	1%	*%	1%
Unwilling to answer	1%	0%	*%
<i>Unweighted bases</i>	<i>1,516</i>	<i>67</i>	<i>109</i>

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

Base: *Businesses with employees; weighted data; unweighted N = 7,210*

10.2.5 Late payment and insolvency

Late payment was found to be something of a problem for about a quarter of businesses (23 per cent), and a big problem for another 12 per cent.

We can see from Table 10.10 that:

- women-led businesses were more likely to find that late payment was not a problem and MEG-led businesses were more likely to avoid the problem by not extending credit than was the case elsewhere.

Table 10.10: Under-represented groups: late payment

	Businesses with employees only		
How big a problem?	UK average (all businesses)	MEG-led businesses (UK)	Women-led businesses (UK)
Big problem	12%	6%	5%
Small problem	23%	19%	17%
No problem	41%	38%	50%
Not relevant, as don't provide them with credit	23%	36%	28%
Don't know	1%	1%	1%
Unwilling to answer	*%	0%	0%
<i>Unweighted bases</i>	<i>3,566</i>	<i>170</i>	<i>369</i>

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

Base: Random half of businesses with employees; weighted data; unweighted N = 3,566

Turning to the issue of insolvency, small businesses were asked whether the current provisions for dealing with insolvency protect the public effectively from reckless and dishonest individuals. As Table 10.11 shows:

- these businesses were in general similar to the average in terms of knowledge about and confidence in current provisions, except that respondents from MEG-led businesses were rather more likely to think current provisions do protect the public effectively (24 per cent) and those from women-led businesses were more likely to say that they didn't know.

Table 10.11: Insolvency: Do the current provisions for dealing with insolvency protect the public effectively from reckless and dishonest individuals? (Q199)

	Businesses with employees only		
	UK average (all businesses)	MEG-led businesses (UK)	Women-led businesses (UK)
Yes	18%	24%	15%
No	59%	54%	54%
Don't know	23%	22%	31%
<i>Unweighted bases</i>	<i>7,210</i>	<i>356</i>	<i>728</i>

Base: Businesses with employees; weighted data; unweighted N = 7,210

10.2.6 Propensity to seek general business advice

We noted earlier in this report that just over a quarter (27 per cent) of UK SMEs (with employees) had sought general advice and information for running their business in the previous year from a variety of sources.

Table 10.12 shows how this figure compares with the experience of women-led and MEG-led businesses. We might expect perhaps that they would be more inclined to seek external advice to deal with their various challenges, but this does not seem to be the case. As the table shows, their propensity to seek general business advice is remarkably similar to that of any other small business.

Table 10.12: Proportion of women-led and MEG-led businesses that have sought general advice and information for running their business in the last 12 months (Q125-128)

	Businesses with employees only		
	UK average (all businesses)	MEG-led businesses (UK)	Women-led businesses (UK)
Have sought information and advice	28%	30%	27%
Have not sought information and advice	71%	68%	72%
Don't know	1%	2%	1%
Unwilling to answer	*%	0%	0%
<i>Unweighted bases</i>	<i>7210</i>	<i>356</i>	<i>728</i>

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

Base: Businesses with employees; weighted data; unweighted N = 7,210

10.2.7 Contact with public authorities

Table 10.13 shows how much contact women-led and MEG-led businesses had had with government departments or agencies in the previous 12 months. We can see that the level of contact is generally lower than for businesses (with employees) in general.

Table 10.13: Proportion of businesses that have had any contact with government departments or agencies in the past 12 months (Q1550)

	Businesses with employees only		
	UK average (all businesses)	MEG-led businesses (UK)	Women-led businesses (UK)
Have had contact	61%	57%	53%
No contact	37%	41%	43%
Don't know	2%	1%	2%
Unwilling to answer	1%	1%	2%
<i>Unweighted bases</i>	<i>7,210</i>	<i>356</i>	<i>728</i>

Note: * = less than 0.5 per cent.

Base: *Businesses with employees; weighted data; unweighted N = 7,210*

In particular:

- MEG-led businesses had a slightly lower than average propensity to have contact with public authorities.
- this was rather more marked for women-led businesses, of whom only just over half (53 per cent) had had such contact, compared with 61 per cent of businesses overall.

