

**Small Business Service**

**Annual Survey of Small  
Businesses: UK**

**2003**

**Final Report**

# **Small Business Service Annual Survey of Small Businesses: UK 2003**

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John Atkinson  
Jennifer Hurstfield

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Prepared by:

INSTITUTE FOR EMPLOYMENT STUDIES  
Mantell Building  
Falmer  
Brighton BN1 9RF  
UK

Tel. + 44 (0) 1273 686751

Fax + 44 (0) 1273 690430

<http://www.employment-studies.co.uk>

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John Atkinson and Jennifer Hurstfield,  
Institute for Employment Studies

The selection and interpretation of the data presented in this report are the responsibility of the authors. Although the Small Business Service commissioned the research, it cannot be assumed that Department officials necessarily share the views or conclusions presented in it.

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# Executive Summary

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This summary sets out the key findings from the Small Business Service's Annual Small Businesses Survey for 2003.

## Survey aims

In undertaking this new annual survey, SBS is building on previous experience with its Omnibus Survey of Small Businesses, in seeking to:

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

## Survey scope

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

- the findings are based on a large sample of 8,693 small businesses (for the purposes of this report, a small business is any business with zero to 250 employees)
- the whole of the UK is covered
- the sample is weighted to be representative of small businesses in the UK; and
- the fieldwork was undertaken in the fourth quarter of 2003.

## The characteristics of small businesses

Perhaps the dominant characteristic of small businesses in the UK is the numerical dominance of businesses which have no, or very few, employees. Looking at all UK businesses with a headcount of up to 250 people, 69.5 per cent of them have no employees at all, and 25.3 per cent have fewer than ten. This bias is so marked, that even when we just focus on businesses that *do* have employees, fewer than a fifth of them (17.1 per cent) have ten or more.



Consistent with this, the experience of employment growth is not widespread across this sample, and where it is experienced it is frequently not sustained for two years running. Although 15.8 per cent of employers had grown in the previous year, and 25 per cent expected to grow in the coming one, only 9.1 per cent grew in the previous year *and* expected to grow in the following year.

Nevertheless, the turnover of small businesses with employees is substantial. Unfortunately, about a third of businesses could not, or would not, provide financial information. But nearly three-quarters (73.8 per cent) of those who would tell us, had a turnover of between £56,000 (the VAT threshold at the time of the survey) and £1.5 million, and another 14.2 per cent had turnovers exceeding £1.5 million in the past year.

Furthermore, about a fifth of small employers (20.8 per cent) are exporters, conducting at least some of their business outside the UK. However, for most of these, their principal markets were close to home, with exports providing only a minority of their turnover. Thus, only 4.2 per cent overall said that most of their business was conducted abroad.

Service sector employers account for the bulk of the sample, at 71.8 per cent, and these include businesses in retailing, hotels and restaurants, transport and communications, financial services, business services, education, health and social work, and other services.

Finally, a substantial proportion of these businesses are relatively young. Among the businesses with employees, 14 per cent of them had been trading for less than four years, and fully a third (33.8 per cent) for ten years or less.<sup>1</sup>

## **The characteristics of small business owner/managers**

About half of all small businesses (50.9 per cent) were managed solely by men, while 12.3 per cent of small businesses were managed by a majority of women, and the rest had women among their directors, but not in a majority.

People from minority ethnic group (MEG) backgrounds made up the majority of directors among less than one in ten small businesses (8.9 per cent).

Nine per cent of businesses owners had a disability of some kind. This was true for businesses both with and without employees.

Just over two-thirds (67.3 per cent) of businesses reported described themselves as family-owned, and this proportion did not vary with the financial size of the business. Indeed, the only

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<sup>1</sup> There may be more young businesses than this in the UK business population, but because these take time to appear on Dun & Bradstreet's records (which were used as the sample frame), our sample may have a smaller proportion of young businesses than actually exists.

significant variation was that younger businesses were less likely to be family-owned (50.6 per cent among those trading for three years or less, compared with 73.3 per cent among those trading for over a decade).

## **New businesses**

Moving on to look at these new businesses — that is, those less than four years old — the survey showed quite a wide range of different rationales for starting. However, the most common, accounting for 29.0 per cent of the new businesses was a wish to be independent and to be their own boss. In addition, a wish to better themselves was also quite a common rationale among these new business developers, with 14.5 per cent citing their wish to make money, and another 11.5 per cent wanting to improve their careers and prospects.

Overwhelmingly, the owners of these new businesses had previously been in full-time employment (62.3 per cent), or self employment (25.0 per cent). Only 6.8 per cent classed themselves as being unemployed previously, and even fewer were in part-time work. Interestingly, unemployment as a starting point is no more evident (less, in fact) among new businesses in deprived areas (where unemployment tends to be higher) than it is in the less deprived ones. However, for exactly one in ten of these owners it was the difficulty of getting the right job, or more often, any job at all, which had provided an important rationale for starting their business, at 2.4 and 7.6 per cent respectively.

Just over a third (35.6 per cent) of these new business owners had not sought advice from anybody before starting up, while a further 17.8 per cent had consulted nobody except their friends, family or informal contacts. Among the other half, who had taken more formal advice, professional and/or commercial consultations with accountants (22.0 per cent), banks (16.5 per cent) and lawyers (7.3 per cent) together constituted the largest source of advice. Only 14.7 per cent had taken advice from a public advice/support agency, although this was much higher among new businesses in Wales (29.9 per cent) and Scotland (33.8 per cent).

Over a quarter of these new businesses owners (27.2 per cent) said that they had not faced any real obstacles in starting up, while another 13.9 per cent said that they could not readily identify any particular obstacle, which might be taken to suggest that none had been serious enough to recall.

Where difficulties had been encountered, financial difficulties were the most prominent, with one in five (20.8 per cent) reporting obstacles in raising finance to start up their new businesses, and another 10.1 per cent facing difficulties with their cash flow. Competition was mentioned by 6.8 per cent as having been an obstacle to their starting up the business, while even fewer (1.4 per cent) mentioned 'the economy' as a constraint.

## **Businesses with no employees**

As noted above, nearly 70 per cent of businesses did not employ any staff. Very nearly half of these businesses (47.7 per cent, or exactly a third of all small businesses) felt that they could not, or were not, attracting enough work to require taking on any staff.

Another 27.1 per cent (or nearly 19 per cent of all small businesses) said that they actively preferred to work alone, and so had no wish to employ staff. Even among businesses proposing to grow in the coming year, still fully a fifth (20.5 per cent) of them cited this preference as a reason for not employing staff.

The expense of employing labour (11.9 per cent, or just over eight per cent of all small businesses) and employment regulations (7.4 per cent, or just over five per cent of all small businesses) were much less widely cited.

Among this latter (and, it should be stressed, quite small) group, the dominant factor (cited by 56.9 per cent) was a generalised wariness of paperwork and perceived 'red tape', not specifically attached to a particular regulation or issue. Specific regulations were much less often cited as constraints on employment, but health and safety, and employee protection regulations were each cited by about a fifth of businesses with no employees (20.6 and 18.6 per cent respectively). Minimum wage regulations and working time rules were only cited infrequently, by about three per cent of these businesses each. Some 12.5 per cent said that they preferred to use casual staff rather than have any regular employees, and this preference was rather more widespread in construction.

## **Business objectives and growth**

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

Among all businesses (that is both those with and without employees presently) the sample was split fairly evenly between those who intended some form of growth (47.1 per cent) and those who did not (52.9 per cent).

The larger the business already, the more likely was it to intend to grow during the coming two or three years. Thus, among those with no employees currently, the proportion intending to grow was somewhat lower than average (at 41.0 per cent), but this rose consistently with size, reaching 83.2 per cent among the largest businesses, with 50 or more staff.

Looking at small businesses with employees, we found that, overall, some 61.1 per cent intended to grow in the next two or three years, although this is much lower in businesses in both the primary industries sector (46.2 per cent) and construction (43.0 per cent).

Anticipated growth correlates positively with turnover volumes, rising from just over half (52.5 per cent) among the smallest of these businesses, to just under three quarters (74.9 per cent) among the largest. It correlates negatively with the age of the business; younger businesses were much more likely to anticipate growth.

By far the most common means of securing the anticipated growth was simply to increase the volume of turnover or sales within the existing market/product parameters. About 55 per cent of businesses expecting to grow (or a quarter of them all), whatever their size or current employment, saw this as a means of growth.

The most widespread reason for not anticipating growth, cited by 37.2 per cent of businesses not expecting growth (or just under a fifth of all small businesses) was that they were happy to remain at their present size. This rationale becomes less common as the size of the organisation increases, but even among the largest businesses, with 50 or more employees, this remains a reason for not seeking growth among fully a quarter (25.3 per cent) of them.

Although quite uncommon among these larger businesses, the constraining effects of the proprietor's personal circumstances (for example, their wish to retire or close the business down) appear to be fairly widespread among the smaller ones. By contrast, among the larger businesses, concern that the market may not support growth was the main reason for not growing, with almost a third (30.6 per cent) citing this, while their smaller counterparts were much less inclined to be put off by worries about the market. A similar pattern emerges when considering businesses' capacity to grow; among the larger businesses, nearly a fifth (18.3 per cent) were not looking to grow because they lacked the capacity (premises, space, people, etc.) to do so, but this concern shrinks to only 6.6 per cent among the smallest.

Altogether, most small businesses either want to grow and propose to, or don't want to and don't propose to. There is only a minority of small businesses who might be thought of as being prevented from growing. Only about one in 20 (4.9 per cent) small businesses cite their market circumstances as something preventing them from growth. Roughly twice as many, 9.6 per cent, cite non-market factors, which may in some way be preventing them from growing.

## **Barriers and obstacles to achieving business objectives**

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

There was considerable agreement between employers and small businesses in general, that competition (16.2 per cent of all businesses), regulations (14.5 per cent) and the economy (12.0 per cent of all businesses) are their main obstacles to their businesses' success. It may be worth noting that this 'success'

may take many different forms, and is not necessarily synonymous with growth.

At the other end of the spectrum, lack of broadband access, keeping abreast of new technology, staff retention, and shortage of managerial skills/expertise, obtaining finance, and transport issues are each much less frequently cited. Employers with the highest turnover are most likely to mention the economy (37.6 per cent) and regulations (20.8 per cent).

We then went on to ask businesses how their greatest obstacle had actually affected their business.

The main impact is felt through restraint on, or reduction of, the volume of sales. Beyond this, higher costs/lower profit, capacity constraints and the soaking up of managers' time are the most frequently reported effects. Constraints on access to working capital or investment funding are less often cited.

## **Regulations as an obstacle to business**

Altogether 38.7 per cent of all businesses thought that 'regulations' acted in some way to place obstacles in the way of their success, and for 14.5 per cent this was their greatest obstacle.

Looking more closely at businesses that found regulations to be a problem, we find that although about a fifth (22.9 per cent) of them could not cite any particular regulation. However 24.4 per cent, or just under one in ten of all small businesses, pointed to health and safety regulations. Among small businesses with employees, regulations were more widely cited as an obstacle, with just under half (47.6 per cent) identifying them. Employment protection regulations were cited as a particular obstacle to business by just over one in ten (11.6 per cent) of employers who cited regulation, or just 5.5 per cent of all employers.

The indirect costs associated with compliance (that is mostly administrative, managerial and time costs) were most widely regarded as the core of the obstacle (among 56.4 per cent of these employers, or 26.8 per cent of all employers); although in addition, just over a quarter of them (or 12.5 per cent of all employers) cited the substantive cost of compliance (the direct costs of any changes which might have been needed). Difficulties in understanding the regulation, in finding and consulting advisors and in paying for the advice were less frequently cited in this respect.

## **Financing the business**

The majority of businesses (83.2 per cent) had not sought external finance for their business at all in the past 12 months. Larger businesses, newly formed ones and those demonstrating sustained growth (that is, they had grown in the past year and expected to grow again) were more likely to have sought such finance. Multiple attempts to raise finance were also more

common among such businesses, but for the most part, the majority of those seeking it had only done so once in the past year.

The two reasons most frequently cited for seeking finance were for working capital/cashflow, and for capital equipment/vehicles, with each cited by about a third of those who had sought external finance.

Half of the businesses seeking finance (51.6 per cent, or about eight per cent of all small businesses) said that they had sought a bank loan, while about a fifth (20.6 per cent) had sought a bank overdraft. Smaller proportions had sought finance through a grant, through leasing/hire purchase, or a mortgage (at 9.0, 9.2 and 6.9 per cent respectively).

The amount of money sought varied widely, although for nearly half of them (49.0 per cent), less than £25,000 had been sought. The amount tended to increase with the size of the business.

Few businesses reported any difficulty in raising finance. Around three quarters (74.1 per cent) of those who had tried had succeeded, and this proportion tended to increase with the size of the business. A further 6.7 per cent had obtained all the finance sought, but they had experienced problems in doing so, and another 4.7 per cent had only obtained part of the finance they sought. By contrast, some 13.2 per cent of those trying had failed to obtain any finance at all, although this amounts to just two per cent of all small businesses.

Among businesses with employees, those located in disadvantaged areas, those managed by a majority of women, and those managed by a majority of people from minority ethnic groups (MEG) had all been just as likely as other businesses to seek external funding.

Those located in disadvantaged areas had been just as likely to get this finance. However, among women-led businesses, and more particularly among MEG-led businesses, the proportion experiencing problems when they sought external finance was higher than average.

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, or that management time had been wasted. Few felt that the survival of the business had been called into question, although this was more evident among the smallest businesses.

## **Late payment**

For two out of five businesses (40.8 per cent), late payment was not a problem at all. However, 24.7 per cent thought it was a problem, albeit a small one, and 11.3 per cent considered late payment to be a big problem. The other 23.1 per cent of businesses did not provide credit; so late payment was not a relevant question.

The larger the business, the more likely it was to identify late payment as a big problem. Consistent with this, around three quarters (76.1 per cent) of small businesses who provided credit had never taken a customer to court, with the proportion rising to 81.4 per cent of the smallest businesses.

Overall, nearly two thirds (64.3 per cent) of managers of small businesses who provided credit were aware of the legislation dealing with late payment, but the proportion was much higher among the larger businesses (86.6 per cent among those with 50 or more employees).

Among those who were aware of it, some 16.6 per cent might mention the legislation when chasing debts, with the proportion rising with the size of the business. This amounts to just one in ten small businesses overall. Of those small businesses that knew about it, only 1.9 per cent of them (or just over one per cent of all small businesses) had taken legal action under the legislation.

## **Seeking advice about business regulation**

Among small businesses as a whole, about half (52.7 per cent) had not sought advice or information from any external sources during the past year about regulations which might affect them. However, the likelihood of seeking such advice increases sharply with the size of the business, such that among medium-sized businesses, only about a fifth (21.1 per cent) had not done so.

Growing businesses in general, and the more recently established ones, appear more likely to have sought such advice more often than others, as do those in primary industries. By contrast, MEG-led businesses and those in deprived areas have sought such advice less often than average.

Among small businesses as a whole, the three main sources used for advice on regulation were:

- the business's accountant (12.8 per cent of all businesses)
- the trade or business association to which the business might belong (10.7 per cent); and
- public information sources, such as the internet, library or press (6.3 per cent).

## **Contact with, and use of, government services**

Nearly half of all businesses owners (45.1 per cent) said that they had had no contact with the government during the previous year, although as the size of the business increased, they were more likely to have had contact. Fewer than one in five (18.3 per cent) of medium-sized businesses said that they had not had any contact.

Some 30.1 per cent of small businesses said that they had had such contact on VAT related issues. Around one in five (21.9 per

cent) had had contact on non-VAT tax related issues and a similar proportion (20.8 per cent) had dealt with Companies House. A minority of businesses mentioned the area of regulation enforcement (12.4 per cent).

Those who said that they had had contact with the government were asked, for different types of contact, how satisfied they were with it. For each type of contact, more businesses were satisfied than dissatisfied. The proportion satisfied ranged from 52.9 to 84.4 per cent depending on the type.

Businesses did not consider that the government took a lot of account of the concerns of small businesses. Less than one per cent of all businesses said that the government took very much concern, and just under seven per cent that it took quite a lot of concern. Conversely, some 36.1 per cent considered the government took only a little account and 37.6 per cent said that it took no account at all.

## **Public procurement**

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

Overall, 14.0 per cent of all businesses had expressed an interest in public sector work. This proportion varied according to size, with nearly two in five in medium-sized businesses having expressed interest (38.5 per cent) compared with 11.9 per cent of businesses with no employees.

Of those who had expressed such an interest, more than three quarters (77.9 per cent) had actually done public sector work in the past 12 months. This proportion was higher for micro businesses (83.2 per cent), and higher still for small and medium businesses.

## **Discrimination against minority businesses**

In seeking some preliminary data on the extent to which some small businesses may experience, and be inhibited by, discrimination of one sort or another, we asked a sub-sample from within the overall sample of businesses about their experiences in this area. This sub-sample focused on some of the poorest and most deprived parts of the country, and consequently the results are not intended to be representative of small businesses as a whole, and ought to be treated with some caution as a result.

We found that 11.7 per cent of small businesses reported that they had been discriminated against in some respect during the past two or three years in the course of running their business.

There is no significant variation in this level according to the size of the business, but the incidence of discrimination seems slightly



lower for businesses engaged in the primary and production sectors. The incidence of recalled discrimination rises slightly among both women-led and MEG-led businesses, but again not by much, to 14.6 and 14.0 per cent respectively.

In only about one in ten (10.9 per cent) businesses that had experienced discrimination (that is approximately one per cent of small businesses as a whole) was this discrimination adjudged to be sufficiently serious to have constrained the business. However, this proportion doubles for MEG-led businesses.

## **Crime as a problem for small businesses**

When small business owners were asked 'open-ended' what factors were constraining their business, crime was mentioned by only a handful of them. However, when the questioning was directed explicitly at crime, then the proportion citing it as a big or fairly big problem was more considerable. Fully 30 per cent of businesses with employees thought so, and the bigger the business, the more likely is it to perceive crime as an important problem. However a similar proportion did not view crime as a problem at all.

Among MEG-led employers the proportion viewing crime as a very big or fairly big problem increased to 38 per cent, while in the most deprived wards in England, the proportion citing crime as a very big or fairly big problem increased to fully 45 per cent of employers.

About a third (35.3 per cent) of small employers had been the victim of at least one crime in the previous 12 months, and for just over a fifth of them (21.1 per cent), it had happened more than once. Once again, there was considerable variation by size and location.

## **Innovation in products and processes**

Two in every five small employers (39.5 per cent) had introduced some kind of new product or service in the year before the survey, while a third (33.5 per cent) had introduced some kind of new process or way of working in that year (some businesses had introduced both).

For both kinds of innovation, there is a clear relationship with the size of the business; the larger it is, in terms of employment, the more likely is it to have innovated. Furthermore, both kinds of innovation are positively associated with growth. Finally, the younger the business is, the more likely it has been to have introduced new products/services or processes.

## **Small businesses and youth**

Businesses owners were asked about their awareness of, and involvement with, organisations that are active in helping young

people learn about business. Most of the organisations cited were quite widely recognised among small businesses, with the Prince's Trust, in particular, recognised by 86.5 per cent of these employers overall, and rather more in Wales.

Overall, less than one in ten of these employers (8.4 per cent) had not heard of any of the organisations, although the proportion was somewhat higher in Scotland.

However, when attention is turned to these employers' actual involvement with these organisations, then a radically different picture emerges. No organisation had secured the involvement of more than two per cent of these small employers. This picture did not differ to any significant degree between any of our sub-groups of employer.

## **Family businesses**

We reported earlier that just over two thirds (67.3 per cent) of businesses owners described their business as a family-owned one.

For the most part, these were controlled by the first generation (57.5 per cent) or the second (20.9 per cent).

The most common expectation about the future of these businesses, was that they would remain in the families' hands (47.7 per cent), although about a fifth (19.2 per cent) said that they would probably sell the business at some point in the future.

# 1. Introduction

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Small businesses 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, having the desire, skills and opportunity to start a successful business
- everyone with the ambition to grow their business being helped and supported
- a supportive business environment with all small businesses finding it easy to respond to government and access its services.

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

In undertaking this new annual survey of the opinions and experiences of the owners of small businesses, SBS is building on previous experience with its Omnibus Survey of Small Businesses, in seeking to:

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

## 1.1 Introduction to the research

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

At its core is a systematic and comprehensive series of questions intended to throw light upon small businesses' general circumstances and concerns, especially where these intersect with SBS's main responsibilities, and in particular, on their relationship with Government.

The key issues covered in this first survey are:

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

In addition, there is some analysis of:

- growing businesses
- discrimination against minority businesses
- crime
- innovation
- family businesses
- disability among SME owners

## **1.2 Summary of the research method**

The research procedures on which these results are based is summarised below.

### **1.2.1 Sampling**

When constructing the sample frame, the aim was to include incorporated and unincorporated businesses in proportion to their existence in the universe of SMEs as a whole. The sample was then stratified according to employment size which, along with industry sector and incorporated status, was shown to be an important influence on SMEs' perspectives and behaviours in the earlier omnibus surveys. The size bands were:

- sole traders and partnerships without any employees
- micro businesses with one to nine employees
- small businesses with ten to 49 employees
- medium businesses with 50 to 249 employees.

More firms from Wales and Scotland were sampled than would be required to match the proportion in the UK. This was so that colleagues in the Welsh Assembly and Scottish Executive had a large enough sample to be able to analyse their countries' businesses in detail. 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 in detail.