10.2.8 Perceptions of government responsiveness to the concerns of small businesses

Table 10.14 shows that among women and MEG-led businesses, assessments of the responsiveness of government to the concerns of small businesses are very similar to those of SMEs as a whole. Specifically we can see that:

- in common with businesses with employees as a whole, about four out of five of these businesses feel that the government either does not take the concerns of small businesses into account at all, or does so only a little.

Table 10.14: Government responsiveness to small business concerns: How much do you feel the Government takes into account the concerns of small businesses?

	Businesses with employees only		
	UK average (all businesses)	MEG-led businesses (UK)	Women-led businesses (UK)
Not at all	37%	32%	40%
A little	48%	48%	46%
Quite a lot	8%	10%	7%
Very much	1%	3%	1%
Don't know	5%	6%	5%
Unwilling to answer	*%	*%	*%
<i>Unweighted bases</i>	<i>7,210</i>	<i>356</i>	<i>728</i>

Note: * = less than 0.5 per cent.

Base: Businesses with employees; weighted data; unweighted N = 7,210

10.2.9 Crime

Looking first at perceptions of the seriousness of crime in relation to the premises and in the area around these businesses, we can see from Table 10.15 that:

- women-led businesses are less likely to see crime as a very or fairly big problem (12 per cent compared with a 16 per cent average); and
- MEG-led businesses are slightly more likely to see crime as a very or fairly big problem (18 per cent).

Table 10.15: How big a problem is crime in relation to your premises and the area around you? (Q164)

	Businesses with employees only		
	UK average (all businesses)	MEG-led businesses (UK)	Women-led businesses (UK)
A very big problem	5%	10%	5%
A fairly big problem	11%	8%	7%
Not a very big problem	29%	37%	25%
Not a problem at all	54%	45%	60%
Don't know	1%	*%	1%
Unwilling to answer	*%	0%	*%
<i>Unweighted bases</i>	<i>3,564</i>	<i>162</i>	<i>364</i>

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

Base: Random half of businesses with employees; unweighted N = 7,210

Table 10.16 shows that these differing perceptions are to some extent grounded in reality:

- among MEG-led businesses the likelihood of having been a victim of crime on one or more occasions in the previous year is higher (at 26 per cent) than it is for businesses as a whole (21 per cent), and among women-led businesses it is lower (17 per cent).

Table 10.16: Has your business been a victim of crime in the last 12 months? (Q166)

	Businesses with employees only		
	UK average (all businesses)	MEG-led businesses (UK)	Women-led businesses (UK)
On several occasions	11%	17%	9%
Victim once	10%	9%	8%
Not a victim	78%	73%	82%
Don't know	1%	1%	1%
Unwilling to answer	*%	*%	*%
<i>Unweighted bases</i>	<i>3,564</i>	<i>162</i>	<i>364</i>

Note: * = less than 0.5 per cent.

Base: Random half of businesses with employees; unweighted N = 7,210

10.2.10 Training activities

Survey respondents were asked whether their business funded or arranged any training, including any formal on the job training, and development for their staff during the previous year.

Table 10.17 shows that:

- MEG-led businesses were much less likely to have arranged such training than were businesses in general (30 per cent compared with 41 per cent overall)
- however, women-led businesses showed a very similar pattern to businesses as a whole.

Table 10.17: Extent to which businesses had funded or arranged training or development

	Businesses with employees only		
	UK average (all businesses)	MEG-led businesses (UK)	Women-led businesses (UK)
Have funded or arranged training or development	41%	30%	42%
Have not funded or arranged any training or development	59%	69%	58%
Don't know	*%	1%	*%
Unwilling to answer	*%	0%	0%
<i>Unweighted bases</i>	<i>3,572</i>	<i>190</i>	<i>355</i>

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

Base: Random half of businesses with employees; weighted data; unweighted N = 7,210

N = 7,210

11 The Spatial Dimension: Regions and localities

In this chapter we briefly consider the spatial or geographical dimension. We investigate the extent to which England (considered apart from the UK), the different regions of England and the three devolved administrations (Wales, Scotland and Northern Ireland) can be differentiated. Are there systematic patterns that suggest that businesses in these different locations face different problems or take different approaches?