The survey covered 7,517 UK SMEs broken down as follows:

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

|              | England      | Scotland     | Wales        | NI         | Total        |
|--------------|--------------|--------------|--------------|------------|--------------|
| Zero         | 883          | 167          | 168          | 34         | 1,252        |
| Micro        | 1,766        | 333          | 335          | 69         | 2,503        |
| Small        | 1,772        | 334          | 337          | 68         | 2,511        |
| Medium       | 881          | 166          | 170          | 34         | 1,251        |
| <i>Total</i> | <i>5,302</i> | <i>1,000</i> | <i>1,010</i> | <i>205</i> | <i>7,517</i> |

Source: Databuild Ltd

In this research, the sample of ethnic minority-owned businesses was also boosted. Two sources were used for this boosted sample:

- 793 ethnic minority-owned businesses that had taken part in the omnibus survey and had expressed a willingness to undertake further research.
- A random sample of businesses in the top 15 per cent of deprived wards was constructed. These businesses were then screened to identify ethnic minority businesses. Businesses were considered to be minority ethnic group (MEG) led where at least half the owners were from ethnic minorities. It was very difficult to find many small and medium MEG-led businesses so there are fewer of these in the sample than we would have liked.

The ethnic boost was structured as follows:

**Table 1.2: Sample size of ethnic boost (sample information)**

|              | England      |
|--------------|--------------|
| Zero         | 187          |
| Micro        | 651          |
| Small        | 283          |
| Medium       | 55           |
| <i>Total</i> | <i>1,176</i> |

Source: Databuild Ltd

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

### 1.2.2 Research procedures

All interviews were conducted by telephone using Computer Aided Telephone Interviewing (CATI) systems in the period between 15th September and 19th December. Interviews lasted an average of 20 minutes, with the option of researchers curtailing the interview after a specified point in the survey where businesses were unwilling to complete the interview.

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 would be interviewed. In the boosted sample of ethnic minority businesses, non-owners were also interviewed where the owner did not have an adequate level of English to take part in the research.

The response rate for the survey was 86 per cent. 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.
- A letter from SBS setting out the importance of participation in the survey was faxed or emailed to any businesses who were reluctant to take part.

### **1.2.3 Questionnaire**

The questionnaire was developed to investigate the core topics in the SBS Strategy with *ad hoc* topics for the Welsh, Scottish and boosted ethnic minority sample. 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 discrimination were asked to random sub-sets of the English data.

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

As the hard copy of the final questionnaire is rather long, we do not include a copy as an annex to this report. However, a PDF file of the questionnaire may be found at the bottom of this page.

<http://www.sbs.gov.uk/analytical/publicationsbytheme.php>

### **1.2.4 Weighting**

As the sample was not constructed to reflect the distribution of firms by size in the UK, the results were weighted.

Two approaches were taken to weighting. In Wales, Scotland and Northern Ireland the results were weighted to reflect the true proportions of businesses in each size band and country. This involves giving each respondent a weight calculated as follows:

1. Total number of organisations in that size band in that country, divided by
2. Number of organisations in that size band in that country in the sample.

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

1. Total number of small business in Wales (6,500) divided by
2. Number of organisations in that size band in that country in the sample (337)
3. =  $6,500/337 = 19.29$ .

In England, the populations to which the data was weighted also reflected whether the organisations were in the top 15 per cent of deprived areas in the UK, and whether they were owned by member(s) of ethnic minority group(s).

In effect, there were 16 populations represented in the English sample:

- zero, micro, small and medium MEG-led businesses in deprived areas
- zero, micro, small and medium non-MEG businesses in deprived areas
- zero, micro, small and medium MEG-led businesses in non-deprived areas
- zero, micro, small and medium non-MEG businesses in non-deprived areas.

The weighting factor for the first of these populations would therefore be:

1. Total number of zero MEG-led businesses in deprived areas (53,473)<sup>1</sup>
2. Total number of zero MEG-led businesses in deprived areas in the sample (145)
3. =  $53,437/145 = 368.53$ .

Two further points on weighting:

- 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.
- In order to avoid overrepresentation, businesses without employees have been removed from all but analysis by size.

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<sup>1</sup> These figures were calculated using the screening data in the ethnic boost.

## 2. Characteristics of Small Businesses

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In this chapter, we set out a number of key features of the small businesses covered in the survey. This is done for two reasons: firstly, in themselves they provide a good description of some of the more important features of small businesses in the UK; and secondly, in the remainder of the report, we use these features as the main analytical variables against which we will evaluate their responses to more substantive questions about their policies, practices, experiences and beliefs.

We look in turn at:

- number of staff employed
- industrial and commercial sectors covered
- location of the businesses by country
- financial turnover
- legal form of the business
- whether or not the business exports outside the UK
- recent experiences of business growth
- expectations about future growth
- the extent to which women are involved in managing the business
- the extent to which people from a minority ethnic group are involved in managing the business
- the physical characteristics of the main location of the business, and
- the age of the business.

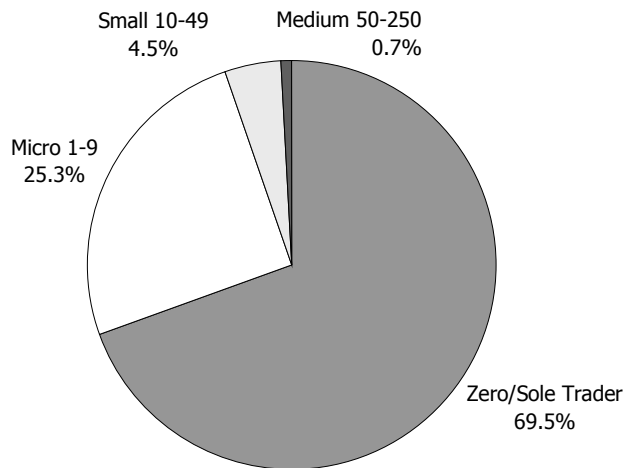
### 2.1 Number of staff employed

The defining characteristic of the small business is that it has relatively few employees. For the purposes of this survey, we included businesses with a current UK headcount of up to 250 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.

It is important to recall that employment size was one of the variables used to weight the achieved sample to make it



**Figure 2.1: Distribution of current employment (Q26)**



Base: All businesses (weighted data); unweighted N = 8,693

representative of small businesses in the UK. Figure 2.1 shows the size distribution of businesses in the UK SME population according to the Small Business Service (SBS) Small and Medium-sized Enterprise (SME) Statistics, and according to the number of employees working in them at the time of the survey. The survey results are weighted by these proportions so that they describe this business population, rather than just the survey sample.

We can see that:

- there is an enormous preponderance of businesses which employ nobody except the owner or partners. Thus, almost 70 per cent of the businesses covered have no employees or are sole traders.
- even where there are employees, the number employed in most of the businesses is very modest. Thus, just over one-quarter of them have between one and nine employees, and fewer than five per cent have between ten and 49.
- the proportion of small businesses employing 50 or more staff is minute in comparison to the achieved sample as a whole, with just 0.7 per cent of businesses falling into this category.

Because, as Table 2.1 shows, most small businesses have no employees, the survey necessarily covers such sole traders, however the proprietors described themselves (self employed, sole proprietorships, business's only employee, etc.). However, so predominant are such businesses in the UK that much of the analysis that follows distinguishes between two groups of small business; that is, all small businesses, including those with no employees, and those with at least one employee.

Most of the tables used throughout this report are designed to show this distinction. They comprise two linked series of results, as follows:

- Part ‘a’ of these tables is presented first, and focuses on all small businesses (including those with no employees). It is labelled ‘all businesses’; and
- Part ‘b’ of these tables is presented second, and it focuses only on small businesses with at least one employee, and no more than 250. It is labelled ‘all employers’; the analysis provided is more detailed, and the title bar of the table is highlighted with a grey background to emphasise the distinction with the results in Part ‘a’.

Table 2.1 shows the distribution of businesses between small businesses and those with employees, first in the unweighted survey results, and then weighted to align with the UK business population.

We note that even among the ‘all employers’ grouping, when the data are weighted to reflect the UK business population, there is a significant predominance of micro and small businesses. Medium sized businesses account for less than one in 50 small businesses with employees. It is for this reason that the unweighted sample was designed to over-represent micro and small businesses, and so draw upon a reasonable number of respondent businesses.

At the same time, we need to have enough respondents in each size band to be able to compare businesses of different sizes. This is why the sample was also designed to contain businesses with no employees. However, in order to avoid the results for businesses *with employees* being swamped by those *without employees*, the analysis below, and much of the subsequent analysis in later chapters, concentrates on the former.

## 2.2 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 Figure 2.2 (for employers only).

Here we have concatenated the groupings into four blocks of business, which align with the Standard Industrial Classification

**Table 2.1: Employment size distribution among all businesses and all employers (Q26)**

|                           | Survey sample<br>(unweighted) |                    | UK business population &<br>survey sample (weighted) |                    |
|---------------------------|-------------------------------|--------------------|--|--------------------|
|                           | All businesses<br>%           | All employers<br>% | All businesses<br>%                                  | All employers<br>% |
| No employees              | 16.6                          |                    | 69.5   |                    |
| Micros (1–9 employees)    | 36.3                          | 43.5               | 25.3   | 82.9               |
| Small (10–49 employees)   | 32.1                          | 38.5               | 4.5  | 14.7               |
| Medium (50–250 employees) | 15.0                          | 18.0               | 0.7  | 2.4                |
| <i>Unweighted N =</i>     | <i>8,693</i>                  | <i>7,254</i>       |  |                    |

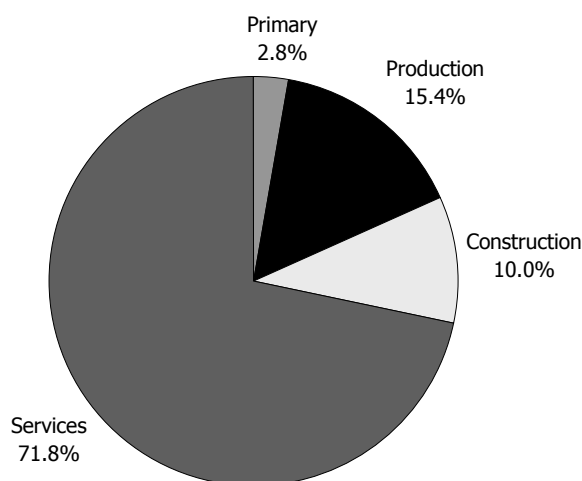
*Base: All businesses, all employers; unweighted and weighted data*

(SIC92), as follows:

- **Primary sector**, includes agriculture, hunting, forestry and fishing. We can see that this grouping makes up 2.8 per cent of the businesses.
- **Production industries**, including mining and quarrying; manufacturing; and electricity, gas and water supply. Production industries account for 15.4 per cent of the sample.
- **Construction** accounts for ten per cent of the sample.
- **Service sector businesses** account for the bulk of the sample, at 71.8 per cent, and include retailing, hotels and restaurants, transport and communications, financial services, business services, education, health and social work, and other services.

Note that public administration and defence are excluded from the coverage of the survey.

**Figure 2.2: Distribution of business activities (Q17)**



*Base: All employers; weighted data; unweighted N = 7,254*

## 2.3 Location of the businesses by country

Although there are separate reports looking in more detail at small businesses in Scotland and Wales, this report takes in the whole of the UK, and results for the four constituent countries are shown separately.

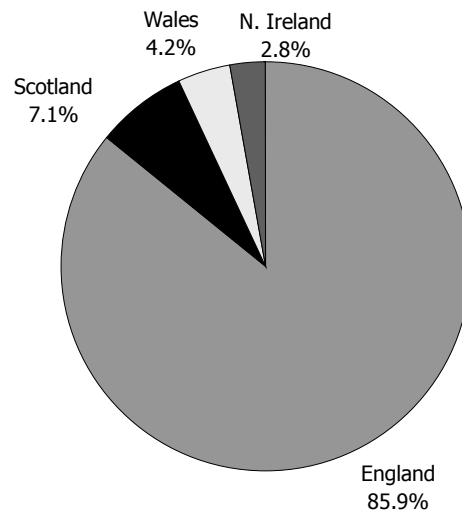
Figure 2.3 shows how the sample of employers is distributed between them. Clearly, although they are small, many of these businesses operate from more than one site, and in some cases, therefore, in more than one country. In this case, we have allocated them according to their main site.

The numerical dominance of employers located (or mainly located) in England is marked, at 85.9 per cent. However, there are significant numbers also in Wales and Scotland (constituting

4.2 and 7.1 per cent respectively), and rather fewer in Northern Ireland (2.8 per cent).

**Figure 2.3: Distribution by country within UK (sample information)**

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*Base: All employers, weighted data; unweighted N = 7,254*

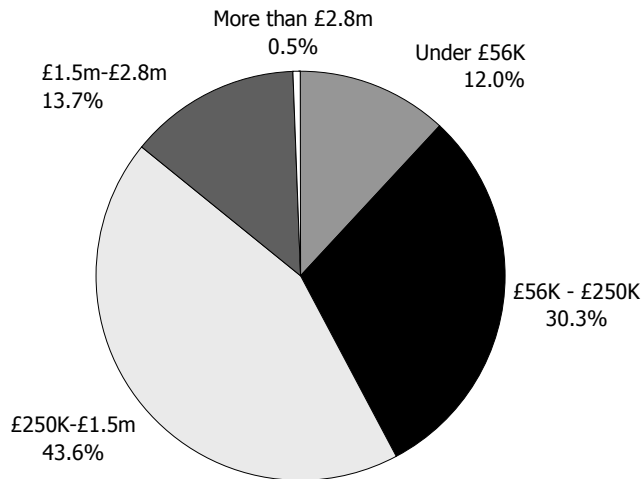
## 2.4 Financial turnover

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 35.2 per cent would not, or could not, say what their turnover had been.

Despite this, and focusing on those who could provide the data, Figure 2.4 shows the breakdown in five main groupings, again using weighted data for employers only.

**Figure 2.4: Distribution of financial turnover in previous year (Q351)**

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Base: All employers who provided turnover data, weighted data; unweighted N = 4,693

We can see that:

- 12.0 per cent had a turnover of less than £56,000 — the threshold for VAT registration at the time of the survey
- another 30.3 per cent had a turnover of between £56,000 and £249,000
- 43.6 per cent had a turnover of between £250,000 and £1.5 million
- some 13.7 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; and finally
- very few of these businesses (just 0.5per cent) had a turnover above £2.8 million.

## 2.5 Legal form of the business

Businesses were asked about the legal form in which they were organised.

We found that:

- 58.7 per cent of businesses were incorporated
- 20.1 per cent were partnerships; and
- 21.0 per cent said that they were sole proprietors (in this presumably also regarding themselves as employees of their business).

In addition, of course, we should recall that the above breakdown excludes businesses with no employees.

## 2.6 Whether or not the business exports outside the UK

We found that about one-fifth (20.8 per cent) of these employers did at least some of their business outside the UK. However, for most of these, exports constituted only a minority of their turnover, and only 4.2 per cent said that most of their business was exported abroad.

The analysis in subsequent chapters distinguishes simply between 'current exporters' and 'all small employers', but looking in more detail at the patterns of trade that the survey reveals, we can see, in Table 2.2 that:

- some 42.9 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 (23.8 per cent) were mainly engaged with markets inside their home country
- thus for about two-thirds of these employers most of their business was within their home country, while for most of the rest (28.6 per cent in all) their main market was within the UK.

**Table 2.2: Patterns of trade (Q38)**

|  | <b>% of all employers</b> |
|--|---------------------------|
| Mostly within the local town or county         | 42.9                      |
| Mostly within England/Scotland/Wales/N Ireland | 23.8                      |
| Mostly within the UK                           | 28.6                      |
| Mostly outside the UK                          | 4.2                       |
| DK   | 0.4                       |

*Base: All employers, weighted data; unweighted N = 7,254*

## 2.7 Recent and anticipated employment growth

Business confidence among smaller businesses may be strongly influenced by their recent experiences of growth. In order to assess this, we asked businesses about their recent employment growth. Although this may not be as direct an indicator of growth 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.

Looking first at job growth in the past year, we found that:

- 15.8 per cent of employers had increased their employment
- 64.8 per cent had stayed the same; and
- 18.1 per cent had reduced their headcount.

Looking to expected job growth in the year to come, we found that:

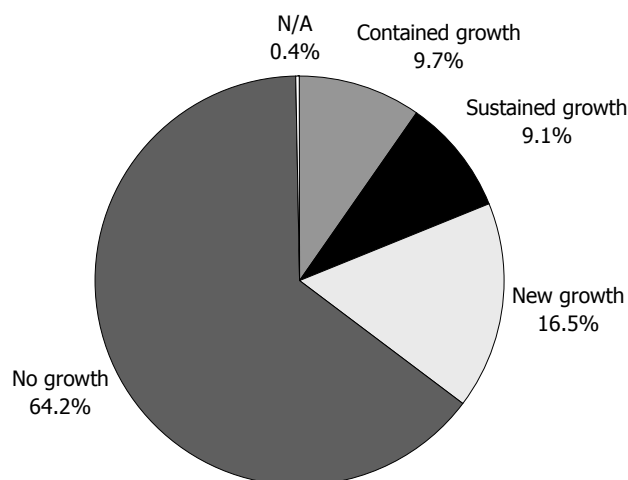
- 25 per cent of employers expected to increase their employment
- 63.4 per cent expected employment to stay the same; and
- 8.7 per cent expected to reduce their headcount.

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 Figure 2.5.

- **Contained growth:** Employment grew in the past year but was not expected to grow again in the next one; about one in ten employers (9.7 per cent) fell into this grouping.
- **Sustained growth:** Employment grew in the past year and expected to grow again in the next one; a further 9.1 per cent fell into this category.
- **New growth:** Employment did not grow in the past year but expected to grow again in the next one; rather more employers, some 16.5 per cent fell into this group; and
- **No growth:** By far the largest single group of employers (64.2 per cent) had experienced no employment growth in the past year, nor expected any in the next one.

While allowing that growth expectations may not be realised, this suggests that the experience of employment growth is not widespread across this sample, and where it is experienced it is frequently not sustained for two years running. Altogether some 35 per cent of these employers had experienced or expected to experience employment growth in the two year period concerned, but for less than a third of them (9.1 per cent in all) did this extend to both years.

**Figure 2.5: Distribution of employment growth and prospects (Q28-Q34)**



Base: All employers, weighted data; unweighted N = 7,254

## **2.8 The extent to which women and people from minority ethnic groups are involved in managing the business**

One of the Small Business Service's key strategic themes is to encourage more enterprise among disadvantaged groups and communities. This will simultaneously contribute to the Government's social exclusion agenda, and to increase the overall rate of entrepreneurial activity, in places and among people where it is presently low. Two groups of people who will be important targets for this strategy are women and members of minority ethnic groups, and we consider them here. A further focus of this strategy is upon particularly disadvantaged communities, and we discuss them in the following section.

Looking first, though, at women and minority ethnic groups, the survey collected information in some detail about the characteristics of the managers in the respondent organisations. In particular, we were interested in the gender and ethnic composition of their management teams.

Looking first at gender, we found that:

- 12.3 per cent of these businesses were either managed solely by women, or had women as a majority of directors
- in 25.7 per cent of businesses there were equal numbers of men and women on the management team
- women formed a minority of the management team among 8.7 per cent of them; and
- 50.9 per cent of these businesses were managed solely by men.

Turning to the extent to which people from a minority ethnic group were involved in managing the business, we found that:

- 8.9 per cent of these businesses were either managed 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'.
- 90.9 per cent of these businesses were managed solely or mainly by people from white British backgrounds.

## **2.9 The physical characteristics of the main location of the business**

We showed above that many of these small businesses relied heavily on their local area for their market, and frequently this would obviously also constitute their main source of labour. So, the kind of neighbourhood in which these businesses are based is likely to influence several different aspects of their behaviour and experiences.



We focus here 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 employers in the sample, these two unfortunately only extend to the 5,408 (weighted) English businesses in the sample.

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 2000. Accordingly, businesses are classed as either rural or non-rural according to the characteristics of the ward in which it is located, in terms of population density, the economically active population, public transport to work, employment in agriculture/forestry/fishing, employment in primary production (mining/energy/water) and ethnicity. Accordingly, we found that about a third (32.4 per cent) of the small employers in England were located, or had their main location, in a rural 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 2000. This again focuses on wards, and 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. We have used the worst 15 per cent of these wards to indicate a deprived area, and using this definition, we find that about a quarter of our small employers in England are based in such disadvantaged areas.

## **2.10 The age of the business**

Businesses were asked how long they had been trading in the small business in question. We might imagine that those businesses which 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.

We can see that in both cases, just over 14 per cent had been trading for three years or less. Also, in both cases, the majority of the businesses had been trading for more than ten years, although this was somewhat more marked in the case of businesses with employees (66.2 per cent) than among the whole sample (59.7 per cent). Thus, it seems likely that our focus on businesses with employees serves to increase the average age of the cohort, but not excessively so; both samples are dominated by firms who have been trading for more than ten years.

**Table 2.3: Age of business, by current employment status (Q19)**

|                       | <b>All businesses including<br/>those without employees<br/>%</b> | <b>Businesses with<br/>employees<br/>%</b> |
|-----------------------|---|--|
| Three years or less   | 14.8  | 14.4                                       |
| Four to ten years     | 25.5  | 19.4                                       |
| More than ten years   | 59.7  | 66.2                                       |
| <i>Unweighted N =</i> | 8,693   | 7,254                                      |

*Base: UK weighted data; all businesses and all employers*

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

## **3. New Businesses and Those Without Employees**

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An important strategic theme for the Small Business Service is in encouraging a more dynamic start-up market, which will boost productivity and economic growth. It is envisaged that such a market will contribute to the process of 'productive churn' whereby more efficient and innovative new businesses will displace their less effective competitors and so raise overall productivity levels in the economy as a whole.

We begin the substantive analysis by looking at newly established businesses, and at those who had no employees at the time of the survey. As discussed above, most of the analysis in this report focuses on small and medium sized employers, that is, businesses with at least one employee. However, in this chapter, the focus is slightly different. In section 3.1, we include all businesses under four years old within the analysis, whether or not they have any employees, on the grounds that many new businesses may not yet have taken on employees. Conversely, in section 3.2, which looks at businesses with no employees, we focus exclusively on this cohort within the sample, but including businesses of all ages, rather than just young ones.

### **3.1 New businesses**

As noted above in Chapter 2, we found that just over 14 per cent of all these businesses had been trading for less than four years. This group was asked a number of further questions about their experiences of starting up a new business, but before this we introduced two filters in order to ascertain (1) that the individual responding to the questionnaire had been involved with the business at that time, and so could reasonably be expected to answer questions about it, and (2) to make sure that we included cases where respondents had taken over an established business, that is that the business was new to them, albeit not wholly new in itself.

This reduced the number of new businesses to 1,201, and it is on them that this section concentrates.

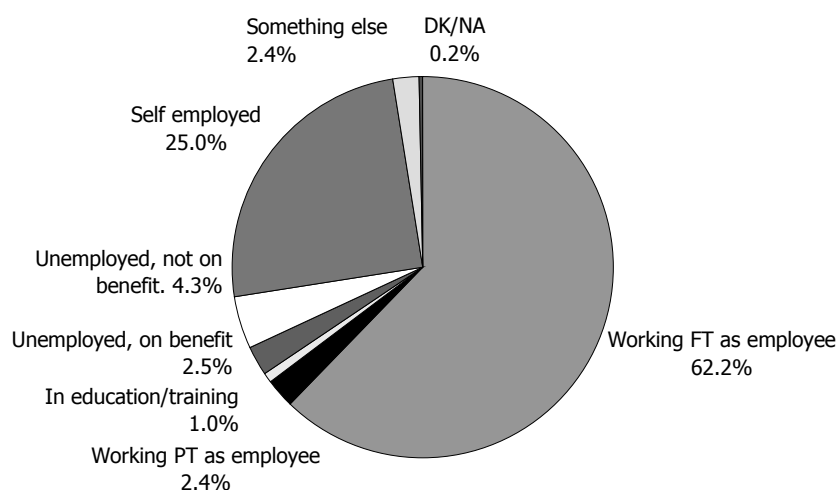
#### **3.1.1 Previous activities of new business managers**

We began by asking the respondent what he or she had been doing when they decided to start up, or start running, the business in question. Their responses are summarised in Figure 3.1.

It shows that:

- very nearly two-thirds of the individuals involved in these new ventures had been employed full time immediately before the start-up, and the more substantial the new venture (both in terms of employment and turnover) the more likely was this to have been the case. Very few had been working part time.
- another quarter of respondents from these new businesses had been self employed previously, and this proportion rises the smaller the size of the new venture. It rises, too, among new construction and primary sector businesses.
- other kinds of previous activity were relatively uncommon, with neither education nor unemployment (whether on benefit or otherwise) accounting for more than five per cent of respondents, whatever the size of new business they then joined or started.

**Figure 3.1: Respondents' status before new business started: all new businesses (Q48)**



Base: All new businesses; N = 1,201

Looking in more detail at these starting points, in Table 3.1, we can see that:

- while still only accounting for a small proportion of previous activities, unemployment (including both those on benefit and those not) was a rather more common starting point for businesses who were not experiencing growth, and who were rather pessimistic about their future growth prospects
- interestingly, unemployment as a starting point is less marked among new businesses in deprived areas (where unemployment tends to be higher) than it is in the less deprived ones
- unemployment without claiming benefit tends also to be somewhat more widespread among women-led businesses.

**Table 3.1: Respondents' status before new business started: all new businesses (Q48)**

| Proportions who said...    | All % | No Employees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | England % | Wales <sup>o</sup> % | Scotland % | N. Ireland <sup>o</sup> % |
|----------------------------|-------|----------------|-------------|---------------|-----------------|-----------|----------------------|------------|---------------------------|
| Working FT as employee     | 62.3  | 59.8           | 66.8        | 74.3          | 83.2            | 61.9      | 71.3                 | 59.6       | 68.8                      |
| Working PT as employee     | 2.4   | 2.7            | 1.9         | 2.2           | –               | 2.6       | 1.1                  | 1.2        | –                         |
| Self employed              | 25.0  | 25.7           | 24.2        | 16.4          | 11.0            | 25.0      | 10.6                 | 35.2       | 28.0                      |
| In education/training      | 1.0   | 1.2            | 0.4         | 2.0           | 3.0             | 1.1       | –                    | 1.3        | –                         |
| Unemployed, on benefit     | 2.5   | 3.3            | 0.7         | 0.1           | –               | 2.2       | 13.4                 | –          | –                         |
| Unemployed, not on benefit | 4.3   | 5.0            | 3.0         | 1.2           | 0.7             | 4.7       | –                    | 0.8        | 3.3                       |
| Something else             | 2.4   | 2.3            | 2.6         | 3.8           | 1.8             | 2.4       | 3.7                  | 2.5        | –                         |
| DK/NA                      | 0.2   | –              | 0.5         | 0.8           | –               | 0.2       | –                    | –          | –                         |

|                            | Primary AB <sup>o</sup> | Production CDE | Construction F <sup>o</sup> | Services G-O | T/O <£56K | £56-£249K | £250K-£1.49m | £1.5m-£2.8m | >£2.8m <sup>o</sup> |
|----------------------------|-------------------------|----------------|-----------------------------|--------------|-----------|-----------|--------------|-------------|---------------------|
| Working FT as employee     | 58.6                    | 70.5           | 57.4                        | 61.9         | 51.1      | 65.0      | 70.7         | 76.7        | 100.0               |
| Working PT as employee     | –                       | 0.2            | 1.3                         | 2.8          | 3.4       | 2.3       | 0.4          | 0.9         | –                   |
| Self employed              | 41.5                    | 16.0           | 30.1                        | 25.1         | 30.6      | 26.6      | 26.3         | 19.1        | –                   |
| In education/training      | –                       | 0.2            | –                           | 1.2          | 2.0       | 0.5       | 0.2          | 1.0         | –                   |
| Unemployed, on benefit     | –                       | 11.0           | 9.7                         | 1.3          | 4.1       | 1.8       | 0.7          | –           | –                   |
| Unemployed, not on benefit | –                       | –              | 1.3                         | 5.0          | 6.2       | 2.9       | 1.1          | 0.5         | –                   |
| Something else             | –                       | 2.1            | –                           | 2.6          | 2.6       | 1.1       | 0.7          | 1.8         | –                   |
| DK/NA                      | –                       | –              | 0.2                         | 0.2          | –         | –         | 0.1          | –           | –                   |

|                            | Women Led | MEG Led | Rural Area* | Not Rural* | Deprived Area* | Not* Deprived | Sole Prop. | Partnership | Incorporated |
|----------------------------|-----------|---------|-------------|------------|----------------|---------------|------------|-------------|--------------|
| Working FT as employee     | 60.3      | 57.6    | 57.6        | 65.2       | 62.5           | 61.8          | 51.8       | 70.7        | 64.9         |
| Working PT as employee     | 1.8       | 4.8     | 0.6         | 4.1        | 2.7            | 2.6           | 2.7        | 4.2         | 1.9          |
| Self employed              | 13.6      | 20.5    | 30.0        | 21.5       | 29.4           | 24.3          | 28.9       | 19.2        | 24.7         |
| In education/training      | 3.0       | 7.3     | 1.3         | 1.0        | 1.9            | 1.0           | 0.9        | 1.2         | 1.1          |
| Unemployed, on benefit     | 4.6       | 3.0     | –           | 3.4        | 0.7            | 2.4           | 4.8        | 2.2         | 1.5          |
| Unemployed, not on benefit | 14.4      | 3.1     | 8.5         | 1.0        | 0.2            | 5.4           | 8.4        | 1.3         | 3.2          |
| Something else             | 1.7       | 3.7     | 1.7         | 2.6        | 2.0            | 2.4           | 2.1        | 1.1         | 2.9          |
| DK/NA                      | 0.8       | –       | –           | –          | 0.8            | 0.1           | 0.5        | –           | –            |

|                            | Prop. Growth | Not Prop Growth | Market Const. ° | Other Const. ° | Sust'd Growth | Const'd Growth | New Growth | No Growth | Exporter |
|----------------------------|--------------|-----------------|-----------------|----------------|---------------|----------------|------------|-----------|----------|
| Working FT as employee     | 66.5         | 45.1            | 52.7            | 60.5           | 69.8          | 49.2           | 69.4       | 59.8      | 76.3     |
| Working PT as employee     | 1.5          | 7.7             | –               | 1.0            | 1.3           | 1.5            | 1.0        | 3.1       | 0.1      |
| Self employed              | 24.0         | 28.9            | 37.6            | 22.5           | 21.1          | 39.9           | 24.1       | 24.7      | 20.5     |
| In education/training      | 1.2          | 0.8             | 0.1             | 0.1            | 0.4           | 1.0            | 3.0        | 0.4       | 0.4      |
| Unemployed, on benefit     | 2.2          | 4.1             | 6.4             | 0.3            | 0.3           | 0.4            | 0.3        | 3.7       | 0.1      |
| Unemployed, not on benefit | 2.0          | 11.7            | –               | 13.0           | 6.6           | 0.3            | 1.6        | 5.3       | 1.8      |
| Something else             | 2.5          | 1.7             | 3.2             | 2.6            | 0.5           | 4.9            | 0.7        | 3.0       | 0.7      |
| DK/NA                      | 0.2          | –               | –               | –              | 0.2           | 3.4            | –          | –         | –        |

Base: All new businesses; N = 1,201

\* England only ° N&lt;100 cases

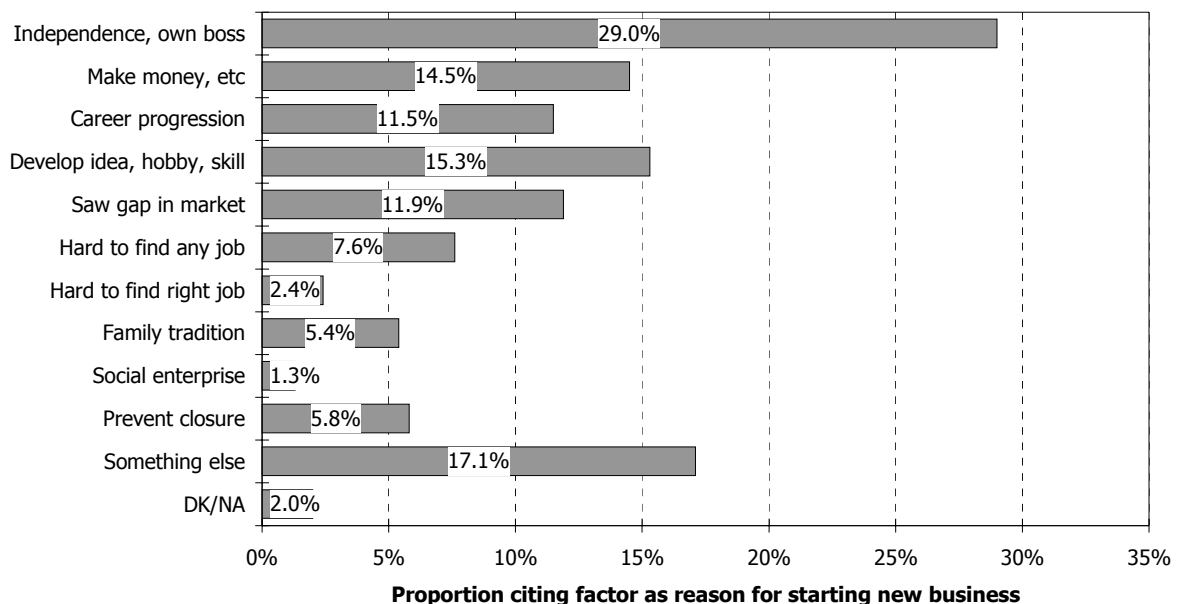
### 3.1.2 Rationales for business start-ups

The respondents in these new businesses were also asked about their motivation for starting the business (or start running it, in some cases). There were few and relatively small variations in the broad pattern of response between the different sub-groups of business which we have been using for the analysis. Hence, their overall responses are shown in Figure 3.2 (overleaf), and the more interesting or substantial variations are drawn out in the text below.

Here we can see that:

- there was quite a wide range of different rationales for starting these new businesses, and in addition some 17 per cent of start-ups had rationales so varied and so specific to that business or individual, that we could not classify them into common groups
- the most common rationale, accounting for 29 per cent of respondents, was a wish to be independent and to be their own boss. This was the dominant rationale for respondents from all our sub-groups of new business.
- a wish to better themselves was also quite a common rationale among these new business developers, with 14.5 per cent citing their wish to make money, and another 11.5 per cent wanting to improve their careers and prospects

**Figure 3.2: Rationales for business start-ups (Q49)**



Base: All respondents starting up a new business; N = 1,201

- taking advantage of an opportunity which presented itself was also a fairly widespread rationale, with 15.3 per cent of respondents saying that they started the business in order to develop an existing attribute (an idea, a skill, a hobby and so on), and another 11.9 per cent because they saw a gap in the market. The former, developing an idea hobby or skill, was much more prominent among women-led businesses, where it was second only to independence/own boss, at 28.2 per cent and 35.2 per cent respectively.
- another kind of opportunistic rationale was the one in which the individual had taken over the business as a new venture (for them) to prevent it closing. This accounted for a further 5.8 per cent of respondents.
- for about one in ten respondents, it was the difficulty of getting the right job, or more often any job at all, which had provided an important rationale for starting their business, at 2.4 and 7.6 per cent respectively. Interestingly these rationales were no more common in either rural or disadvantaged areas in England than they were in general.
- starting a new business in line with a family tradition was not widely cited as a rationale, at only 5.4 per cent of respondents. Nor was this more frequently cited among ethnic minority-led new businesses — rather the reverse, at only two per cent.

### **3.1.3 Time taken to start trading**

Those respondents who had actually started up new businesses, rather than taken an existing business over (N = 828) were asked how long it had taken them to set up that business, that is from the original business idea to the time they started trading.

Their responses are shown in Table 3.2. Here we can see that:

- overall, for more than eight out of ten of them, it had taken six months or less from crystallising their business idea to starting to trade, and fully nine out of ten had done it within the year
- the larger businesses, in employment terms, had generally had a longer gestation period, but even among the largest, more than two-thirds had taken six months or less to get up and running. This does not hold true for businesses when size is estimated by current turnover however, and this may well reflect variations in the capital intensity of the business.
- certainly, we can see that in construction, which is likely to be the least capital intensive, almost all the new businesses (96.1) had started trading within six months, while elsewhere, and particularly in the primary sector, gestation periods seem to be somewhat longer.

**Table 3.2: Time taken to set up business and start trading: all new businesses (Q50)**

| Proportions who said... | All<br>% | No<br>Empl'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% | England<br>% | Wales <sup>o</sup><br>% | Scotland<br>% | N.<br>Ireland <sup>o</sup><br>% |
|-------------------------|----------|---------------------|-------------------|---------------------|-----------------------|--------------|-------------------------|---------------|---------------------------------|
| Six months or less      | 81.8     | 83.5                | 78.0              | 70.4                | 67.3                  | 82.2         | 87.8                    | 73.5          | 79.5                            |
| > six, but < 12 months  | 9.8      | 8.2                 | 13.9              | 17.9                | 12.4                  | 9.8          | 1.7                     | 18.8          | –                               |
| >12, but < 24 months    | 4.7      | 4.7                 | 4.4               | 6.7                 | 8.6                   | 4.5          | 10.5                    | 6.0           | –                               |
| More than 24 months     | 1.3      | 0.9                 | 2.2               | 5.1                 | 5.8                   | 1.4          | –                       | 1.7           | –                               |
| Not sure, can't say     | 2.4      | 2.7                 | 1.5               | –                   | 5.8                   | 2.2          | –                       | –             | 20.5                            |

|                        | Primary<br>AB <sup>o</sup> | Pro-<br>duction<br>CDE <sup>o</sup> | Con-<br>struction<br>F <sup>o</sup> | Services<br>G-O | T/O<br><£56K <sup>o</sup> | £56-<br>£249K | £250K-<br>£1.49m | £1.5m-<br>£2.8m <sup>o</sup> | >£2.8m <sup>o</sup> |
|------------------------|----------------------------|-------------------------------------|-------------------------------------|-----------------|---------------------------|---------------|------------------|------------------------------|---------------------|
| Six months or less     | 20.6                       | 78.0                                | 96.1                                | 82.0            | 81.3                      | 87.6          | 82.7             | 78.0                         | 100.0               |
| > six, but < 12 months | 47.8                       | 10.4                                | 3.6                                 | 9.7             | 13.3                      | 5.8           | 5.9              | 16.0                         | –                   |
| >12, but < 24 months   | –                          | 10.8                                | –                                   | 4.6             | 3.8                       | 3.6           | 6.1              | 4.2                          | –                   |
| More than 24 months    | –                          | 0.7                                 | 0.3                                 | 1.5             | 0.3                       | 2.6           | 1.5              | 1.2                          | –                   |
| Not sure, can't say    | 31.6                       | 0.1                                 | –                                   | 2.3             | 1.4                       | 0.3           | 3.8              | 0.6                          | –                   |

|                        | Women<br>Led <sup>o</sup> | MEG<br>Led | Rural<br>Area* | Not<br>Rural* | Deprived<br>Area* | Not*<br>Deprived | Sole<br>Prop. | Partner-<br>ship <sup>o</sup> | Incor-<br>porated |
|------------------------|---------------------------|------------|----------------|---------------|-------------------|------------------|---------------|-------------------------------|-------------------|
| Six months or less     | 83.5                      | 68.5       | 75.5           | 86.3          | 76.5              | 82.9             | 82.0          | 82.0                          | 81.8              |
| > six, but < 12 months | 14.9                      | 19.4       | 12.2           | 8.3           | 11.2              | 9.6              | 9.3           | 9.3                           | 10.1              |
| >12, but < 24 months   | 0.7                       | 6.3        | 6.5            | 3.2           | 7.4               | 4.1              | 7.9           | 7.9                           | 5.3               |
| More than 24 months    | 0.9                       | 4.8        | 1.9            | 1.0           | 3.3               | 1.1              | 0.8           | 0.8                           | 1.6               |
| Not sure, can't say    | –                         | 1.0        | 3.8            | 1.3           | 1.6               | 2.3              | –             | –                             | 1.2               |

Base: All new businesses; N = 828 \* England only <sup>o</sup> N<100 cases

- businesses which seem to have taken longer to get up and running include those run by ethnic minority groups (with nearly a third taking more than six months), those in rural locations compared with the rest (75.5 per cent taking under six months compared with 86.3 per cent), and those in disadvantaged areas (76.5 per cent taking under six months compared with 82.9 per cent of start-ups outside those areas).

### 3.1.4 Advice about starting up (or taking over) the business

These managers of new businesses were asked whether or not they had sought any advice before starting up (or taking over) their business, and where they had sought it.



The results are shown in Table 3.3. Here we can see that:

- just over one-third of respondents had sought advice from nobody before starting up the new business. Almost half of the ethnic minority business start-ups, and also those in construction, sought advice from no one.
- a further 17.8 per cent had consulted nobody except their friends, family or informal contacts. This reliance on informal sources tended to be less marked the larger was the new business.
- new businesses in rural areas, and in disadvantaged areas tended to rely more heavily on such informal sources than those outside these areas

**Table 3.3: Sources of advice about starting up (or taking over) the business: all new businesses (Q51)**

| Proportions who said...        | All % | No Employees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | England % | Wales° % | Scotland % | N. Ireland° % |
|--------------------------------|-------|----------------|-------------|---------------|-----------------|-----------|----------|------------|---------------|
| Friends, family, informal only | 17.8  | 17.7           | 18.5        | 13.8          | 7.9             | 18.0      | 15.0     | 14.5       | 22.0          |
| Public support agency          | 14.7  | 13.7           | 17.3        | 14.4          | 7.2             | 13.1      | 29.9     | 33.8       | 6.6           |
| Accountant                     | 22.0  | 21.2           | 23.7        | 24.3          | 32.9            | 23.0      | 7.4      | 13.3       | 31.2          |
| Bank                           | 16.5  | 16.5           | 16.5        | 16.9          | 10.5            | 17.2      | 4.2      | 14.5       | 18.1          |
| Solicitor/lawyer               | 7.3   | 5.8            | 9.0         | 22.0          | 37.3            | 7.0       | 5.2      | 13.6       | 7.2           |
| Nothing                        | 35.6  | 34.6           | 38.5        | 34.0          | 28.4            | 35.3      | 46.7     | 36.7       | 25.3          |
| Something else                 | 9.7   | 11.0           | 6.2         | 10.1          | 10.1            | 10.5      | 3.9      | 2.6        | 3.3           |
| NA                             | 0.1   | –              | 0.4         | 0.4           | –               | 0.1       | –        | –          | –             |

|                           | Primary AB° | Production CDE | Construction F° | Services G-O | T/O <£56K | £56-£249K | £250K-£1.49m | £1.5m-£2.8m | >£2.8m° |
|---------------------------|-------------|----------------|-----------------|--------------|-----------|-----------|--------------|-------------|---------|
| Friends, family, informal | 19.6        | 19.4           | 4.1             | 18.5         | 17.6      | 20.5      | 15.8         | 9.0         | –       |
| Public support agency     | 8.5         | 6.7            | 17.7            | 15.4         | 19.8      | 15.2      | 13.3         | 7.1         | –       |
| Accountant                | 49.1        | 21.2           | 27.7            | 21.1         | 22.3      | 21.6      | 32.7         | 15.4        | 9.6     |
| Bank                      | 3.6         | 1.8            | 9.9             | 18.6         | 17.3      | 12.5      | 20.0         | 37.9        | 6.4     |
| Solicitor/lawyer          | 1.6         | 15.2           | 4.9             | 6.8          | 3.6       | 6.6       | 13.8         | 31.4        | 9.6     |
| Nothing                   | 27.9        | 41.8           | 48.9            | 34.4         | 34.1      | 37.5      | 36.1         | 30.4        | 90.4    |
| Something else            | 3.6         | 11.5           | 0.5             | 10.2         | 3.9       | 10.6      | 7.4          | 22.5        | –       |
| NA                        | –           | –              | –               | 0.1          | 0.2       | –         | –            | 0.5         | –       |

|                           | Women Led | MEG Led | Rural Area* | Not Rural* | Deprived Area* | Not* Deprived | Sole Prop. | Partnership | Incorporated |
|---------------------------|-----------|---------|-------------|------------|----------------|---------------|------------|-------------|--------------|
| Friends, family, informal | 15.9      | 15.5    | 22.3        | 15.5       | 20.1           | 17.7          | 19.1       | 20.7        | 16.5         |
| Public support agency     | 18.5      | 13.4    | 11.1        | 14.5       | 12.4           | 13.1          | 10.1       | 13.5        | 17.2         |
| Accountant                | 12.1      | 9.2     | 21.8        | 22.6       | 20.4           | 23.4          | 9.3        | 14.3        | 29.8         |
| Bank                      | 25.0      | 8.2     | 14.9        | 18.9       | 13.4           | 17.7          | 20.0       | 12.7        | 15.9         |
| Solicitor/lawyer          | 6.6       | 3.5     | 5.5         | 8.1        | 9.9            | 6.6           | 2.7        | 5.1         | 9.9          |
| Nothing                   | 31.0      | 48.3    | 35.1        | 35.9       | 38.4           | 34.8          | 42.7       | 41.3        | 31.1         |
| Something else            | 10.1      | 10.5    | 12.0        | 9.6        | 7.6            | 10.9          | 5.1        | 12.4        | 10.8         |
| NA                        | –         | 0.4     | 0.2         | 0.1        | –              | 0.1           | 0.1        | 0.1         | 0.1          |

Base: All new businesses; N = 1,201

\* England only ° N<100 cases

- professional and/or commercial consultations with accountants (22 per cent), banks (16.5 per cent) and lawyers (7.3 per cent) together constitute the largest source of advice
- women-led businesses are less likely to use accountants (12.0 per cent) and more likely to use banks (25 per cent)
- some 14.7 per cent had taken advice from a public advice/support agency, although this was much higher among new businesses in Wales (29.9 per cent) and Scotland (33.8 per cent).