The chapter also explores findings at a local spatial scale, considering issues facing business owners operating in localities, particularly the following two sub groups:

- **Businesses in deprived areas** (these data are for England only; some 13 per cent of SMEs are located in wards shown by the Department for Transport, Environment and the Regions' Index of Multiple Deprivation for the year 2004, to be the 15 per cent most deprived wards in England).
- **Businesses in rural areas** (again, these data are just for England, and they comprise some 28 per cent of SMEs that are located in wards defined as rural by the Countryside Agency, using data from the Social Disadvantage Research Centre of the Department of Social Policy and Social Work at Oxford University in 2004).

We set out tables below which compare responses across a range of survey variables and look for important differences – that is, differences which are large in scale, which appear to inter-relate in meaningful patterns, and generally appear not to occur by chance.

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. The reader is

advised to refer to Table 1.2 which provides guidance on statistical confidence limits applying to survey sub-samples.

11.1 Structural variation

Table 11.1 reviews the spatial distribution of SMEs with employees against a number of key structural criteria. It is evident from the table that the characteristics of these businesses are strongly influenced by the socio-economic structures of the regions considered. Thus for example:

- apart from the North West or the North East, the old industrial heartlands still mainly have smaller proportions of service sector businesses in their economies than other areas of the UK but the differences are not huge.
- the relatively high proportion of exporters in Northern Ireland probably reflects no more than the proximity of the Republic and the greater distance and cost involved in doing business elsewhere in the UK.
- the proportion of employers located in deprived areas varies greatly across the English regions, broadly on a north-south axis, and ranging from 33 per cent in the North East, to five per cent in the East of England Region, six in the South West and two per cent in the South East.

Table 11.1: 'Structural' characteristics of the sample by English regions and devolved administrations

	Businesses with employees only								
	Base	Micro Firms	Service sector	Exporters	In rural areas*	In deprived areas*	MEG-led	Women-led	New start ups
London	885	81%	80%	33%	0%	19%	21%	13%	9%
South East	850	85%	73%	24%	32%	2%	6%	12%	10%
South West	834	85%	72%	19%	40%	6%	1%	15%	13%
East Midlands	341	83%	64%	24%	37%	15%	6%	10%	12%
West Midlands	425	85%	63%	22%	26%	17%	10%	10%	10%
Yorkshire & The Humber	365	85%	68%	14%	26%	29%	5%	11%	16%
North East	312	76%	74%	18%	24%	33%	3%	12%	8%
North West	468	86%	71%	20%	25%	23%	4%	12%	8%
East of England	550	85%	69%	26%	41%	5%	5%	11%	13%
ENGLAND	5,030	84%	71%	24%	27%	14%	8%	12%	11%
WALES	843	86%	71%	12%	*	*	5%	15%	11%
SCOTLAND	835	83%	75%	14%	*	*	2%	14%	12%
NORTHERN IRELAND	502	81%	77%	27%	*	*	1%	18%	11%
UK	7,210	84%	72%	22%	14%	7%	7%	12%	11%

Note: * = England only.

Base: All businesses with employees, weighted data; unweighted N = 7,210

11.2 Business growth by region

Looking specifically at businesses' experience, or expectations, of 'growth' produces the following analysis.

There are some interesting variations between regions' different experiences of business growth, which may well reflect different levels of buoyancy in local product markets. Thus for example:

- businesses in the West Midlands, and the North East are more likely to report recent employment growth than other regions; and
- expectation of further employment growth is strongest in the West Midlands.

It seems likely that a range of characteristics of the SME populations of the various regions – sector structures, 'age' structures, ownership patterns and the varying size structures of their SMEs, for example – are implicated in complex ways in these observed differences (and, of course, sample variation due to chance may play a part). Unfortunately, the sample sizes for each region are too small to allow the underlying associations (between growth indicators and the structural characteristics of regions) to be easily and reliably ascertained.