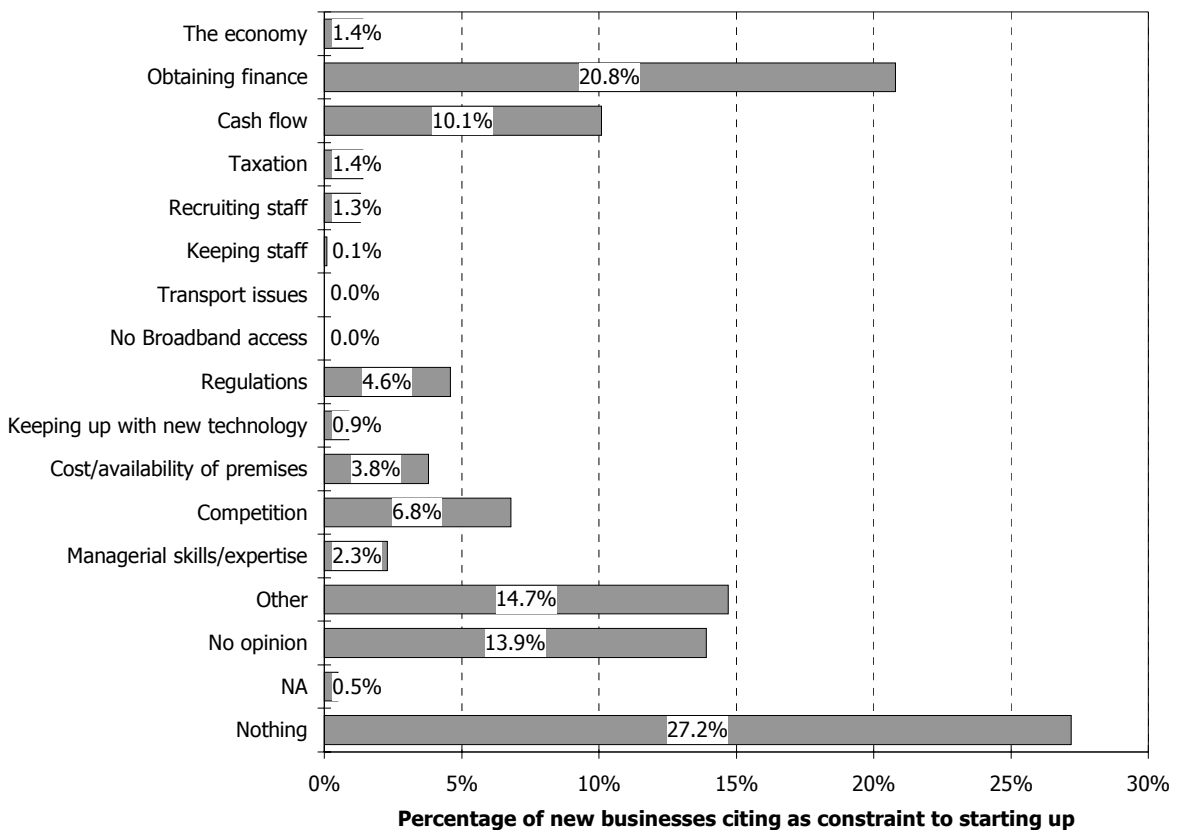
### **3.1.5 Obstacles to starting up the business**

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

Their responses are shown in Figure 3.3 (overleaf). Here we can see that:

- over a quarter of these new businesses (27.2 per cent) said that they had not faced any real obstacles in starting up. This proportion does not vary greatly among any of the sub-groups of business which we have considered. Another 13.9 per cent said that they could not readily identify any particular obstacle, which might be taken to suggest that none had been serious enough to recall.
- another 14.7 per cent cited 'other' problems, and these were too varied or individualistic to include in any of the other categories used here
- some possible obstacles were simply not recognised by any businesses; for example transport difficulties and lack of broadband access were not mentioned, even among new rural businesses
- others were hardly mentioned at all. For example, recruiting staff, keeping staff, and keeping up with new technology, were mentioned by very few (less than two per cent).

**Figure 3.3: Obstacles to starting up (or taking over) the businesses: new businesses only (Q52)**



Base: All new businesses; N = 1,201

- although staffing problems were extremely rare as obstacles to these businesses starting up, this probably reflects the fact that many of them did not have staff at this point. Nevertheless, managerial skill shortages were cited by a few businesses (2.3 per cent).
- financial difficulties were the most prominent sources of these obstacles, with one in five reporting obstacles in raising finance to start up their new businesses, and another 10.1 per cent facing difficulties with their cash flow
- competition was mentioned by 6.8 per cent as having been an obstacle to their starting up the business, while even fewer (1.4 per cent) mentioned ‘the economy’ as a constraint
- regulations were not widely cited as an obstacle to start-up, with just 4.6 per cent mentioning them, although a further 1.4 per cent cited taxation (which included VAT, PAYE, NI and business rates)
- finding or affording suitable premises was mentioned by some 3.8 per cent.

## 3.2 Businesses with no employees

Turning now to businesses without employees, we observed in Chapter 2 that 69.4 per cent of businesses did not employ any staff. Since such businesses significantly outnumber those with employees, we have excluded them from much of this report in order to secure a clearer view of how small businesses with employees behave and perceive their environment. However, it would not do to ignore such a large section of the small firm universe entirely, and so, in addition to looking at them briefly at the beginning of each of the analyses presented in subsequent chapters, we look here specifically at them.

### 3.2.1 Reasons for having no employees

We begin by asking why it is that they had no employees at that time. These businesses were asked to provide the main reason, although several gave more than one reason. Their responses are given in Table 3.4 (overleaf). Here we can see that:

- very nearly half of these businesses (47.7 per cent, or exactly a third of all small businesses) felt that they could not, or were not, attracting enough work to require taking on any staff. With the sole exception of the construction sector, in none of our sub-groups of business did this factor account for less than 40 per cent of these businesses.
- another 27.1 per cent (or nearly 19 per cent of all small businesses) said that they preferred to work alone, and so had no wish to employ staff. Even among businesses proposing to grow in the coming year, still fully a fifth of them cited this preference as a reason for not employing staff.
- the expense of employing labour (11.9 per cent, or just over eight per cent of all small businesses) and employment regulations (7.4 per cent, or just over five per cent of all small businesses) were much less widely cited. It was only in the construction sector, in rural areas, and among businesses citing some regulatory constraint on their growth that the proportion citing employment regulations rose above one in ten of these businesses. Some grouping of these businesses seemed particularly prone to citing expense however. For example, businesses in the primary sector (33.9 per cent), in production industries (20 per cent), and among businesses experiencing no growth in their markets (23.8 per cent).
- some 12.5 per cent said that they preferred to use casual staff rather than have any regular employees, and this preference was rather more widespread in construction, among partnership and formally incorporated businesses, and among exporters
- the use of family labour as an alternative was much less common (only three per cent). Family labour alternatives were more important among ethnic minority run businesses however (at 14.7 per cent), in primary sector businesses (11.3 per cent).

**Table 3.4: Reasons for employing no staff at time of survey: businesses without employees (Q36)**

| Proportions who said... | All<br>%        | England<br>%       | Wales<br>%         | Scotland<br>%   | N.<br>Ireland <sup>o</sup><br>% | Primary<br>AB<br>% | Pro-<br>duction<br>CDE<br>% | Con-<br>struction<br>F<br>% | Services<br>G-O<br>% |
|-------------------------|-----------------|--------------------|--------------------|-----------------|---------------------------------|--------------------|-----------------------------|-----------------------------|----------------------|
| Insufficient work       | 47.7            | 48.1               | 49.0               | 44.4            | 41.2                            | 46.8               | 46.9                        | 37.8                        | 50.3                 |
| Prefer to work on own   | 27.1            | 27.2               | 20.5               | 32.7            | 20.6                            | 4.3                | 25.8                        | 33.6                        | 28.0                 |
| Employment regulations  | 7.4             | 7.7                | 7.1                | 5.8             | 2.9                             | 7.7                | 8.8                         | 10.4                        | 6.4                  |
| Too expensive           | 11.9            | 10.8               | 19.7               | 18.6            | 17.6                            | 33.9               | 20.0                        | 7.7                         | 9.2                  |
| Use family              | 3.0             | 2.9                | 10.7               | –               | 2.9                             | 11.3               | 1.1                         | 1.7                         | 2.9                  |
| Use casual staff        | 12.5            | 12.2               | 16.1               | 12.8            | 17.6                            | 16.3               | 10.6                        | 21.1                        | 10.5                 |
| Something else          | 7.8             | 8.5                | 5.8                | 0.6             | 2.9                             | 5.9                | 9.8                         | 11.3                        | 6.7                  |
| DK/NA                   | 1.7             | 1.8                | 2.1                | 1.3             | –                               | 0.3                | 0.9                         | 2.3                         | 1.9                  |
|                         | Women<br>Led    | MEG<br>Led         | Rural<br>Area*     | Not<br>Rural*   | Deprived<br>Area*               | Not*<br>Deprived   | Sole<br>Prop.               | Partner-<br>ship            | Incor-<br>porated    |
| Insufficient work       | 50.7            | 49.2               | 47.8               | 48.3            | 48.4                            | 48.1               | 47.3                        | 48.5                        | 48.9                 |
| Prefer to work on own   | 32.6            | 17.4               | 25.2               | 29.0            | 19.7                            | 28.5               | 32.9                        | 16.6                        | 14.9                 |
| Employment regulations  | 4.4             | 0.3                | 10.5               | 5.6             | 5.9                             | 8.0                | 7.7                         | 5.5                         | 8.9                  |
| Too expensive           | 8.1             | 16.6               | 12.6               | 9.3             | 12.5                            | 10.5               | 12.0                        | 11.7                        | 11.4                 |
| Use family              | 2.0             | 14.7               | 3.1                | 2.5             | 4.5                             | 2.6                | 1.7                         | 7.6                         | 2.4                  |
| Use casual staff        | 11.2            | 10.0               | 13.1               | 11.6            | 12.2                            | 12.2               | 10.2                        | 15.7                        | 19.0                 |
| Something else          | 7.2             | 5.3                | 10.4               | 7.2             | 10.4                            | 8.2                | 7.8                         | 5.8                         | 10.4                 |
| DK/NA                   | 1.5             | –                  | 0.9                | 2.3             | 1.6                             | 1.9                | 1.9                         | 2.0                         | 0.8                  |
|                         | Prop.<br>Growth | Not Prop<br>Growth | Market<br>Const. ° | Other<br>Const. | Sust'd<br>Growth                | Const'd<br>Growth  | New<br>Growth               | No<br>Growth                | Exporter             |
| Insufficient work       | 45.4            | 48.7               | 59.6               | 46.3            | 100.0                           | 84.7               | 49.7                        | 47.5                        | 41.8                 |
| Prefer to work on own   | 20.5            | 35.4               | 10.6               | 19.4            | –                               | –                  | 15.8                        | 28.5                        | 21.6                 |
| Employment regulations  | 6.8             | 6.1                | 2.6                | 17.8            | –                               | –                  | 4.8                         | 7.7                         | 8.5                  |
| Too expensive           | 14.9            | 7.9                | 23.8               | 14.3            | –                               | 15.3               | 17.5                        | 11.2                        | 9.9                  |
| Use family              | 3.8             | 2.7                | 2.5                | 2.1             | –                               | –                  | 3.8                         | 3.0                         | 1.3                  |
| Use casual staff        | 15.9            | 10.1               | 10.1               | 12.7            | –                               | 15.3               | 7.6                         | 13.1                        | 24.2                 |
| Something else          | 9.8             | 6.9                | –                  | 7.8             | –                               | –                  | 18.3                        | 6.6                         | 12.9                 |
| DK/NA                   | 2.0             | 1.8                | 3.1                | –               | –                               | –                  | 2.6                         | 1.6                         | 2.6                  |

Base: All businesses without employees; N = 1,265

\* England only

° N<100 cases

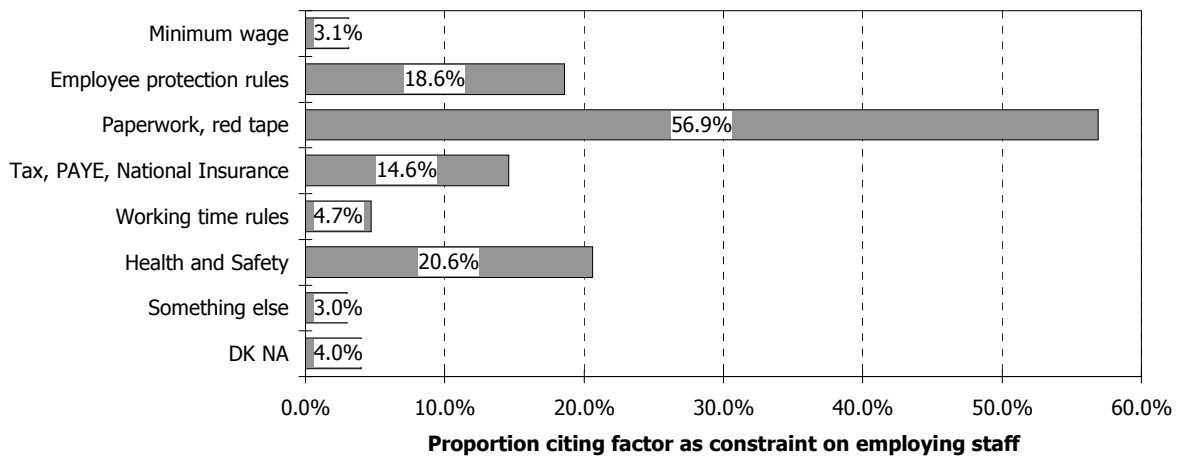
### 3.2.2 Regulation as a constraint on employment

As we saw in Table 3.4, regulations of one sort or another were mentioned by 7.4 per cent of small firms without employees as the main reason for not having any. Except among businesses in Scotland, we therefore went on to ask this group which regulations were having this effect on their business. We should note that only a small number of businesses were therefore asked this question (N = 81), and consequently the results should be treated with appropriate caution.

Figure 3.4 shows the incidence of different kinds or sources of regulation mentioned. We can see that:

- the dominant factor (cited by well over half) was a generalised wariness of paperwork and perceived ‘red tape’, not specifically attached to a particular regulation or issue
- specific regulations were much less often cited as constraints on employment, but we can see that health and safety, and employee protection regulations, were each cited by about a fifth of these businesses
- other regulations, (minimum wage regulations and working time rules) were only cited very infrequently.

**Figure 3.4: Specific regulations cited as main obstacles to employment: firms without employees only; excluding Scotland (Q37)**



*Base: All businesses without employees citing ‘regulations’ as a reason for not employing staff; N = 81*

## 4. Business Objectives and Growth

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One of the Small Business Service's strategic themes centres on building the capability for business growth among small businesses. This is important not just because of the direct benefits of their expansion, but also on account of the stimulus which a more dynamic small business sector will provide for competition and innovation across the economy as a whole.

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

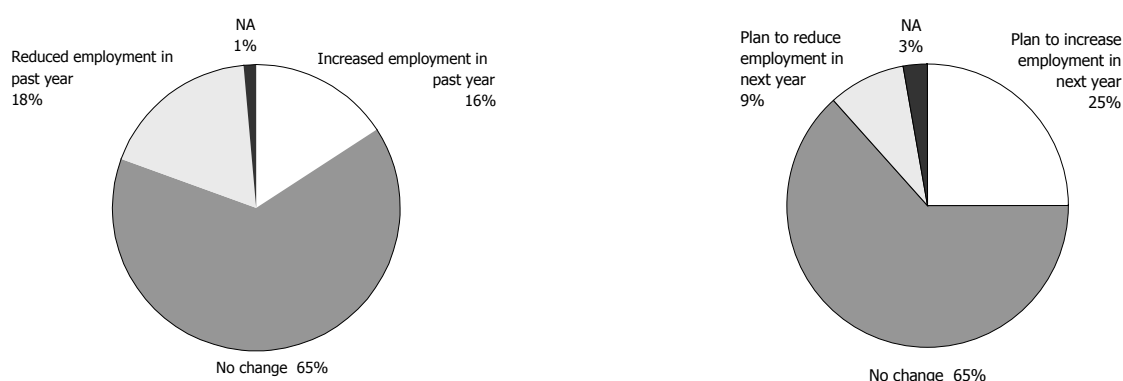
### 4.1 Recent experiences and expectations about employment growth

We observed in Chapter 2 (Section 2.7) that nearly two thirds (64.8 per cent) of businesses with employees had experienced no change in their headcount in the year before the survey, and almost the same proportion (63.4 per cent) did not expect to make any in the year following it.

As Figures 4.1 and 4.2 (overleaf) show, it is only a minority of these employers who had experienced, or were expecting employment growth.

However, it is evident that businesses may seek success in ways that do not necessarily entail growth, and we consider the intention to grow the business in the next section. At the same time, those businesses who do seek growth, may not necessarily seek it through growth in employment (we consider below, in Section 4.2, the ways in which businesses expect to grow).

## Figures 4.1 and 4.2: Recent and expected employment growth; employers only (Q28-Q34)



Base: All employers; weighted data; unweighted N = 7,254

## 4.2 Intention to grow the business

We began by asking respondents whether or not they intended to grow their businesses over the next two to three years. We did not specify what form this growth might take, but allowed the question to cover anything which the respondent considered to be growth. Furthermore, here we are looking at a somewhat longer timeframe than the employment growth projection above, which just looked one year ahead. The results are shown in Tables 4.1a and 4.1b.

Looking first at Table 4.1a, which focuses on all the businesses, whether currently employing any staff or not, we can see that:

- the sample was split fairly evenly between those who intended some form of growth (47.1 per cent) and those who did not (52.9 per cent)
- the larger the business, the more likely was it to intend to grow during the coming two or three years. Thus, among those with no employees currently, the proportion intending to grow was somewhat lower than average (at 41 per cent), but this rose consistently with size, reaching 83.2 per cent among the largest businesses, with 50 or more staff.

Moving on to look at Table 4.1b, which focuses just on small businesses with employees, we can see that:

- some 61.1 per cent of small employers intended to grow in the next two or three years, although this is much lower in businesses in both the primary industries sector (46.2 per cent) and construction (43.0 per cent)
- the intention to grow during this period was slightly more pronounced in England than in the other three countries, and much more pronounced among firms engaged in the export trade



**Table 4.1a: Intention to grow the business over next two to three years: all businesses (Q53)**

| Proportions who said... | All<br>% | No<br>Empl'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|-------------------------|----------|---------------------|-------------------|---------------------|-----------------------|
| Yes                     | 47.1     | 41.0                | 58.7              | 71.2                | 83.2                  |
| No                      | 52.9     | 59.0                | 41.3              | 28.8                | 16.8                  |

**Table 4.1b: Intention to grow over next two to three years: businesses with employees only (Q53)**

|     | All<br>With<br>Empl'ees<br>% | Primary<br>AB<br>% | Pro-<br>duction<br>CDE<br>% | Con-<br>struction<br>F<br>% | Services<br>G-O<br>% | England<br>% | Wales<br>% | Scotland<br>% | N.<br>Ireland<br>% |
|-----|------------------------------|--------------------|-----------------------------|-----------------------------|----------------------|--------------|------------|---------------|--------------------|
| Yes | 61.1                         | 46.2               | 62.1                        | 43.0                        | 63.9                 | 61.5         | 58.9       | 58.8          | 57.1               |
| No  | 38.9                         | 53.8               | 37.9                        | 57.0                        | 36.1                 | 38.5         | 41.1       | 41.2          | 42.9               |

|     | T/O<br><£56K | £56-<br>£249K | £250K-<br>£1.49m | £1.5m-<br>£2.8m | >£2.8m <sup>o</sup> | Incor-<br>porated | Partner-<br>ship | Sole<br>Prop. | Exporter |
|-----|--------------|---------------|------------------|-----------------|---------------------|-------------------|------------------|---------------|----------|
| Yes | 52.5         | 58.0          | 67.3             | 73.9            | 74.9                | 67.0              | 54.6             | 50.7          | 74.5     |
| No  | 47.5         | 42.0          | 32.7             | 26.1            | 25.1                | 33.0              | 45.4             | 49.3          | 25.5     |

|     | Women<br>Led | MEG<br>Led | Rural<br>Area* | Not<br>Rural* | Deprived<br>Area* | Not*<br>Deprived | <=3<br>Years | 4-10<br>Years | 10 plus<br>Years |
|-----|--------------|------------|----------------|---------------|-------------------|------------------|--------------|---------------|------------------|
| Yes | 59.1         | 62.7       | 59.7           | 62.3          | 62.5              | 61.2             | 82.8         | 69.1          | 54.0             |
| No  | 40.9         | 37.3       | 40.3           | 37.7          | 37.5              | 38.8             | 17.2         | 30.9          | 46.0             |

Base: a = All businesses; unweighted N = 8,693; b = Businesses with employees, N = 7,254

\*England only    <sup>o</sup>N<100 cases

- anticipated growth correlates positively with turnover volumes, rising from just over half among the smallest of these businesses to just under three-quarters among the largest. In the same way, incorporated businesses were more likely to report anticipated growth than were partnerships and sole proprietors
- it also correlates negatively with the age of the business; the younger businesses were much more likely to anticipate growth
- businesses in rural areas were slightly less likely to anticipate growth than were those in non-rural areas, and there was little difference between disadvantaged areas and the rest in this respect (NB: the relevant comparator here is England, rather than the UK as a whole).
- women-led businesses were slightly less likely than average, and ethnic minority run businesses slightly more likely, to anticipate growth, but the differences here were quite modest.

### 4.3 Means of achieving growth

Those 47.1 per cent of all the businesses who said that they intended to grow during the next two to three years, were asked how they were looking to achieve this. The multiple-response question was asked open-ended, and the replies coded into the six categories shown in Table 4.2.

**Table 4.2a: Means of achieving business growth: all businesses who intended to grow (Q54)**

| Proportions who said... | All<br>% | No<br>Empl'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|-------------------------|----------|---------------------|-------------------|---------------------|-----------------------|
| Increase profit         | 7.1      | 6.9                 | 7.5               | 6.6                 | 5.7                   |
| Increase turnover/sales | 56.0     | 55.5                | 56.8              | 56.2                | 56.2                  |
| Take on more staff      | 14.9     | 15.4                | 14.8              | 12.4                | 10.0                  |
| Increase product range  | 14.1     | 13.1                | 15.3              | 15.7                | 19.8                  |
| Enter new markets       | 16.1     | 15.7                | 16.6              | 16.1                | 19.0                  |
| Expand/new premises     | 16.0     | 15.0                | 16.7              | 20.3                | 21.9                  |
| Other                   | 5.2      | 5.6                 | 3.9               | 7.1                 | 9.1                   |
| DK                      | 3.4      | 3.8                 | 3.1               | 1.9                 | 0.6                   |

**Table 4.2b: Means of achieving business growth: employers who intended to grow (Q54)**

|                         | All<br>with<br>Empl'ees<br>% | Primary<br>AB <sup>o</sup><br>% | Pro-<br>duction<br>CDE<br>% | Con-<br>struction<br>F<br>% | Services<br>G-O<br>% | England<br>%      | Wales<br>%       | Scotland<br>% | N.<br>Ireland<br>% |
|-------------------------|------------------------------|---------------------------------|-----------------------------|-----------------------------|----------------------|-------------------|------------------|---------------|--------------------|
| Increase profit         | 7.3                          | 3.7                             | 7.2                         | 6.7                         | 7.5                  | 7.9               | 5.1              | 3.4           | 2.5                |
| Increase turnover/sales | 56.7                         | 62.9                            | 56.5                        | 63.7                        | 55.9                 | 57.3              | 47.9             | 55.0          | 52.8               |
| Take on more staff      | 14.3                         | 3.9                             | 11.2                        | 23.1                        | 14.4                 | 13.7              | 19.1             | 21.4          | 7.0                |
| Increase product range  | 15.6                         | 15.6                            | 21.6                        | 9.6                         | 15.1                 | 14.9              | 22.3             | 16.5          | 23.8               |
| Enter new markets       | 16.6                         | 15.3                            | 20.7                        | 15.5                        | 15.8                 | 16.0              | 22.1             | 21.0          | 15.1               |
| Expand/new premises     | 17.4                         | 19.7                            | 13.3                        | 7.5                         | 19.2                 | 16.9              | 26.0             | 20.4          | 14.0               |
| Other                   | 4.6                          | 1.5                             | 4.8                         | 5.5                         | 4.6                  | 4.7               | 4.0              | 3.4           | 7.7                |
| DK                      | 2.8                          | 9.1                             | 2.9                         | 0.6                         | 2.9                  | 3.1               | 0.6              | 1.5           | 2.1                |
|                         | T/O<br><£56K                 | £56-<br>£249K                   | £250K-<br>£1.49m            | £1.5m-<br>£2.8m             | >£2.8m <sup>o</sup>  | Incor-<br>porated | Partner-<br>ship | Sole<br>Prop. | Exporter           |
| Increase profit         | 2.8                          | 8.8                             | 6.6                         | 6.7                         | 5.0                  | 7.3               | 6.9              | 7.7           | 7.4                |
| Increase turnover/sales | 45.8                         | 58.0                            | 58.4                        | 55.5                        | 59.5                 | 57.9              | 55.0             | 54.2          | 59.2               |
| Take on more staff      | 18.1                         | 19.9                            | 13.4                        | 10.1                        | 8.8                  | 14.0              | 13.9             | 15.7          | 11.9               |
| Increase product range  | 16.3                         | 15.4                            | 17.2                        | 18.0                        | 21.6                 | 15.6              | 17.1             | 14.0          | 21.9               |
| Enter new markets       | 18.1                         | 19.6                            | 17.5                        | 20.0                        | 16.1                 | 18.4              | 14.2             | 11.7          | 23.6               |
| Expand/new premises     | 22.6                         | 15.0                            | 18.3                        | 18.0                        | 19.3                 | 17.4              | 17.8             | 17.3          | 11.9               |
| Other                   | 6.1                          | 2.4                             | 4.0                         | 7.8                         | 14.5                 | 4.9               | 4.1              | 4.2           | 4.7                |
| DK                      | 5.4                          | 2.8                             | 1.7                         | 0.6                         | 0.2                  | 2.3               | 2.9              | 4.8           | 1.6                |
|                         | Women<br>Led                 | MEG<br>Led                      | Rural<br>Area*              | Not<br>Rural*               | Deprived<br>Area*    | Not*<br>Deprived  | <=3<br>Years     | 4-10<br>Years | 10 plus<br>Years   |
| Increase profit         | 9.8                          | 4.2                             | 7.8                         | 7.9                         | 8.0                  | 7.8               | 8.2              | 5.3           | 7.8                |
| Increase turnover/sales | 52.8                         | 47.0                            | 60.2                        | 56.0                        | 57.3                 | 57.3              | 54.3             | 52.5          | 59.0               |
| Take on more staff      | 11.8                         | 10.9                            | 11.6                        | 14.7                        | 14.4                 | 13.5              | 23.6             | 18.7          | 9.5                |
| Increase product range  | 17.2                         | 13.1                            | 13.7                        | 15.4                        | 16.0                 | 14.5              | 16.5             | 13.8          | 15.9               |
| Enter new markets       | 16.2                         | 17.1                            | 13.0                        | 17.4                        | 17.5                 | 15.5              | 18.0             | 17.9          | 15.6               |
| Expand/new premises     | 20.7                         | 27.0                            | 18.6                        | 16.2                        | 15.0                 | 17.6              | 22.9             | 19.3          | 14.9               |
| Other                   | 2.6                          | 3.0                             | 4.9                         | 4.6                         | 3.5                  | 5.1               | 4.6              | 5.4           | 4.4                |
| DK                      | 2.0                          | 5.9                             | 3.1                         | 3.0                         | 3.4                  | 3.0               | 1.9              | 2.8           | 3.2                |

Base: a = All businesses, N = 5,502; b = Businesses with employees, N = 4,915

\* England only      <sup>o</sup> N<100 cases

Looking first at Table 4.2a, which focuses on all the businesses, whether currently employing any staff or not, we can see that:

- by far the most common means of securing the anticipated growth among these businesses, in every size bracket, was simply to increase the volume of turnover or sales within the existing market/product parameters. We can see that about 55 per cent of businesses whatever their size saw this as a means of growth.
- much smaller proportions sought growth through changing their market/product parameters. Thus, only 14.1 per cent anticipated growing by increasing the range of products they offered, and only a few more (16.1 per cent) intended to enter new markets. Both these strategies became slightly more widespread as the size of the business increased, but even among the largest of these small firms no more than a fifth of these businesses intended to pursue these routes to growth.
- a minority of businesses cited rationales which centred on increasing their capacity, with 14.9 per cent expecting to achieve growth through taking on more staff and 16 per cent through expanding their premises. Interestingly, the staff-led approach became somewhat less common as the size of the business increased, while the premises/physical capacity route became more common with size.
- a small proportion of businesses (7.1 per cent) looked to increasing their profitability, but we do not know how this might be achieved, whether through productivity increases, cost savings or price increases
- a few businesses were aiming for growth, but did not yet know how they would achieve it, while some 5.2 per cent cited a range of other means through which they would grow. This broader and more varied category became more marked with size, such that one in ten of the largest firms cited 'other' means to achieving growth.

Moving on to look at Table 4.2b, which focuses just on small businesses with employees, we can see that:

- among the employers, too, the dominant route to growth was through expanded volume of turnover or sales, and this rarely dropped below half of the businesses in any of our sub-groups
- far fewer businesses sought to achieve growth through entering new markets (16.1 per cent) or increasing their product range (14.1 per cent) However such approaches were somewhat more marked among businesses with larger turnovers, among export businesses, in the production sector, and also in Wales.
- similarly, expansion of capacity through hiring more staff (14.3 per cent) or securing new/larger premises (17.4 per cent) was significantly less common, but these approaches were more often reported by the smaller and newer businesses. Employers anticipating growth in the construction sector were more likely to cite hiring additional staff than were firms in

other sectors, but commensurately less prone to citing new/larger premises.

- as with small businesses as a whole, only a small proportion of employers (7.3 per cent) looked to increasing the profitability of their businesses as a means of achieving growth.

## 4.4 Rationales for growth

In the same way, businesses intending to grow were also asked why they were seeking this growth. Again, a multiple-response, open-ended question was used, and the answers grouped into the categories shown in Table 4.3 (overleaf).

Looking first at part (a) of the table, and focusing on all businesses, whether employers or not, we can see that:

- over half intended to grow as a means of increasing their profits or net income. This rationale was most common among businesses with no employees (at 59.1 per cent), but tended to decline with size.
- a further quarter (24.8 per cent) cited increasing the volume of sales or turnover as a reason for growth, and this too became somewhat less common as the employment size of the business increased. In addition, some five per cent of businesses saw the increased availability of their product or service as the reason for achieving growth.
- issues of security were cited by close on a fifth of businesses, with about one in ten (9.8 per cent) viewing growth as important to the medium-term survival of the business, and another 10.1 per cent citing longer-term security. These rationales were twice as likely to be cited by the larger businesses, with survival and longer-term security cited by almost a fifth each.
- a few businesses (1.7 per cent) cited the creation of new jobs for their families or colleagues as a reason for growth, but in none of these size bands did the proportion citing this rationale rise to three per cent
- rather more widespread, at eight per cent overall, was simply that an opportunity for growth was available to the business. This opportunistic view tended to be slightly more common among the larger businesses, but this seems to be neither a strongly marked nor a consistent relationship

**Table 4.3a: Rationales for achieving business growth: all businesses who intended to grow (Q55)**

| Proportions who said...   | All<br>% | No<br>Empl'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|---------------------------|----------|---------------------|-------------------|---------------------|-----------------------|
| Increase profit           | 56.1     | 59.1                | 53.2              | 44.5                | 45.2                  |
| Increase turnover/sales   | 24.8     | 25.7                | 24.5              | 19.5                | 17.7                  |
| Jobs, family/colleagues   | 1.7      | 1.6                 | 1.9               | 2.8                 | 1.6                   |
| Inc. product availability | 5.2      | 4.9                 | 5.5               | 5.9                 | 4.7                   |
| Survival                  | 9.8      | 8.5                 | 10.5              | 17.2                | 19.2                  |
| Long term security        | 10.1     | 9.9                 | 9.9               | 11.5                | 18.2                  |
| Opportunity exists        | 8.0      | 7.6                 | 8.2               | 11.2                | 9.9                   |
| Other                     | 9.5      | 8.3                 | 11.5              | 11.2                | 12.4                  |
| DK                        | 2.3      | 2.2                 | 2.3               | 2.4                 | 1.2                   |

**Table 4.3b: Rationales for business growth: employers who intended to grow (Q55)**

| Proportions who said...   | All<br>with<br>Empl'ees | Primary<br>AB° | Pro-<br>duction<br>CDE | Con-<br>struction<br>F | Services<br>G-O   | England           | Wales            | Scotland      | N.<br>Ireland    |
|---------------------------|-------------------------|----------------|------------------------|------------------------|-------------------|-------------------|------------------|---------------|------------------|
|                           | T/O<br><£56K            | £56-<br>£249K  | £250K-<br>£1.49m       | £1.5m-<br>£2.8m        | >£2.8m°           | Incor-<br>porated | Partner-<br>ship | Sole<br>Prop. | Exporter         |
| Increase profit           | 51.5                    | 44.9           | 49.4                   | 47.2                   | 52.5              | 52.0              | 47.8             | 50.5          | 43.9             |
| Increase turnover/sales   | 23.4                    | 16.9           | 22.0                   | 28.2                   | 23.4              | 21.9              | 53.8             | 29.1          | 12.3             |
| Jobs, family/colleagues   | 2.0                     | 0.1            | 3.1                    | 0.9                    | 2.0               | 1.9               | 1.7              | 3.6           | 0.7              |
| Inc. product availability | 5.6                     | 3.6            | 3.9                    | 1.4                    | 6.3               | 5.5               | 7.4              | 5.5           | 5.2              |
| Survival                  | 12.0                    | 22.2           | 16.6                   | 10.2                   | 10.9              | 11.8              | 6.2              | 16.5          | 15.7             |
| Long term security        | 10.5                    | 15.3           | 12.9                   | 10.9                   | 9.8               | 10.3              | 10.0             | 14.3          | 6.8              |
| Opportunity exists        | 8.7                     | 7.1            | 6.4                    | 11.0                   | 9.1               | 8.6               | 8.5              | 11.5          | 8.0              |
| Other                     | 11.5                    | 5.3            | 10.6                   | 11.3                   | 11.8              | 11.8              | 9.0              | 4.3           | 23.0             |
| DK                        | 2.3                     | 6.1            | 2.0                    | 3.6                    | 2.2               | 2.4               | 0.2              | 2.0           | 2.6              |
|                           | Women<br>Led            | MEG<br>Led     | Rural<br>Area*         | Not<br>Rural*          | Deprived<br>Area* | Not*<br>Deprived  | <=3<br>Years     | 4-10<br>Years | 10 plus<br>Years |
| Increase profit           | 54.4                    | 42.8           | 52.1                   | 52.0                   | 50.6              | 52.4              | 54.0             | 52.0          | 50.4             |
| Increase turnover/sales   | 21.5                    | 29.0           | 18.8                   | 23.3                   | 25.4              | 20.6              | 19.7             | 25.0          | 24.0             |
| Jobs, family/colleagues   | 2.4                     | 1.6            | 2.9                    | 1.5                    | 2.1               | 1.9               | 2.5              | 1.2           | 2.2              |
| Inc. product availability | 8.1                     | 9.5            | 6.3                    | 5.0                    | 5.9               | 5.4               | 9.1              | 5.9           | 4.2              |
| Survival                  | 8.3                     | 11.0           | 11.7                   | 11.7                   | 14.2              | 10.9              | 9.4              | 9.8           | 13.6             |
| Long term security        | 9.7                     | 7.1            | 11.3                   | 9.9                    | 7.2               | 11.4              | 12.4             | 9.3           | 10.3             |
| Opportunity exists        | 12.2                    | 10.1           | 10.9                   | 7.5                    | 7.0               | 9.1               | 11.3             | 8.7           | 7.9              |
| Other                     | 12.5                    | 9.2            | 12.8                   | 11.4                   | 13.1              | 11.3              | 11.8             | 11.9          | 11.2             |
| DK                        | 2.0                     | 4.9            | 1.5                    | 2.9                    | 3.0               | 2.2               | 1.1              | 2.4           | 2.7              |

Base: a = All businesses, N = 5,502; b = Businesses with employees, N = 4,915 cases

\* England only ° N<100

- finally, about one-tenth (9.8 per cent) cited other and more varied reasons for seeking growth, and again this breadth and variety tended to be slightly more common as employment levels rise within these firms.

Looking now at the main part of the table, we can see that:

- while increased profits remains by far the most widespread rationale, it was slightly less common amongst these employers than among small businesses as a whole. Once again, we can see that the larger the business (this time in turnover terms), the less likely is this to be cited as a rationale, albeit remaining the most widespread (at 43 per cent) among the very largest of these businesses.
- it is also less common among ethnic minority-led businesses (42.8 per cent) who seem to have placed rather more emphasis than average on expanding turnover volumes
- rationales turning on the security of the business were cited by 12 per cent (survival) and 10.5 per cent (long term security), and these were more common among employers in the primary and production industries, and among exporters
- some 8.7 per cent of these employers were motivated simply by the opportunity to grow that they could see, and there was little variation in this across the different sub-groups in the employers sample.

## 4.5 Rationales for not growing

Finally, we turned to those 52.9 per cent of businesses who said that they did not intend to grow during the coming two or three years. We asked them why they were not looking to do so. Once again, the question was asked open-ended, and allowed multiple-response answers. The results categorised as shown in Table 4.4.

The top part of the table (part a), focused on all businesses who did not intend to grow shows that:

- the most widespread response, cited by 37.2 per cent, was that they were not aiming to grow because they were happy to remain at their present size. This rationale becomes less common as the size of the organisation grows, but even among the largest businesses, with 50 or more employees, this remains a reason for not seeking growth among fully a quarter of them.
- although quite uncommon among these larger businesses, the constraining effects of the proprietor's personal circumstances appear to be fairly widespread among the smaller ones. Thus, among those with no employees, almost a third (32.2 per cent) were not aiming for growth because the proprietor was looking to close down the business or retire. In addition, some 4.6 per cent of this group were looking to reduce their working hours, although this rationale too faded away to virtually nothing among the larger businesses.

- by contrast, among the larger businesses, concern that the market may not support growth was the main reason for not growing, with almost a third (30.6 per cent citing this), while their smaller counterparts were much less inclined to be put off by worries about the market
- a similar pattern emerges when considering businesses' capacity to grow; among the larger businesses, nearly a fifth (18.3 per cent) were not looking to grow because they lacked the capacity (premises, space, people, *etc.*) to do so, but this concern shrinks to only 6.6 per cent among the smallest
- the risks attendant upon growth were not widely cited as reasons for not pursuing it. Thus, only 2.4 per cent saw growth as too risky, and only 2.7 per cent as too costly (or debt-incurring). Similarly, few businesses (3.5 per cent) cited a possible risk to their independence as a reason for not growing, and these were largely confined to the smallest size group.
- the operational costs of potential growth were slightly more common, but still only applied to a small minority, with about one in 20 citing complications in hiring staff, and one in 40 citing the constraining effects of 'regulations' in general. However, there is an interesting distinction to be drawn here between different types of business. The larger the business, the more likely was it to cite general 'regulations' as a constraint on growth; thus only 1.7 per cent of the smallest businesses cited them, but this increased to nearly one in ten among the largest (9.6 per cent). Conversely, complications in hiring staff were more likely to be cited by the smallest businesses (5.7 per cent), but this declined with size (to only 2.4 per cent among the largest). This may suggest that the larger firms are more likely to have come to grips with any problems attached to hiring/employing staff, but at the same time the greater scale and complexity of their business exposes them rather more to regulation than it does their smaller counterparts.

The lower part of the table (part b), focused only on businesses with employees who did not intend to grow, shows that:

- being content at their present size was the most frequently cited reason for not growing, (32.9 per cent). The group that cited this reason most was women-led businesses (48.9 per cent).
- just under a fifth of all employers said that they wanted to close the business or to retire, and less than one per cent cited their wish to stay independent
- external constraints on expansion were only infrequently cited, with just four per cent saying that the complications of hiring staff were putting them off, and similarly only 4.2 per cent citing 'regulations'
- a feeling that the market would not support expansion was given by 14.5 per cent of these employers, and this concern increased with the size of the business, and was more likely

than average to be cited by employers in the production industries, in Wales and Northern Ireland, export businesses, and those in deprived areas

- lack of capacity/resources for expansion was more often cited among employers than among small businesses as a whole, at 13.4 per cent, and was slightly more likely to be given by employers in rural areas (16.0 per cent)
- finally, the risks and expenses of potential expansion were only cited as constraints by small minorities of these employers, 3.0 and 3.6 per cent respectively.