Table 11.2: Growth in small businesses; businesses with employees only; variation by English regions and devolved administrations

	Businesses with employees only						
	Base	% with more employees than a year ago	% expect more employees in a year's time	% intend to grow the business	% will move into new market (where intending to grow)	% will introduce new products (where intending to grow)	% looking to close or retire (where not intending to grow)
London	885	17%	18%	61%	56%	67%	19%
South East	850	17%	15%	58%	52%	72%	20%
South West	834	19%	14%	55%	48%	63%	16%
East Midlands	341	18%	12%	44%	52%	60%	18%
West Midlands	425	23%	21%	60%	62%	71%	23%
Yorkshire & The Humber	365	17%	14%	54%	48%	64%	19%
North East	312	24%	16%	57%	56%	68%	20%
North West	468	19%	16%	59%	47%	62%	17%
East of England	550	18%	14%	51%	53%	63%	17%
ENGLAND	5,030	19%	16%	56%	53%	66%	19%
WALES	843	19%	18%	54%	58%	71%	22%
SCOTLAND	835	17%	16%	52%	53%	69%	20%
NORTHERN IRELAND	502	19%	17%	59%	52%	70%	24%
UK	7,210	19%	16%	56%	53%	67%	19%

Base: All businesses with employees, weighted data; unweighted N = 7,210

11.3 Obstacles to business success

Obstacles to business success can also be analysed on a geographical basis, and Table 11.3 shows that:

- competition is the most frequently cited main obstacle to success in all the different areas, except the South West, and the economy is second almost everywhere
- regulations is also in the top three for all areas, and more frequently cited in the South West, Wales and Scotland.

Table 11.3: Main obstacle to business success; businesses with employees; variation by English regions and devolved administrations

	Businesses with employees only							
	Base	The economy	Cash flow	Tax	Recruitment	Transport	Competition	Regulation
London	885	16%	6%	6%	6%	2%	27%	10%
South East	850	16%	8%	6%	5%	1%	22%	16%
South West	834	17%	6%	6%	6%	2%	17%	19%
East Midlands	341	16%	7%	10%	3%	4%	19%	10%
West Midlands	425	15%	6%	7%	5%	3%	23%	13%
Yorkshire & The Humber	365	15%	4%	7%	5%	2%	20%	12%
North East	312	15%	9%	7%	4%	1%	23%	14%
North West	468	11%	5%	2%	5%	3%	26%	15%
East of England	550	15%	8%	5%	6%	3%	21%	13%
ENGLAND	5,030	15%	7%	6%	5%	2%	22%	13%
WALES	843	13%	4%	6%	5%	3%	20%	18%
SCOTLAND	835	12%	5%	6%	6%	3%	21%	19%
NORTHERN IRELAND	502	10%	7%	13%	7%	*%	26%	10%
UK	7,210	15%	7%	7%	5%	2%	22%	14%

Note: * = less than 0.5 per cent.

Base: All businesses with employees, weighted data; unweighted N = 7,210

11.4 Financing the business

Geographical variation in the use of external finance is examined in the following table. It shows that:

- there is only small variation between regions in the propensity for businesses to seek external finance (NB: the result for the North East is based upon relatively few cases), but interestingly, businesses in London were least likely to seek it. However, as Table 6.1 shows, service sector employers show less propensity to seek finance than those in other sectors, and London has a particularly high concentration of businesses in this sector, so this may explain some of the variation
- similarly, although there are some small regional differences, the overall pattern of seeking funding for capital/cash flow reasons is dominant, with fewer cases of funding being sought for vehicles/equipment, and fewer still for land/buildings
- there are evident differences in the extent to which the monies were easily obtained from the first source approached, however. Against a UK average of 79 per cent, businesses seeking funding were least likely to encounter problems in the West and East Midlands, and the North West, and most likely to do so in London.

Table 11.4: Use of external finance by small businesses; businesses with employees only; variation by English regions and devolved administrations

	Businesses with employees only						
	Base	Sought finance in last year	Base	For capital/cash flow	For land/buildings	For equipment/vehicles	Obtained without difficulty
London	885	15%	164	39%	12%	17%	70%
South East	850	16%	181	39%	11%	26%	78%
South West	834	19%	193	46%	13%	21%	80%
East Midlands	341	17%	67	42%	5%	37%	85%
West Midlands	425	18%	89	39%	7%	27%	85%
Yorkshire & The Humber	365	17%	73	39%	7%	37%	76%
North East	312	23%	81	44%	17%	18%	76%
North West	468	16%	80	42%	17%	26%	85%
East of England	550	17%	98	34%	11%	29%	78%
ENGLAND	5,030	17%	1,026	40%	11%	26%	79%
WALES	843	19%	215	30%	13%	31%	83%
SCOTLAND	835	17%	170	47%	13%	24%	80%
NORTHERN IRELAND	502	18%	105	39%	9%	33%	81%
UK	7,210	17%	1,516	40%	11%	26%	79%