**Table 4.4a: Rationales for not growing the business: all businesses who did not intend to grow (Q56)**

| Proportions who said...       | All<br>% | No<br>Emp'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|-------------------------------|----------|--------------------|-------------------|---------------------|-----------------------|
| Happy at present size         | 37.2     | 38.4               | 33.3              | 29.9                | 25.3                  |
| Want to stay independent      | 3.5      | 4.2                | 0.9               | 1.1                 | 0.3                   |
| Too complicated to hire staff | 5.3      | 5.7                | 4.2               | 2.3                 | 2.4                   |
| Want to reduce hours worked   | 4.0      | 4.6                | 2.3               | 0.7                 | 0.1                   |
| Looking to retire/close down  | 29.4     | 32.2               | 20.7              | 11.9                | 4.9                   |
| Regulations inhibiting        | 2.3      | 1.7                | 3.9               | 5.9                 | 9.6                   |
| Haven't considered it         | 1.4      | 1.3                | 1.8               | 2.0                 | 2.2                   |
| Too costly/avoid debt         | 2.7      | 2.5                | 3.7               | 2.4                 | 3.5                   |
| Too risky                     | 2.4      | 2.2                | 2.8               | 4.5                 | 4.5                   |
| Insufficient resources        | 8.1      | 6.6                | 12.8              | 18.2                | 18.3                  |
| Market won't support it       | 9.7      | 8.3                | 13.4              | 22.2                | 30.6                  |
| Other                         | 7.4      | 7.4                | 7.2               | 8.6                 | 6.4                   |
| DK                            | 2.4      | 2.3                | 2.8               | 2.8                 | 4.3                   |



**Table 4.4b: Rationales for not growing the business: employers who did not intend to grow (Q56)**

|                               | All with Empl'ees | Primary AB° | Pro-duction CDE | Con-struction F | Services G-O | England | Wales | Scotland | N. Ireland° |
|-------------------------------|-------------------|-------------|-----------------|-----------------|--------------|---------|-------|----------|-------------|
| Happy at present size         | 32.9              | 18.0        | 23.1            | 43.6            | 33.6         | 32.6    | 39.5  | 32.5     | 33.5        |
| Want to stay independent      | 0.9               | –           | 0.4             | 1.2             | 1.0          | 0.8     | –     | 2.8      | –           |
| Too complicated to hire staff | 4.0               | 5.2         | 6.8             | 7.4             | 2.5          | 3.6     | 2.5   | 5.5      | 11.7        |
| Want to reduce hours worked   | 2.1               | 5.5         | 0.7             | 2.9             | 2.0          | 2.0     | 4.8   | 2.5      | —           |
| Looking to retire/close down  | 19.6              | 14.5        | 19.0            | 17.8            | 20.4         | 19.6    | 20.3  | 19.5     | 16.1        |
| Regulations inhibiting        | 4.2               | 12.2        | 5.4             | 6.0             | 3.1          | 4.3     | 5.0   | 3.4      | 2.8         |
| Haven't considered it         | 1.8               | 3.7         | 0.6             | 1.6             | 2.0          | 1.8     | 4.2   | 0.6      | 0.7         |
| Too costly/avoid debt         | 3.6               | 7.8         | 2.2             | 4.6             | 3.4          | 3.4     | 2.3   | 2.6      | 11.6        |
| Too risky                     | 3.0               | 2.9         | 5.1             | 4.1             | 2.2          | 2.8     | 4.8   | 4.5      | 0.5         |
| Insuffic. resources           | 13.4              | 11.5        | 11.7            | 8.8             | 14.9         | 13.8    | 12.9  | 10.6     | 10.8        |
| Market won't support it       | 14.5              | 16.9        | 29.5            | 5.0             | 13.1         | 13.6    | 23.5  | 16.5     | 22.3        |
| Other                         | 7.4               | 10.9        | 5.1             | 4.3             | 8.3          | 7.8     | 5.2   | 6.2      | 0.5         |
| DK                            | 2.8               | 3.4         | 1.2             | 2.4             | 3.2          | 3.0     | 1.9   | 0.3      | 2.8         |

|                               | T/O <£56K | £56-£249K | £250K-£1.49m | £1.5m-£2.8m | >£2.8m° | Incor-porated | Partner-ship | Sole Prop. | Exporter |
|-------------------------------|-----------|-----------|--------------|-------------|---------|---------------|--------------|------------|----------|
| Happy at present size         | 34.7      | 29.8      | 33.3         | 23.7        | 13.0    | 32.4          | 32.4         | 34.1       | 22.6     |
| Want to stay independent      | 1.0       | 1.3       | 0.8          | 1.8         | –       | 0.8           | 1.1          | 1.0        | 1.0      |
| Too complicated to hire staff | 7.4       | 7.8       | 2.5          | 2.0         | –       | 3.4           | 2.4          | 6.3        | 3.1      |
| Want to reduce hours worked   | 9.6       | 1.7       | 0.5          | –           | –       | 1.6           | 0.8          | 4.1        | 1.1      |
| Looking to retire/close down  | 24.9      | 24.4      | 16.0         | 6.8         | 12.2    | 19.0          | 17.8         | 22.2       | 17.7     |
| Regulations inhibiting        | –         | 3.7       | 5.4          | 7.8         | 3.0     | 5.8           | 3.0          | 2.2        | 4.9      |
| Haven't considered it         | 3.0       | 0.9       | 1.1          | 1.2         | 9.1     | 2.5           | 0.6          | 1.7        | 1.2      |
| Too costly/avoid debt         | 2.7       | 4.4       | 4.5          | 5.0         | –       | 3.4           | 3.8          | 3.7        | 2.7      |
| Too risky                     | 1.8       | 2.4       | 4.3          | 5.2         | –       | 3.5           | 2.8          | 2.1        | 4.6      |
| Insuffic. resources           | 15.2      | 14.2      | 10.2         | 10.3        | 52.8    | 9.5           | 21.8         | 13.4       | 12.4     |
| Market won't support it       | 9.1       | 12.6      | 19.6         | 26.8        | 22.0    | 18.2          | 10.9         | 11.0       | 23.9     |
| Other                         | 5.9       | 5.7       | 6.7          | 15.2        | 3.8     | 7.5           | 8.2          | 6.3        | 9.0      |
| DK                            | 0.3       | 1.3       | 2.0          | 4.0         | –       | 2.7           | 2.3          | 3.3        | 3.9      |

|                               | Women Led | MEG Led | Rural Area* | Not Rural* | Deprived Area* | Not* Deprived | <=3 Years | 4-10 Years | 10 plus Years |
|-------------------------------|-----------|---------|-------------|------------|----------------|---------------|-----------|------------|---------------|
| Happy at present size         | 48.9      | 28.5    | 34.9        | 31.4       | 32.1           | 32.7          | 37.1      | 41.7       | 30.8          |
| Want to stay independent      | 1.2       | 0.7     | 0.8         | 0.8        | 1.6            | 0.5           | 1.3       | 1.0        | .8            |
| Too complicated to hire staff | 2.7       | 4.8     | 4.7         | 3.1        | 2.7            | 3.9           | 2.7       | 7.4        | 3.4           |
| Want to reduce hours worked   | 1.3       | 3.9     | 1.5         | 2.2        | 2.3            | 1.8           | –         | 2.9        | 2.1           |
| Looking to retire/close down  | 17.1      | 13.9    | 20.4        | 19.1       | 17.4           | 20.4          | 16.7      | 12.4       | 21.2          |
| Regulations inhibiting        | 1.4       | 2.1     | 4.6         | 4.1        | 3.8            | 4.4           | 2.0       | 2.7        | 4.7           |
| Haven't considered it         | 1.1       | 5.5     | 0.4         | 2.6        | 2.7            | 1.6           | 2.0       | 2.8        | 1.6           |
| Too costly/avoid debt         | 1.7       | 2.6     | 6.2         | 2.0        | 1.9            | 3.9           | 5.2       | 3.0        | 3.5           |
| Too risky                     | 0.5       | 2.1     | 2.5         | 3.0        | 1.8            | 3.1           | 3.6       | 4.1        | 2.7           |
| Insuffic. resources           | 13.8      | 14.6    | 16.0        | 12.7       | 11.3           | 14.6          | 14.5      | 19.8       | 12.1          |
| Market won't support it       | 11.0      | 13.7    | 10.4        | 15.3       | 18.5           | 11.9          | 8.1       | 5.6        | 16.8          |
| Other                         | 4.2       | 7.0     | 7.5         | 8.0        | 8.1            | 7.7           | 10.9      | 4.7        | 7.6           |
| DK                            | 3.9       | 7.0     | 3.2         | 3.0        | 3.2            | 3.0           | 2.8       | 2.8        | 2.8           |

Base: a = All businesses; N = 3,191; b = Businesses with employees, N = 2,339 \* England only ° N<100 cases

## 4.6 Small business perspectives on growth

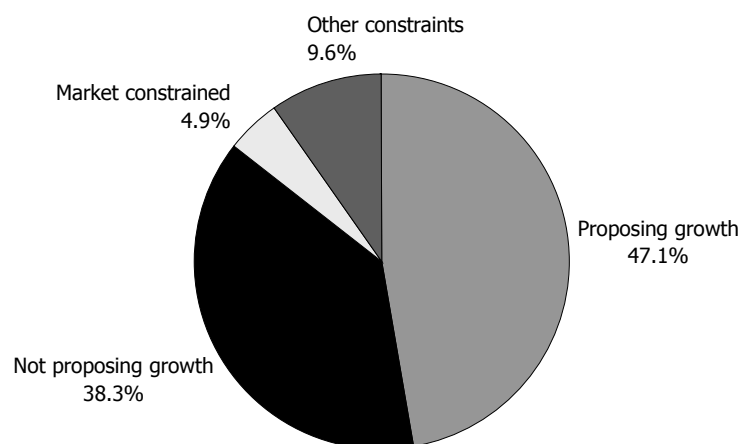
In the two sections above, we have distinguished between small businesses who were aiming to grow and those who were not, and then among the latter group, why it was that they did not envisage growth during the coming two or three years.

In this section, we bring together these two sets of data, and use them to set out a four-fold distinction based on the quite different perspectives which these businesses held towards possible future growth. The four categories are:

- **Proposing to grow**
- **Not proposing 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 proposing to grow, because:
  - market wouldn't support growth
- **Other constraints;** not proposing 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

**Figure 4.3: Small business perspectives on growth: all businesses (Q53-Q56)**

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*Base: All businesses; unweighted; N = 8,693*

- too risky
- don't have the resources to grow, for example space, people.

The distinction here is essentially between businesses who 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.

Figure 4.3 shows how the sample of all businesses is spread across the four groups. We can see that:

- most of the sample is taken up by the first two categories; most small businesses either want to grow and propose to, or don't want to and don't propose to
- there is only a minority of small businesses who might be thought of as being prevented from growing
- only about one in 20 small businesses cite their market circumstances as something preventing them from growth
- roughly twice as many, about one in ten, cite non-market factors which may, in some way, be preventing them from growing.

# 5. Barriers and Obstacles to Achieving Business Objectives

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One of the Government's main objectives in developing better policies and practice through which the economy and labour market are regulated, is to reduce the regulatory burden on small businesses, particularly those which might act as barriers to start-up and growth. Although these are unlikely to be the only obstacles which small businesses face in developing their operations and improving their efficiency, they are closer at hand for public bodies to improve and reform as necessary. Therefore, in this chapter, we will look across the board at such barriers and obstacles, but we will pay particular attention to those which originate in the public domain.

Whatever a small business's objectives might be (and as we have seen, they may, or may not, include growth), it is important to understand the prevalence and character of any constraints or barriers which might affect their being achieved. It is the purpose of this chapter to consider what kind of barriers small businesses perceive in pursuit of their (varied) business aims, and how they impact upon those businesses.

Subsequently, we go on to look in more detail at two groups of barriers: those centred on taxation and the tax system, and those derived from various forms of market regulation by the public authorities.

## 5.1 Overall incidence of obstacles to business

Businesses were asked two general questions about what they saw as the obstacles to their success. The first of these was unprompted, while the second invited responses against a list. Responses to these two questions were combined and categorised into the headings shown in Table 5.1 overleaf.

Table 5.1a shows the responses for all businesses whether employers or not. We can see that:

- four obstacles were cited by about two-fifths of all businesses. These were the economy (40.8 per cent, competition (39.2 per cent), regulations (38.7 per cent) and taxation (38.1 per cent)
- for all these four obstacles, a smaller proportion of businesses without employees reported these obstacles than of

employers. For three of these obstacles (the economy, competition and regulations), medium businesses were most likely to cite them.

- cash flow was cited as an obstacle by nearly a third of businesses
- recruitment of staff was reported as an obstacle more frequently than was staff retention. While 21.1 per cent of all businesses cited recruitment as an obstacle, only 7.8 per cent cited keeping staff as an obstacle. The larger the business, the more likely the employer was to cite staff recruitment and staff retention as obstacles.
- nearly one in five reported the availability or cost of premises as an obstacle
- smaller proportions cited keeping up with new technology (15.9 per cent, transport issues (15.3 per cent) obtaining finance (12.3 per cent), and shortage of managerial experience (12.0 per cent)
- least prominent as an obstacle was lack of broadband access, reported by eight per cent of all businesses
- overall, nearly one in ten businesses (9.7 per cent) said that there were no obstacles; but this proportion declined with the size of the business, from 11.7 per cent of those without any employees to only 0.4 of those with 50 to 250 employees.

**Table 5.1a: Obstacles to success of business: all businesses (Q57 & Q58)**

| Proportions who said...                 | All<br>% | No<br>Emp'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|---|----------|--------------------|-------------------|---------------------|-----------------------|
| The economy                             | 40.8     | 37.2               | 46.8              | 53.3                | 56.8                  |
| Obtaining finance                       | 12.3     | 10.9               | 15.5              | 15.1                | 16.2                  |
| Cash flow                               | 31.5     | 30.0               | 35.2              | 34.6                | 32.1                  |
| Taxation                                | 38.1     | 34.4               | 45.6              | 50.4                | 45.9                  |
| Recruiting staff                        | 21.1     | 14.9               | 31.6              | 51.1                | 60.4                  |
| Keeping staff                           | 7.8      | 4.7                | 13.3              | 21.1                | 31.8                  |
| Transport issues                        | 15.3     | 13.5               | 18.5              | 23.8                | 30.9                  |
| Lack of broadband access                | 8.0      | 8.1                | 7.9               | 8.2                 | 8.7                   |
| Regulations                             | 38.7     | 34.8               | 44.6              | 60.7                | 69.2                  |
| Keeping up with new technology          | 15.9     | 16.4               | 14.6              | 16.3                | 15.6                  |
| Availability/cost of premises           | 19.4     | 18.1               | 22.3              | 22.2                | 23.1                  |
| Competition                             | 39.2     | 35.1               | 47.1              | 53.6                | 61.8                  |
| Shortage of managerial skills/expertise | 12.0     | 9.9                | 15.1              | 23.3                | 32.1                  |
| No obstacles                            | 9.7      | 11.7               | 5.9               | 2.0                 | 0.4                   |
| No opinion                              | –        | –                  | –                 | 0.1                 | 0.2                   |
| Unwilling to answer                     | –        | –                  | –                 | –                   | –                     |

**Table 5.1b: Obstacles to success of business: businesses with employees only (Q57 & Q58)**

|   | All with Employees | Primary AB | Production CDE | Construction F | Services G-O        | England    | Wales       | Scotland     | N. Ireland |
|---|--------------------|------------|----------------|----------------|---------------------|------------|-------------|--------------|------------|
| The economy                             | 48.0               | 64.5       | 56.8           | 36.9           | 47.0                | 48.4       | 36.4        | 45.8         | 59.6       |
| Obtaining finance                       | 15.5               | 8.3        | 15.4           | 11.6           | 16.3                | 15.1       | 17.8        | 18.1         | 17.4       |
| Cash flow                               | 35.1               | 30.3       | 41.5           | 40.4           | 33.1                | 34.9       | 35.7        | 35.7         | 36.4       |
| Taxation                                | 46.3               | 42.5       | 53.4           | 49.7           | 44.5                | 46.0       | 47.5        | 44.8         | 57.9       |
| Recruiting staff                        | 35.2               | 25.7       | 36.2           | 47.7           | 33.6                | 35.1       | 35.6        | 32.5         | 42.8       |
| Keeping staff                           | 14.9               | 10.8       | 14.1           | 16.5           | 15.0                | 14.8       | 13.4        | 12.5         | 25.0       |
| Transport issues                        | 19.6               | 16.7       | 18.3           | 18.2           | 20.2                | 20.1       | 15.6        | 18.7         | 11.2       |
| Lack of broadband access                | 8.0                | 17.5       | 7.6            | 5.4            | 8.0                 | 7.3        | 13.3        | 13.2         | 7.3        |
| Regulations                             | 47.6               | 84.2       | 50.8           | 59.3           | 43.8                | 47.2       | 50.9        | 47.6         | 53.9       |
| Keeping up with new technology          | 14.9               | 16.2       | 19.8           | 16.3           | 13.5                | 14.2       | 19.4        | 17.1         | 23.2       |
| Availability/cost of premises           | 22.3               | 14.2       | 23.0           | 18.4           | 23.0                | 22.1       | 22.7        | 23.5         | 23.1       |
| Competition                             | 48.4               | 46.0       | 59.1           | 41.3           | 47.2                | 48.8       | 41.9        | 42.4         | 60.9       |
| Shortage of managerial skills/expertise | 16.7               | 10.2       | 17.6           | 19.8           | 16.3                | 16.3       | 17.2        | 15.6         | 31.2       |
| No obstacles                            | 5.2                | 0.3        | 4.2            | 4.3            | 5.7                 | 5.2        | 7.0         | 3.5          | 4.0        |
|   | T/O <£56K          | £56-£249K  | £250K-£1.49m   | £1.5m-£2.8m    | >£2.8m <sup>o</sup> | Sole Prop. | Partnership | Incorporated | Exporter   |
| The economy                             | 36.0               | 47.3       | 52.7           | 57.9           | 75.3                | 38.6       | 45.3        | 52.2         | 58.9       |
| Obtaining finance                       | 19.2               | 19.6       | 14.2           | 13.6           | 11.0                | 14.5       | 14.1        | 16.2         | 16.5       |
| Cash flow                               | 31.8               | 40.9       | 39.5           | 31.1           | 39.1                | 32.4       | 38.0        | 35.1         | 38.8       |
| Taxation                                | 32.1               | 47.0       | 51.6           | 45.3           | 32.1                | 40.6       | 51.8        | 46.7         | 46.5       |
| Recruiting staff                        | 23.5               | 33.4       | 40.3           | 43.7           | 35.0                | 32.8       | 36.3        | 35.7         | 31.5       |
| Keeping staff                           | 11.0               | 15.6       | 16.5           | 18.9           | 16.6                | 16.4       | 14.2        | 14.6         | 13.2       |
| Transport issues                        | 16.4               | 17.1       | 21.2           | 25.6           | 20.8                | 14.6       | 19.7        | 21.3         | 21.8       |
| Lack of broadband access                | 5.7                | 10.0       | 8.6            | 6.3            | 2.6                 | 4.7        | 9.3         | 8.7          | 10.2       |
| Regulations                             | 29.5               | 42.7       | 58.0           | 60.4           | 55.0                | 37.4       | 48.7        | 50.9         | 48.4       |
| Keeping up with new technology          | 15.3               | 15.4       | 16.0           | 16.6           | 7.1                 | 16.5       | 13.7        | 14.7         | 14.5       |
| Availability/cost of premises           | 24.5               | 22.6       | 23.1           | 23.1           | 17.2                | 23.5       | 21.9        | 22.0         | 21.6       |
| Competition                             | 38.1               | 47.4       | 51.8           | 56.6           | 55.6                | 45.7       | 44.3        | 50.8         | 57.1       |
| Shortage of managerial skills/expertise | 13.3               | 13.9       | 20.5           | 22.3           | 21.8                | 14.4       | 15.5        | 17.9         | 19.2       |
| No obstacles                            | 8.6                | 4.5        | 2.8            | 1.9            | –                   | 8.7        | 5.6         | 3.7          | 3.8        |

|   | Prop. Growth | Not Prop Growth | Market Const. | Other Const. | Sust'd Growth | Const'd Growth | New Growth | No Growth |
|---|--------------|-----------------|---------------|--------------|---------------|----------------|------------|-----------|
| The economy                             | 52.2         | 35.9            | 66.3          | 41.0         | 49.1          | 46.1           | 48.4       | 48.0      |
| Obtaining finance                       | 20.2         | 5.9             | 10.4          | 12.2         | 27.4          | 15.9           | 24.0       | 11.8      |
| Cash flow                               | 39.8         | 25.9            | 33.2          | 28.9         | 48.8          | 35.1           | 40.7       | 31.7      |
| Taxation                                | 48.3         | 37.5            | 51.8          | 52.2         | 49.3          | 44.4           | 46.4       | 46.1      |
| Recruiting staff                        | 38.6         | 26.0            | 28.0          | 39.7         | 47.0          | 37.6           | 49.8       | 29.7      |
| Keeping staff                           | 16.5         | 10.8            | 15.0          | 14.8         | 18.3          | 17.4           | 18.4       | 13.3      |
| Transport issues                        | 21.9         | 14.5            | 20.9          | 16.9         | 24.1          | 22.4           | 20.0       | 18.5      |
| Lack of broadband access                | 10.0         | 3.5             | 7.9           | 6.3          | 13.6          | 6.2            | 9.3        | 7.2       |
| Regulations                             | 49.0         | 39.5            | 53.7          | 54.8         | 48.5          | 50.0           | 46.0       | 47.5      |
| Keeping up with new technology          | 15.5         | 12.4            | 21.3          | 13.3         | 11.2          | 15.6           | 16.2       | 15.0      |
| Availability/cost of premises           | 25.8         | 14.7            | 16.6          | 21.7         | 30.4          | 25.2           | 28.8       | 19.1      |
| Competition                             | 52.1         | 39.4            | 67.4          | 37.2         | 45.6          | 43.4           | 46.6       | 50.0      |
| Shortage of managerial skills/expertise | 20.0         | 10.7            | 11.8          | 13.1         | 23.1          | 18.6           | 25.6       | 13.5      |
| No obstacles                            | 2.6          | 12.8            | 2.6           | 4.5          | 2.4           | 3.6            | 3.3        | 6.2       |

|   | Women Led | MEG Led | Rural Area* | Not Rural* | Deprived Area* | Not* Deprived | <=3 Years | 4-10 Years | 10 plus Years |
|---|-----------|---------|-------------|------------|----------------|---------------|-----------|------------|---------------|
| The economy                             | 41.7      | 41.0    | 48.0        | 48.5       | 50.1           | 47.7          | 48.4      | 42.3       | 49.6          |
| Obtaining finance                       | 16.2      | 24.6    | 15.0        | 15.2       | 16.0           | 14.8          | 29.9      | 18.8       | 11.4          |
| Cash flow                               | 31.0      | 30.2    | 34.8        | 34.9       | 34.9           | 34.9          | 46.5      | 40.0       | 31.1          |
| Taxation                                | 41.7      | 38.8    | 48.0        | 45.1       | 44.4           | 46.6          | 42.3      | 46.0       | 47.3          |
| Recruiting staff                        | 35.6      | 38.8    | 38.9        | 33.4       | 32.7           | 35.9          | 35.9      | 36.2       | 34.7          |
| Keeping staff                           | 15.0      | 24.8    | 14.2        | 15.2       | 15.4           | 14.6          | 15.3      | 14.7       | 14.9          |
| Transport issues                        | 15.4      | 20.3    | 21.1        | 19.7       | 20.7           | 20.0          | 16.6      | 18.0       | 20.7          |
| Lack of broadband access                | 6.3       | 4.5     | 12.9        | 4.5        | 5.1            | 8.1           | 9.8       | 9.2        | 7.2           |
| Regulations                             | 35.5      | 34.5    | 53.8        | 44.0       | 42.1           | 49.0          | 36.2      | 37.4       | 53.1          |
| Keeping up with new technology          | 13.7      | 16.6    | 12.3        | 15.1       | 15.8           | 13.6          | 12.3      | 12.8       | 16.0          |
| Availability/cost of premises           | 20.4      | 28.6    | 19.7        | 23.3       | 22.4           | 22.0          | 26.1      | 26.7       | 20.2          |
| Competition                             | 45.2      | 52.8    | 42.1        | 52.1       | 56.1           | 46.3          | 47.6      | 44.4       | 49.7          |
| Shortage of managerial skills/expertise | 16.6      | 20.1    | 14.5        | 17.1       | 16.9           | 16.1          | 18.2      | 17.0       | 16.3          |
| No obstacles                            | 10.3      | 9.1     | 5.6         | 5.1        | 4.6            | 5.5           | 3.5       | 6.9        | 5.0           |

Base: a = All businesses, N = 8,693; b = Businesses with employees, N = 7,254

\* England only ° N<100 cases

In Table 5.1b, which focuses just on small businesses with employees, we can see that:

- nearly half the employers (48 per cent) cited the economy as an obstacle to the success of the business. Businesses in the primary and production sectors were more likely to cite the economy than employers in other sectors. Concern about the economy also varied with turnover, with three-quarters of businesses with turnover of more than £2.8 million reporting the economy as an obstacle, compared with 36 per cent of those with a turnover of less than £56,000. Comparing

countries, the highest proportion citing the economy as an obstacle was in Northern Ireland (59.6 per cent).

- an equally high proportion of all employers (48.4 per cent) reported competition as an obstacle to the success of their business. This proportion rose to two-thirds amongst businesses affected by market constraints. In the production sector, the proportion (59.1 per cent) was higher than in other sectors. For women-led businesses, ethnic minority led-businesses, and businesses in deprived areas, competition stood out as the most important obstacle — more important for these businesses than the economy.
- the two other obstacles most frequently cited by employers were taxation (46.3 per cent) and regulations (47.6 per cent). The proportion citing regulations was much higher than average in the primary sector (84.2 per cent). Longer established businesses were more likely to cite regulations than younger businesses.
- more than one in three employers cited staff recruitment as an obstacle. This proportion was highest in the construction sector (47.7 per cent) and lowest in the primary sector. Nearly half of employers who expected to grow in the next year cited staff recruitment.

## **5.2 Greatest obstacle to business**

All businesses were then asked to identify which of the obstacles was the greatest obstacle to the success of their business, and how this obstacle affected their business.

### **5.2.1 Nature of main obstacle**

Looking first at Table 5.2a, which shows the responses for all businesses including those with no employees, we can see that:

- the largest proportion of businesses (16.2 per cent) cited competition as the greatest obstacle to the success of the business
- this was followed by regulations, cited by 14.5 per cent of businesses, followed by the economy, cited by 12 per cent
- around one in ten viewed cash flow (9.9 per cent) as the greatest obstacle, with a similar proportion citing taxation (9.4 per cent)
- a small proportion saw staff recruitment as the greatest obstacle (6.4 per cent), followed by 4.1 per cent saying availability or cost of premises, and 3.1 per cent transport issues
- only a few businesses considered that shortage of managerial expertise, lack of broadband access or staff retention was the greatest obstacle.



**Table 5.2a: Greatest obstacle to success of business: all businesses (Q59)**

| Proportions who said...                    | All<br>% | No<br>Empl'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|--|----------|---------------------|-------------------|---------------------|-----------------------|
| The economy                                | 12.0     | 11.8                | 12.0              | 13.5                | 15.3                  |
| Obtaining finance                          | 3.3      | 3.2                 | 3.4               | 3.4                 | 3.5                   |
| Cash flow                                  | 9.9      | 9.9                 | 10.4              | 8.1                 | 4.6                   |
| Taxation                                   | 9.4      | 9.1                 | 11.1              | 6.3                 | 3.1                   |
| Recruiting staff                           | 6.4      | 4.5                 | 9.4               | 14.0                | 16.6                  |
| Keeping staff                              | 0.7      | 0.6                 | 0.8               | 1.7                 | 1.4                   |
| Transport issues                           | 3.1      | 3.3                 | 2.6               | 2.0                 | 1.4                   |
| Lack of broadband access                   | 1.2      | 1.5                 | 0.7               | 0.3                 | –                     |
| Regulations                                | 14.5     | 14.1                | 14.9              | 18.2                | 18.0                  |
| Keeping up with new<br>technology          | 1.8      | 2.4                 | 0.8               | 0.4                 | 0.6                   |
| Availability/cost of premises              | 4.1      | 4.4                 | 3.5               | 2.4                 | 2.9                   |
| Competition                                | 16.2     | 16.0                | 16.6              | 16.5                | 19.6                  |
| Shortage of managerial<br>skills/expertise | 1.6      | 1.4                 | 2.0               | 2.9                 | 5.6                   |
| Other                                      | 9.6      | 11.0                | 6.7               | 6.4                 | 4.9                   |
| No opinion                                 | 5.9      | 6.7                 | 4.7               | 3.4                 | 2.6                   |
| Unwilling to answer                        | 0.3      | 0.2                 | 0.4               | 0.3                 | –                     |

**Table 5.2b: Greatest obstacle to success of business: businesses with employees only (Q59)**

|  | All<br>with<br>Empl'ees | Primary<br>AB | Pro-<br>duction<br>CDE | Con-<br>struction<br>F | Services<br>G-O | England | Wales | Scotland | N.<br>Ireland |
|--|-------------------------|---------------|------------------------|------------------------|-----------------|---------|-------|----------|---------------|
| The economy                                | 12.3                    | 11.8          | 14.7                   | 6.7                    | 12.7            | 12.8    | 9.6   | 10.4     | 9.0           |
| Obtaining finance                          | 3.4                     | 0.6           | 2.5                    | 3.3                    | 3.8             | 3.5     | 4.6   | 3.5      | 0.5           |
| Cash flow                                  | 9.9                     | 11.1          | 13.4                   | 15.7                   | 8.3             | 9.7     | 9.8   | 12.1     | 11.4          |
| Taxation                                   | 10.2                    | 2.5           | 10.3                   | 7.9                    | 10.9            | 9.9     | 12.1  | 14.1     | 8.0           |
| Recruiting staff                           | 10.3                    | 1.5           | 8.7                    | 20.6                   | 9.6             | 10.1    | 10.9  | 10.3     | 14.7          |
| Keeping staff                              | 1.0                     | 0.9           | 0.3                    | 1.2                    | 1.1             | 1.0     | 0.1   | 0.9      | 0.2           |
| Transport issues                           | 2.5                     | 0.9           | 1.3                    | 3.7                    | 2.6             | 2.5     | 2.8   | 2.4      | 1.3           |
| Lack of broadband access                   | 0.6                     | 1.4           | –                      | –                      | 0.8             | 0.5     | 1.4   | 1.2      | –             |
| Regulations                                | 15.5                    | 47.7          | 13.2                   | 18.3                   | 14.2            | 15.6    | 15.4  | 15.0     | 14.6          |
| Keeping up with new<br>technology          | 0.7                     | –             | 0.8                    | 0.5                    | 0.8             | 0.8     | 0.3   | 0.1      | 0.2           |
| Availability/cost of<br>premises           | 3.3                     | 2.8           | 2.7                    | 1.1                    | 3.8             | 3.2     | 5.3   | 3.9      | 1.6           |
| Competition                                | 16.6                    | 9.6           | 20.3                   | 9.9                    | 17.1            | 17.0    | 12.5  | 12.8     | 21.6          |
| Shortage of managerial<br>skills/expertise | 2.2                     | 2.0           | 1.9                    | 3.1                    | 2.2             | 2.1     | 3.1   | 2.3      | 4.1           |
| Other                                      | 6.6                     | 5.0           | 5.4                    | 5.9                    | 7.0             | 6.4     | 7.0   | 7.1      | 12.2          |
| No opinion                                 | 4.4                     | 2.3           | 4.1                    | 2.1                    | 4.9             | 4.6     | 5.2   | 3.9      | 0.5           |

|  | T/O<br><£56K    | £56-<br>£249K      | £250K-<br>£1.49m | £1.5m-<br>£2.8m | >£2.8m° | Sole<br>Prop.    | Partner-<br>ship  | Incor-<br>porated | Exporter     |
|--|-----------------|--------------------|------------------|-----------------|---------|------------------|-------------------|-------------------|--------------|
| The economy                                | 11.4            | 12.3               | 13.8             | 15.5            | 37.6    | 8.1              | 8.7               | 16.0              | 16.8         |
| Obtaining finance                          | 4.6             | 4.4                | 2.9              | 3.2             | 2.8     | 2.8              | 2.7               | 3.8               | 4.3          |
| Cash flow                                  | 10.0            | 12.7               | 11.3             | 6.5             | 0.2     | 11.0             | 11.0              | 9.2               | 11.9         |
| Taxation                                   | 14.8            | 13.5               | 8.1              | 5.5             | 4.6     | 12.4             | 12.4              | 8.8               | 7.6          |
| Recruiting staff                           | 9.0             | 8.3                | 10.7             | 12.7            | 7.5     | 11.9             | 11.6              | 9.3               | 6.2          |
| Keeping staff                              | 1.8             | 0.7                | 1.0              | 0.9             | 0.1     | 1.5              | 0.9               | 0.8               | 0.4          |
| Transport issues                           | 5.3             | 2.1                | 2.1              | 1.8             | 1.5     | 2.1              | 3.3               | 2.3               | 2.1          |
| Lack of broadband access                   | 0.9             | 1.5                | 0.3              | 0.1             | –       | 0.6              | 1.2               | 0.4               | 0.5          |
| Regulations                                | 10.1            | 10.5               | 18.6             | 20.8            | 12.7    | 11.2             | 17.3              | 16.3              | 13.4         |
| Keeping up with new<br>technology          | 0.8             | 1.1                | 0.4              | 0.6             | –       | 1.4              | 0.4               | 0.6               | 0.6          |
| Availability/cost of<br>premises           | 5.9             | 3.7                | 3.1              | 1.8             | 0.8     | 4.4              | 3.2               | 3.0               | 2.5          |
| Competition                                | 11.5            | 14.9               | 15.4             | 17.7            | 25.0    | 17.4             | 14.4              | 17.2              | 20.5         |
| Shortage of managerial<br>skills/expertise | 2.0             | 2.3                | 3.1              | 2.9             | 1.7     | 1.5              | 1.5               | 2.7               | 2.5          |
| Other                                      | 7.6             | 7.7                | 5.7              | 6.5             | 4.6     | 7.2              | 6.5               | 6.4               | 6.6          |
| No opinion                                 | 4.3             | 4.1                | 3.5              | 3.3             | 0.8     | 5.8              | 4.8               | 3.8               | 4.5          |
|  | Prop.<br>Growth | Not Prop<br>Growth | Market<br>Const. | Other<br>Const. |         | Sust'd<br>Growth | Const'd<br>Growth | New<br>Growth     | No<br>Growth |
| The economy                                | 12.2            | 11.5               | 23.2             | 9.3             |         | 9.2              | 10.1              | 9.4               | 13.9         |
| Obtaining finance                          | 4.6             | 1.2                | 0.6              | 2.5             |         | 7.2              | 5.6               | 4.2               | 2.4          |
| Cash flow                                  | 11.3            | 9.5                | 4.7              | 5.1             |         | 16.4             | 8.5               | 14.2              | 8.1          |
| Taxation                                   | 9.6             | 11.1               | 8.0              | 13.4            |         | 6.7              | 13.4              | 9.1               | 10.4         |
| Recruiting staff                           | 10.0            | 10.9               | 5.0              | 13.6            |         | 15.8             | 10.5              | 15.5              | 8.2          |
| Keeping staff                              | 1.1             | 0.6                | –                | 0.7             |         | 0.4              | 0.6               | 1.9               | 0.9          |
| Transport issues                           | 2.6             | 3.0                | 0.6              | 1.7             |         | 2.8              | 2.5               | 2.0               | 2.5          |
| Lack of broadband access                   | 0.6             | 0.4                | –                | 1.7             |         | 0.4              | –                 | 0.3               | 0.8          |
| Regulations                                | 14.3            | 16.3               | 14.6             | 21.3            |         | 11.3             | 14.7              | 12.5              | 16.9         |
| Keeping up with new<br>technology          | 0.6             | 1.3                | 0.5              | 0.4             |         | 0.2              | 0.2               | 1.2               | 0.8          |
| Availability/cost of<br>premises           | 3.5             | 2.8                | 2.3              | 3.7             |         | 5.3              | 2.9               | 4.3               | 2.8          |
| Competition                                | 16.4            | 16.5               | 28.3             | 12.2            |         | 13.2             | 16.3              | 13.0              | 18.1         |
| Shortage of managerial<br>skills/expertise | 2.7             | 1.2                | 0.4              | 2.5             |         | 3.7              | 3.3               | 3.6               | 1.5          |
| Other                                      | 6.7             | 7.0                | 7.2              | 5.0             |         | 4.8              | 6.8               | 5.6               | 7.1          |
| No opinion                                 | 3.6             | 6.5                | 3.9              | 5.6             |         | 2.7              | 4.5               | 3.1               | 5.0          |

|   | Women Led | MEG Led | Rural Area* | Not Rural* | Deprived Area* | Not* Deprived | <=3 Years | 4-10 Years | 10 plus Years |
|---|-----------|---------|-------------|------------|----------------|---------------|-----------|------------|---------------|
| The economy                             | 12.9      | 9.2     | 11.8        | 13.3       | 13.8           | 12.4          | 14.6      | 8.9        | 12.8          |
| Obtaining finance                       | 2.1       | 6.6     | 3.4         | 3.5        | 2.5            | 3.8           | 7.3       | 5.3        | 2.1           |
| Cash flow                               | 8.4       | 6.6     | 10.2        | 9.4        | 10.8           | 9.3           | 14.9      | 13.6       | 7.8           |
| Taxation                                | 14.3      | 7.6     | 10.9        | 9.4        | 8.6            | 10.3          | 9.4       | 11.6       | 10.0          |
| Recruiting staff                        | 12.4      | 13.4    | 11.4        | 9.6        | 9.1            | 10.5          | 10.5      | 11.8       | 9.8           |
| Keeping staff                           | 0.3       | 2.4     | 0.5         | 1.3        | 1.3            | 1.0           | 1.4       | 1.5        | 0.7           |
| Transport issues                        | 2.5       | 2.7     | 2.9         | 2.3        | 2.5            | 2.5           | 2.1       | 2.5        | 2.5           |
| Lack of broadband access                | 1.0       | –       | 1.3         | 0.2        | 0.2            | 0.7           | 1.0       | 0.7        | 0.5           |
| Regulations                             | 12.8      | 8.6     | 19.6        | 13.6       | 11.8           | 16.9          | 6.5       | 12.4       | 18.3          |
| Keeping up with new technology          | –         | 0.9     | 0.2         | 1.1        | 1.0            | 0.8           | 0.6       | 0.5        | 0.8           |
| Availability/cost of premises           | 2.3       | 5.3     | 2.6         | 3.5        | 3.1            | 3.3           | 3.4       | 4.4        | 3.0           |
| Competition                             | 18.1      | 21.2    | 10.6        | 20.1       | 24.1           | 14.5          | 13.0      | 13.3       | 18.4          |
| Shortage of managerial skills/expertise | 2.0       | 2.4     | 1.7         | 2.3        | 1.9            | 2.2           | 2.9       | 1.6        | 2.3           |
| Other                                   | 5.9       | 7.4     | 7.1         | 6.0        | 6.4            | 6.4           | 7.6       | 6.4        | 6.4           |
| No opinion                              | 5.1       | 5.8     | 5.5         | 4.1        | 2.7            | 5.2           | 4.7       | 5.2        | 4.1           |

Base: a = All businesses, N = 8,225; b = Businesses with employees, N = 6,960 \* England only ° N<100 cases

In Table 5.2b, which focuses just on small businesses with employees, we can see that:

- the three obstacles most frequently cited are the same as for all businesses: competition (16.6 per cent); regulations (15.5 per cent) and the economy (12.3 per cent)
- competition is less likely to be seen as the greatest obstacle in Wales or Scotland than in England or Northern Ireland. In deprived areas, nearly a quarter of businesses perceive competition as the greatest obstacle, compared with around one in ten in rural areas.
- businesses with the highest turnover are most likely to report the economy (37.6 per cent) and nearly a quarter of employers affected by market constraints (23.2 per cent) also see it as the greatest obstacle
- in the primary sector, nearly half the businesses perceive regulations as the greatest obstacle — a far higher proportion than citing any other obstacle
- one in ten report recruiting staff as the greatest obstacle, compared with only one per cent who cite keeping staff. Recruitment is particularly seen as an obstacle in the construction sector, cited by 20.6 per cent of businesses
- concern with staff recruitment is somewhat more widespread among businesses which have been growing than it is among small businesses in general. Cash flow is also somewhat more often cited here than average.
- businesses led by women and by members of a minority ethnic group (MEG) are slightly more likely than average to see competition as an obstacle, and they too are somewhat more inclined to be worried about staff recruitment. There is

less emphasis on both the economy and regulation among MEG-led businesses than across small businesses as a whole.

## 5.2.2 Effect of greatest obstacle on business

We then went on to ask businesses who had identified their greatest obstacle how the greatest obstacle had actually affected their business. The results are shown in Table 5.3. These show that:

- the effect reported by the largest proportion of all these businesses was that of reducing sales. This was cited by just over a third (34.5 per cent) of all these businesses.
- amongst employers, the proportion reporting reduction in sales was highest in the production sector (37.1 per cent), followed by services (32.5 per cent)
- the inability to increase sales was cited by 17.2 per cent of all these businesses, and 14.1 per cent said that it lowered their profit margins and/or increased their costs
- reduction in capacity was cited by 11.6 per cent of all these businesses, rising to 16.1 per cent in small businesses and 15.8 per cent in medium businesses
- just under one in ten of all the businesses who had identified their greatest obstacle said that the effect was to take management or staff time (9.3 per cent). A similar proportion (9.1 per cent) said that the impact was that they needed, or could not get, cash for working capital.