Base: All businesses with employees, weighted data; unweighted N = 7,210

11.5 Late payment

An examination of the late payment problem shows the following regional distributions:

- There do seem to be large differences in the extent to which late payment is deemed a problem by businesses, although this may be in part an effect of the relatively small number of cases observed. Nevertheless, we can see that in North East England, Eastern England, and the East Midlands, businesses are much more inclined to see late payment as a problem than they are, for example, in the West Midlands, or in Yorkshire & The Humber.
- There are some differences between regions in the awareness of the late payment legislation, but again the bases are quite small.
- Similarly, there are differences in the extent to which the legislation had been used; somewhat more than average in Scotland, London, the South East and the North East, and less so in the Midlands.

Table 11.5: Some aspects of the 'late payment' issue; businesses with employees only; variations between English regions and devolved administrations

	Businesses with employees only			
	Base	% where late payment is a problem	% aware of late payment legislation (where provide credit to customers)	% used it to take legal action (where aware of legislation)
London	436	37%	59%	10%
South East	441	39%	65%	13%
South West	401	29%	67%	7%
East Midlands	152	42%	65%	6%
West Midlands	205	27%	66%	4%
Yorkshire & The Humber	182	28%	68%	9%
North East	159	38%	55%	11%
North West	232	34%	66%	8%
East of England	281	38%	64%	9%
ENGLAND	2,489	35%	64%	9%
WALES	423	29%	62%	10%
SCOTLAND	405	33%	62%	15%
NORTHERN IRELAND	249	36%	56%	6%
UK	3,566	35%	63%	9%

Base: A random half all businesses with employees, weighted data; unweighted N = 3,566

11.6 Localities

We now move from the regional to the local scale of analysis, focusing on the issues facing businesses in different localities, particularly businesses located in deprived areas and rural areas, reviewing in turn:

- Employment size and propensity to employ staff
- Sectoral distribution
- Growth prospects
- Reasons for not aiming to grow
- Problems in obtaining finance
- Late payment and insolvency
- Crime.

11.6.1 Employment size and propensity to employ staff

We can see from Table 11.6 that the employment structure of businesses located in deprived areas and rural areas are broadly similar to the UK 'average'. However:

- businesses in deprived areas are somewhat more likely to employ staff than businesses in better-off areas, but otherwise their employment structure is much the same as elsewhere
- rural businesses are slightly less likely to employ any staff than UK small businesses as a whole.

Table 11.6: Employment size and propensity to employ staff: businesses in deprived areas and rural areas

	UK average (all businesses)	Deprived area (England)	Not deprived area (England)	Rural area (England)	Not rural area (England)
Zero	71%	68%	72%	73%	71%
Micro (1-9 employees)	24%	25%	24%	23%	24%
Small (10-49 employees)	4%	5%	4%	3%	4%
Medium (50-250 employees)	1%	1%	1%	*%	1%
<i>Unweighted bases</i>	<i>8,640</i>	<i>866</i>	<i>5,161</i>	<i>1,588</i>	<i>4,439</i>

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

Base: All businesses; weighted data; unweighted N = 8,640

11.6.2 Sectoral distribution

Focusing now just on businesses with employees, we can see from Table 11.7 that:

- businesses with employees in deprived areas tend to be more production-based than elsewhere and less prevalent in the construction sector
- employing businesses in rural areas are obviously more concentrated in the primary sector than elsewhere, and are clearly under-represented in the service sector.

Table 11.7: Sectoral distribution of businesses in deprived areas and rural areas

	Businesses with employees only				
	UK average (all businesses)	Deprived area (England)	Not deprived area (England)	Rural area (England)	Not rural area (England)
Primary (AB)	4%	1%	4%	10%	1%
Production (CDE)	17%	22%	16%	16%	17%
Construction (F)	8%	5%	9%	10%	7%
Services (G-O)	72%	72%	71%	64%	74%
<i>Unweighted bases</i>	<i>7,210</i>	<i>756</i>	<i>4,274</i>	<i>1,275</i>	<i>3,755</i>

Note: 0% = no cases observed.

Base: Businesses with employees; weighted data; unweighted N = 7,210

11.6.3 Growth prospects

In terms of growth prospects, we can see from Table 11.8 that:

- businesses in rural areas are less likely to be aiming for business growth in the next two or three years than are their more urban counterparts
- those in deprived areas are much the same as their counterparts in less deprived areas.

Table 11.8: Growth prospects of businesses in deprived areas and rural areas

	Businesses with employees only				
	UK average (all businesses)	Deprived area (England)	Not deprived area (England)	Rural area (England)	Not rural area (England)
Aim to grow the business	56%	57%	56%	53%	58%
Will not grow the business	44%	43%	44%	47%	42%
<i>Unweighted bases</i>	<i>7,210</i>	<i>756</i>	<i>4,274</i>	<i>1,275</i>	<i>3,755</i>

Base: Businesses with employees; weighted data; unweighted N = 7,210

11.6.4 Reasons for not aiming to grow

Businesses in deprived areas seem somewhat less likely to say that they are not aiming to grow because they are happy with their present size than their counterparts in better-off areas. They are correspondingly more likely than other businesses to say that their market would not support such growth as Table 11.9 highlights.

Table 11.9: Reason for not seeking growth in coming year

	Businesses with employees only				
	UK average (all businesses)	Deprived area (England)	Not deprived area (England)	Rural area (England)	Not rural area (England)
I am happy with the size we are	47%	41%	48%	46%	48%
I want to remain independent	*%	1%	*%	*%	1%
It is too complicated to take on staff	2%	1%	2%	2%	1%
I want to reduce the number of hours worked	*%	*%	*%	*%	*%
I am looking to retire or close down the business	19%	18%	19%	18%	19%
Regulations deter me	3%	2%	3%	4%	2%
Haven't thought about it	1%	0%	1%	2%	1%
It would cost too much/would need to get into debt	2%	1%	2%	1%	2%
Too risky	1%	2%	1%	2%	1%
Don't have the resources to grow	4%	6%	4%	5%	4%
Market wouldn't support growth	14%	23%	13%	12%	15%
Fear of financial failure	1%	*%	1%	1%	1%
I want to remain below VAT threshold	*%	0%	*%	*%	*%
Cost of insurance	*%	0%	*%	0%	*%
Family business	*%	1%	*%	*%	*%
I am looking to consolidate/downsize the business	4%	4%	4%	3%	4%
Personal/health problems	*%	0%	*%	0%	*%
Too much hassle/effort involved	2%	1%	2%	2%	2%
I won't be able to control/manage it	3%	3%	3%	3%	3%
There is no incentive	6%	5%	6%	6%	6%
Don't have the time	*%	1%	*%	0%	*%
Specialised business sector	*%	0%	*%	*%	*%
Other	*%	0%	*%	0%	*%
No particular reason	2%	3%	2%	2%	1%
Don't know	2%	4%	2%	2%	2%
<i>Unweighted bases</i>	<i>2,693</i>	<i>302</i>	<i>1,571</i>	<i>514</i>	<i>1,359</i>

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

Base: Employers not anticipating growth in coming year; weighted data; unweighted N = 2,693

11.6.5 Problems in obtaining finance

Fewer than one in five businesses with employees in deprived and rural areas had tried to obtain finance in the previous financial year– a similar proportion to the UK average. Overall, most businesses that had sought finance had managed to secure it. However, we can see from Table 11.10 that:

- businesses in deprived areas were somewhat more likely to experience problems in obtaining finance and were slightly less likely to secure any funding than were businesses in general
- in contrast, rural businesses were no less likely to encounter problems than were businesses in general.

Table 11.10: Problems in obtaining finance: businesses in deprived areas and rural areas

	Businesses with employees only				
	UK average (all businesses)	Deprived area (England)	Not deprived area (England)	Rural area (England)	Not rural area (England)
Unable to obtain any finance	9%	10%	9%	8%	9%
Yes, obtained some but not all of the finance required	4%	4%	5%	2%	6%
Yes, obtained all the finance required but with some problems	6%	9%	6%	5%	7%
Obtained some or all finance required with difficulty	10%	13%	11%	7%	13%
No, had no difficulties in obtaining finance	79%	72%	80%	84%	77%
Don't know	1%	2%	1%	1%	1%
Unwilling to answer	1%	3%	*%	*%	1%
<i>Unweighted bases</i>	<i>1,516</i>	<i>145</i>	<i>881</i>	<i>290</i>	<i>728</i>

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

Base: *Businesses with employees; weighted data; unweighted N = 7,210*

11.6.6 Late payment and insolvency

As highlighted in Chapter 10, late payment was found to be something of a problem for about a quarter of businesses (23 per cent), and a big problem for another 12 per cent.

We can see from Table 11.11 that:

- late payment as a serious problem was somewhat more marked in deprived areas.

Table 11.11: Potentially disadvantaged businesses: late payment

How big a problem?	Businesses with employees only				
	UK average (all businesses)	Deprived area (England)	Not deprived area (England)	Rural area (England)	Not rural area (England)
Big problem	12%	14%	11%	10%	13%
Small problem	23%	19%	24%	27%	22%
No problem	41%	39%	43%	42%	42%
Not relevant, as don't provide them with credit	23%	28%	21%	20%	23%
Don't know	1%	1%	1%	1%	1%
Unwilling to answer	*%	0%	*%	0%	*%
<i>Unweighted bases</i>	<i>3,566</i>	<i>385</i>	<i>2,104</i>	<i>623</i>	<i>1,866</i>

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

Base: Random half of businesses with employees; weighted data; unweighted N = 3,566

Turning to the issue of insolvency, small businesses were asked whether the current provisions for dealing with insolvency protect the public effectively from reckless and dishonest individuals. As Table 11.12 shows businesses in deprived areas and rural areas were similar to the average in terms of knowledge about and confidence in current provisions.

Table 11.12: Insolvency: Do the current provisions for dealing with insolvency protect the public effectively from reckless and dishonest individuals? (Q199)

	Businesses with employees only				
	UK average (all businesses)	Deprived area (England)	Not deprived area (England)	Rural area (England)	Not rural area (England)
Yes	18%	19%	17%	17%	18%
No	59%	59%	59%	58%	59%
Don't know	23%	22%	24%	25%	23%
<i>Unweighted bases</i>	<i>7,210</i>	<i>756</i>	<i>4,274</i>	<i>1,275</i>	<i>3,755</i>

Base: Businesses with employees; weighted data; unweighted N = 7,210

11.6.7 Crime

Looking first at perceptions of the seriousness of crime in relation to the premises and in the surrounding area, we can see from Table 11.13 that:

- rural businesses show a fairly similar pattern to small businesses as a whole, with 14 per cent seeing crime as a very or fairly big problem compared with a 16 per cent average.
- among businesses in deprived areas this proportion virtually doubles, with 30 per cent reporting crime as a very or fairly big problem.
- that perception is also somewhat above average among businesses in non-rural areas.

Table 11.13: How big a problem is crime in relation to your premises and the area around you? (Q164)

	Businesses with employees only				
	UK average (all businesses)	Deprived area (England)	Not deprived area (England)	Rural area (England)	Not rural area (England)
A very big problem	5%	14%	4%	4%	7%
A fairly big problem	11%	16%	10%	10%	12%
Not a very big problem	29%	19%	30%	28%	29%
Not a problem at all	54%	48%	54%	57%	52%
Don't know	1%	2%	1%	1%	1%
Unwilling to answer	*%	1%	*%	*%	*%
<i>Unweighted bases</i>	<i>3,564</i>	<i>373</i>	<i>2,101</i>	<i>635</i>	<i>1,839</i>

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

Base: Random half of businesses with employees; unweighted N = 7,210

Table 11.14 shows that these differing perceptions are to some extent grounded in reality:

- Among businesses located in deprived areas the likelihood of having been a victim of crime on one or more occasions in the previous year is higher (at 26 per cent) than it is for businesses as a whole (21 per cent).

Table 11.14: Has your business been a victim of crime in the last 12 months? (Q166)

	Businesses with employees only				
	UK average (all businesses)	Deprived area (England)	Not deprived area (England)	Rural area (England)	Not rural area (England)
On several occasions	11%	18%	10%	7%	12%
Victim once	10%	8%	10%	11%	10%
Not a victim	78%	73%	79%	81%	77%
Don't know	1%	1%	1%	1%	1%
Unwilling to answer	*%	*%	*%	*%	*%
<i>Unweighted bases</i>	<i>3,564</i>	<i>373</i>	<i>2,101</i>	<i>635</i>	<i>1,839</i>

Note: * = less than 0.5 per cent.

Base: Random half of businesses with employees; unweighted N = 7,210