**Table 5.3: Effect of the greatest obstacle on the business: businesses who had identified their greatest obstacle (Q60)**

| Proportions who said...                  | All Businesses |               |             |               |                 | Businesses with Employees |              |                   |                   |                |
|--|----------------|---------------|-------------|---------------|-----------------|---------------------------|--------------|-------------------|-------------------|----------------|
|  | All %          | No Empl'ees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB % | Pro-duction CDE % | Con-struction F % | Services G-O % |
| Reduces sales                            | 34.5           | 36.0          | 31.0        | 33.5          | 31.6            | 31.4                      | 19.0         | 37.1              | 17.8              | 32.5           |
| Can't increase sales                     | 17.2           | 17.3          | 17.8        | 13.6          | 15.4            | 17.1                      | 8.5          | 16.9              | 16.4              | 17.4           |
| Profit margin lower/costs higher         | 14.1           | 14.1          | 13.2        | 16.0          | 24.3            | 13.9                      | 43.1         | 16.5              | 13.2              | 12.6           |
| Takes management/staff time              | 9.3            | 9.0           | 10.0        | 10.9          | 9.8             | 10.1                      | 6.9          | 6.5               | 12.6              | 10.7           |
| Reduces capacity                         | 11.6           | 10.8          | 12.4        | 16.1          | 15.8            | 13.1                      | 10.6         | 13.2              | 24.0              | 11.6           |
| Need/cannot get investment cash          | 5.1            | 4.7           | 6.2         | 5.4           | 4.3             | 6.0                       | 7.8          | 5.6               | 5.8               | 6.1            |
| Need/cannot get cash for working capital | 9.1            | 9.3           | 9.0         | 8.1           | 5.9             | 8.8                       | 10.7         | 10.0              | 13.4              | 7.8            |
| Other                                    | 10.9           | 10.2          | 12.2        | 14.1          | 12.0            | 12.5                      | 8.8          | 10.8              | 10.8              | 13.2           |
| Uncertain                                | 2.0            | 1.6           | 3.1         | 1.0           | 0.5             | 2.7                       | 3.0          | 1.6               | 4.4               | 2.7            |

Base: All businesses, N = 5,921; Businesses with employees, N = 5,021

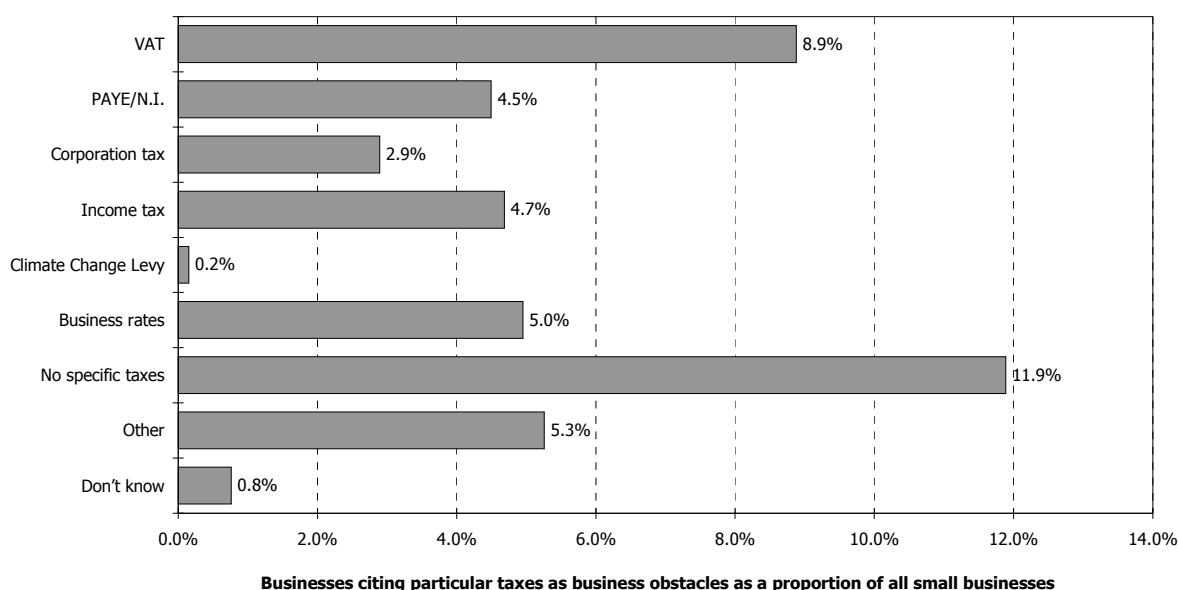
- the smallest proportion – one in 20 – said that they needed, or could not get, investment cash for their business.

### 5.3 Tax and the tax system

As we showed in Section 5.1 above, 38.1 per cent of all businesses thought that ‘tax’ was an obstacle to the success of their business. This proportion rose to 46.3 per cent of small businesses with employees. We then moved on to examine in more detail the nature of the tax obstacles facing small businesses. These 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, and business rates.

We deal with each separately below. It will be observed that the numbers are relatively small in some categories, and it should be further borne in mind that these small proportions are themselves based on a minority of all businesses (that is on the 38.1 per cent who saw tax as an obstacle to their business). Before going on to look in detail at each separate element of taxation, it is therefore worth reviewing the overall incidence of these taxes across all small businesses, rather than just on those who saw taxation in general as an obstacle. This is shown in Figure 5.1.

**Figure 5.1: Overall incidence of different taxes reported as obstacles to business, based on all businesses (Q63)**



Base: All businesses; unweighted N = 8,693

In the following discussion, the proportions cited are based on the 38.1 per cent who identified taxation as a business obstacle, and consequently show larger proportions than those in Figure 5.1. In addition, we have presented the findings in summary tables, but these tables show all businesses and businesses with employees separately.

### 5.3.1 Tax

Some 38.1 per cent of all businesses reported that taxation was an obstacle to the success of their business, although only 9.4 per cent saw it as the main one. We began by asking businesses who had reported tax as an obstacle to specify which particular taxes were seen as an obstacle to the success of the business. The results are shown in Table 5.4. These show that:

- VAT was identified by nearly a quarter of all these businesses (23.3 per cent, or 8.9 per cent of all businesses); but the proportion giving this response varied according to size, with sole traders and those with less than ten employees being the most likely to mention VAT
- smaller proportions reported other specific taxes. Business rates were reported by 13 per cent of all these businesses (or 5.0 per cent of all businesses, followed by 12.3 per cent reporting income tax (or 4.7 per cent of all businesses), and 11.8 per cent citing PAYE/NI (or 4.5 per cent of all businesses).
- corporation tax was less often identified, cited by 7.6 per cent of all these businesses, or 2.9 per cent of all businesses
- sole traders and micro businesses were most likely to report income tax and business rates; but PAYE/NI, and corporation tax were reported by a higher proportion of small and medium-sized businesses
- very few businesses (0.4 per cent) reported the Climate Change Levy, with the largest proportion (2.9 per cent) in medium-sized businesses
- however, nearly a third of these businesses who had reported tax as an obstacle could not identify any specific tax when questioned. This amounts to 11.9 per cent of all businesses.

**Table 5.4: Which taxes are obstacles to business: all businesses reporting tax (Q63)**

| Proportions who said... | All Businesses |               |             |               |                 | Businesses with Employees |              |                   |                   |                |
|-------------------------|----------------|---------------|-------------|---------------|-----------------|---------------------------|--------------|-------------------|-------------------|----------------|
|                         | All %          | No Empl'ees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB % | Pro-duction CDE % | Con-struction F % | Services G-O % |
| VAT                     | 23.3           | 22.1          | 27.1        | 18.7          | 11.3            | 25.4                      | 5.0          | 20.5              | 26.6              | 27.2           |
| PAYE/NI                 | 11.8           | 7.6           | 17.1        | 26.5          | 31.0            | 18.9                      | 6.3          | 27.1              | 22.6              | 16.7           |
| Corporation tax         | 7.6            | 4.9           | 11.2        | 15.6          | 22.5            | 12.2                      | 11.3         | 13.3              | 16.7              | 11.2           |
| Income tax              | 12.3           | 14.1          | 9.5         | 8.4           | 5.4             | 9.2                       | 12.9         | 9.5               | 6.3               | 9.5            |
| Climate Change Levy     | 0.4            | 0.3           | 0.6         | 1.3           | 2.9             | 0.8                       | 0.2          | 1.9               | 0.1               | 0.6            |
| Business rates          | 13.0           | 12.8          | 14.4        | 9.3           | 7.3             | 13.4                      | 7.7          | 10.4              | 5.8               | 15.6           |
| No specific taxes       | 31.2           | 33.6          | 27.3        | 26.8          | 23.8            | 27.1                      | 51.3         | 24.9              | 27.2              | 26.8           |
| Other                   | 13.8           | 13.5          | 13.6        | 17.4          | 22.6            | 14.4                      | 15.3         | 10.1              | 19.2              | 14.8           |
| Don't know              | 2.0            | 2.0           | 1.9         | 2.5           | 3.5             | 2.0                       | –            | 1.9               | 0.9               | 2.3            |
| Unwilling to answer     | 0.2            | –             | 0.7         | 0.1           | 0.4             | 0.6                       | –            | –                 | –                 | 0.9            |

Base: All businesses reporting tax, N = 3,419; Businesses with employees, N = 2,968

### 5.3.2 VAT

Of those who had reported tax, nearly a quarter had specified that VAT was an obstacle to their business. We asked businesses who cited VAT, specific questions about the effect of VAT. Table 5.5a shows which aspects of VAT are seen as an obstacle. From this we can see that:

- the level of VAT was cited by three-fifths of all these businesses (59.4 per cent), rising to 87.7 per cent of employers in the production sector
- the second most frequently reported aspect of VAT was the administrative burden, identified by 23.5 per cent of all these businesses
- a minority of these businesses (12.8 per cent) cited the level of turnover required for registration, with the highest proportion amongst sole traders (15.4 per cent) compared with only 3.9 per cent amongst medium businesses
- around one in ten saw the fact that they could not reclaim input VAT as the greatest obstacle. Payment arrangements and penalties were cited by a similar proportion of all these businesses.

The same businesses were then asked to explain how VAT acted as an obstacle to the success of the business.

From the results in Table 5.5b we can see that:

- the chief impact of VAT is on the cash flow of the business, reported by 44.7 per cent of all these businesses
- the time involved in keeping records was the second most frequently reported impact (21.1 per cent of all these businesses)

**Table 5.5a: What aspect of VAT are an obstacle: businesses citing tax as an obstacle and reporting VAT (Q64)**

| Proportions who said...                     | All Businesses |               |             |               |                 | Businesses with Employees |                           |                   |                   |                |
|---|----------------|---------------|-------------|---------------|-----------------|---------------------------|---------------------------|-------------------|-------------------|----------------|
|   | All %          | No Empl'ees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB <sup>o</sup> % | Pro-duction CDE % | Con-struction F % | Services G-O % |
| Level of turnover required for registration | 12.8           | 15.4          | 9.4         | 6.4           | 3.9             | 9.0                       | –                         | 4.8               | 12.6              | 9.4            |
| Payment arrangements/penalties              | 9.9            | 7.0           | 14.3        | 14.2          | 12.3            | 14.3                      | 12.3                      | 16.2              | 21.2              | 12.8           |
| Administrative burden                       | 23.5           | 22.2          | 25.8        | 23.8          | 28.4            | 25.6                      | 12.3                      | 16.8              | 21.5              | 28.0           |
| Cannot reclaim input VAT                    | 10.5           | 13.1          | 6.1         | 8.6           | 17.1            | 6.6                       | –                         | 6.3               | 3.7               | 7.1            |
| The level of VAT                            | 59.4           | 60.7          | 57.7        | 56.2          | 52.3            | 57.5                      | 87.7                      | 60.3              | 50.6              | 57.7           |
| Other                                       | 7.4            | 9.1           | 4.1         | 10.1          | 5.7             | 4.9                       | –                         | 7.3               | 10.5              | 3.6            |
| Don't know                                  | 2.5            | 3.2           | 1.6         | –             | –               | 1.4                       | –                         | 2.0               | 0.4               | 1.5            |

Base: All businesses citing tax as an obstacle and reporting VAT, N = 714; Businesses with employees, N = 620 <sup>o</sup> N<100 cases

- slightly fewer (19.1 per cent) cited the fact that tax money could be used for investment. This was not a view held by any employers in the primary sector, and only a small proportion in the construction sector (6.8 per cent), but was cited by around a quarter of employers in production and services.
- overall, 13.4 per cent of these businesses reported the fact that their competitors did not charge VAT as an obstacle. Amongst the employers, there were differences between sectors. Nearly one third of employers in the construction sector said that VAT was an obstacle because their competitors did not charge VAT, but in the other sectors, the proportion was less than ten per cent.

### 5.3.3 PAYE and National Insurance

Nearly 12 per cent of those who reported tax, specified PAYE/NI as an obstacle. As Figure 5.1 shows, this amounts to 4.5 per cent of all small businesses. We went on to ask those these businesses who reported PAYE and National Insurance specific questions about the effect of these taxes. Table 5.6a shows which aspects of PAYE and NI are seen as an obstacle. From this we can see that:

- one aspect of PAYE/NI stands out above the others as being an obstacle: the level of employers' NI contributions. This was reported by 71.9 per cent of these businesses, rising to 85.4 per cent of medium-sized businesses. Four-fifths of employers in all sectors except construction reported the level of contributions.
- less than one in five (17.8 per cent) reported that the taxes were an administrative burden. Amongst these employers, the proportion was highest in the primary sector (24.3 per cent).

**Table 5.5b: How VAT acts an obstacle: businesses identifying tax as an obstacle and reporting VAT (Q65)**

| Proportions who said...                | All Businesses |                |             |               |                 | Businesses with Employees |                           |                   |                   |                |
|--|----------------|----------------|-------------|---------------|-----------------|---------------------------|---------------------------|-------------------|-------------------|----------------|
|  | All %          | No Employees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB <sup>o</sup> % | Pro-duction CDE % | Con-struction F % | Services G-O % |
| Time for keeping records               | 21.1           | 18.1           | 26.0        | 22.4          | 18.8            | 25.5                      | 12.3                      | 25.8              | 17.8              | 26.7           |
| Impact on cash flow of paying tax      | 44.7           | 45.9           | 43.0        | 42.5          | 38.2            | 42.9                      | 24.7                      | 40.0              | 45.9              | 43.1           |
| Tax money could be used for investment | 19.1           | 15.9           | 23.5        | 25.4          | 21.8            | 23.7                      | –                         | 23.9              | 6.8               | 26.4           |
| Excessive penalties for late payment   | 1.7            | 1.2            | 2.2         | 4.1           | –               | 2.4                       | 12.3                      | 3.2               | 5.9               | 1.6            |
| Difficulty of understanding regime     | 3.2            | 2.9            | 3.7         | 2.7           | 13.4            | 3.7                       | –                         | 5.2               | 3.1               | 3.5            |
| Competitors don't charge VAT           | 13.4           | 15.3           | 10.4        | 11.5          | 6.7             | 10.5                      | –                         | 7.0               | 31.8              | 8.0            |
| Other                                  | 16.7           | 19.3           | 12.1        | 17.0          | 22.8            | 12.8                      | 75.3                      | 13.7              | 12.8              | 12.3           |
| Uncertain                              | 1.5            | 1.8            | 1.2         | 0.5           | –               | 1.1                       | –                         | –                 | –                 | 0.1            |

Base: All businesses citing tax as an obstacle and reporting VAT, N = 714; Businesses with employees, N = 620<sup>o</sup> N<100 cases



- a small proportion (7.8 per cent) said that the payment arrangements and penalties were an obstacle. Sole traders were more likely than other businesses to cite this.
- sick pay, maternity allowance, administering WFTC, and student loans were only regarded as an obstacle by less than one per cent of all these businesses.

The same businesses were then asked to explain how PAYE and NI acted as an obstacle to the success of the business.

From the results in Table 5.6b we can see that:

- the impact on cash flow heads the list as the key way in which PAYE/NI acts as an obstacle, reported by two out of five of these businesses. A higher than average proportion of sole traders (46.1 per cent) reported this as an obstacle.
- the view that NI increases the cost of staff was reported by 28.8 per cent of these businesses. This was obviously of more concern to those with employees, and was reported by 37 per cent of employers, rising to 74.6 per cent of those in the primary sector.
- other concerns were the fact that the tax money could otherwise be used for investment (20.7 per cent of these businesses) and the time involved in keeping records (17.6 per cent)
- neither difficulty in understanding the regime, nor excessive penalties for late payment, were reported by more than a few of these businesses.

**Table 5.6a: Which aspects of PAYE and NI are an obstacle: businesses citing tax as an obstacle and reporting PAYE/NI (Q66)**

| Proportions who said...                | All Businesses |                |             |               |                 | Businesses with Employees |               |                   |                   |                |
|--|----------------|----------------|-------------|---------------|-----------------|---------------------------|---------------|-------------------|-------------------|----------------|
|  | All %          | No Employees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB° % | Pro-duction CDE % | Con-struction F % | Services G-O % |
| Administrative burden                  | 17.8           | 17.0           | 19.3        | 15.3          | 15.2            | 18.3                      | 24.3          | 15.0              | 20.3              | 19.1           |
| Sick pay                               | 0.9            | –              | 0.6         | 3.9           | 3.6             | 1.5                       | –             | 1.0               | –                 | 2.0            |
| Maternity allowance                    | 0.5            | –              | 0.6         | 1.5           | 2.2             | 0.9                       | –             | 0.3               | 0.6               | 1.2            |
| Administering WFTC, student loans etc. | 0.5            | –              | 0.7         | 1.1           | –               | 0.8                       | –             | 0.3               | 3.7               | 0.4            |
| Level of employers' NI                 | 71.9           | 62.4           | 76.7        | 82.3          | 85.4            | 78.3                      | 80.3          | 80.5              | 68.8              | 79.4           |
| Payment arrangements/penalties         | 7.8            | 11.8           | 4.7         | 6.6           | 2.4             | 5.0                       | 9.9           | 6.8               | 8.4               | 3.5            |
| Other                                  | 6.4            | 3.9            | 8.5         | 7.3           | 4.2             | 8.1                       | –             | 2.8               | 10.0              | 10.0           |
| Don't know                             | 6.4            | 12.7           | 2.6         | 0.7           | 1.8             | 2.1                       | –             | 3.7               | 0.3               | 1.9            |

Base: All businesses citing tax as an obstacle and reporting PAYE/NI, N = 695; Businesses with employees, N = 666 °N<100 cases

**Table 5.6b: How PAYE and NI act as an obstacle: businesses citing tax as an obstacle and reporting PAYE/NI (Q67)**

| Proportions who said...                | All Businesses |                |             |               |                 | Businesses with Employees |               |                   |                   |                |
|--|----------------|----------------|-------------|---------------|-----------------|---------------------------|---------------|-------------------|-------------------|----------------|
|  | All %          | No Employees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB° % | Pro-duction CDE % | Con-struction F % | Services G-O % |
| Time keeping records                   | 17.6           | 15.7           | 20.8        | 14.0          | 10.1            | 18.9                      | 14.4          | 20.2              | 18.7              | 18.8           |
| Impact on cash flow                    | 40.4           | 46.1           | 37.6        | 33.3          | 35.6            | 36.5                      | 14.7          | 36.0              | 33.9              | 37.6           |
| Tax money could be used for investment | 20.7           | 15.9           | 23.4        | 26.4          | 21.6            | 24.0                      | 23.8          | 26.8              | 20.6              | 23.6           |
| Excessive penalties for late payment   | 1.1            | –              | 1.9         | 2.4           | –               | 1.9                       | –             | 2.4               | 0.6               | 2.0            |
| Difficulty of understanding regime     | 2.1            | 1.3            | 3.1         | 0.9           | 4.2             | 2.6                       | –             | 4.1               | 1.1               | 2.4            |
| NI increases cost of staff             | 28.8           | 16.7           | 37.2        | 35.5          | 41.2            | 37.0                      | 74.6          | 34.2              | 42.4              | 36.5           |
| Other                                  | 13.3           | 20.2           | 7.0         | 12.5          | 13.6            | 8.5                       | –             | 7.6               | 8.6               | 8.9            |
| Uncertain                              | 3.0            | 5.2            | 1.9         | –             | 1.4             | 1.5                       | –             | 1.8               | –                 | 1.7            |

Base: All businesses citing tax as an obstacle and reporting PAYE/NI, N = 695; Businesses with employees, N = 666 °N<100 cases

### 5.3.4 Corporation tax

We then moved on to ask businesses who reported corporation tax, specific questions about this tax. It is important to note that the numbers involved are relatively small, as only 7.6 per cent of those who reported tax (38 per cent of all businesses), specified corporation tax as an obstacle; this amounts to just 2.9 per cent of all businesses. Table 5.7a shows which aspects of corporation tax are seen as an obstacle.

**Table 5.7a: What aspects of corporation tax are an obstacle: businesses citing tax as an obstacle and reporting corporation tax (Q68)**

| Proportions who said...        | All Businesses |                |             |               |                 | Businesses with Employees |               |                    |                    |                |
|--------------------------------|----------------|----------------|-------------|---------------|-----------------|---------------------------|---------------|--------------------|--------------------|----------------|
|                                | All %          | No Employees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB° % | Pro-duction CDE° % | Con-struction F° % | Services G-O % |
| The level of tax               | 76.7           | 68.9           | 80.2        | 88.3          | 83.2            | 82.0                      | 68.5          | 91.5               | 71.0               | 82.2           |
| Payment arrangements/penalties | 14.4           | 11.8           | 18.4        | 9.2           | 12.8            | 16.2                      | 31.5          | 15.0               | 23.3               | 14.4           |
| Other                          | 9.6            | 11.8           | 8.3         | 7.6           | 6.7             | 8.1                       | –             | 2.6                | 12.5               | 9.0            |
| Don't know                     | 4.0            | 7.6            | 0.9         | 3.2           | 2.8             | 1.5                       | –             | 0.9                | 0.3                | 2.0            |

Base: All businesses citing tax as an obstacle and reporting corporation tax, N = 440; Businesses with employees, N = 422 °N<100 cases

From this we can see that:

- over three-quarters of these businesses (76.7 per cent) cited the level of corporation tax as an obstacle
- the overall proportion of businesses with employees reporting the tax level was even higher — 82 per cent, rising to 91.5 per cent of employers in the production sector

**Table 5.7b: How corporation tax acts as an obstacle: businesses citing tax as an obstacle and reporting corporation tax (Q69)**

| Proportions who said...                | All Businesses |                |             |               |                 | Businesses with Employees |                           |                                |                                |                |
|--|----------------|----------------|-------------|---------------|-----------------|---------------------------|---------------------------|--------------------------------|--------------------------------|----------------|
|  | All %          | No Employees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB <sup>o</sup> % | Pro-duction CDE <sup>o</sup> % | Con-struction F <sup>o</sup> % | Services G-O % |
| Time keeping records                   | 8.7            | 11.8           | 8.0         | 2.7           | 1.8             | 6.6                       | –                         | 8.0                            | 5.9                            | 6.6            |
| Impact on cash flow                    | 46.3           | 43.7           | 50.1        | 40.7          | 47.6            | 48.0                      | 35.2                      | 39.8                           | 46.3                           | 51.4           |
| Tax money could be used for investment | 44.4           | 42.5           | 42.4        | 57.0          | 47.1            | 45.6                      | 96.4                      | 58.5                           | 34.0                           | 42.6           |
| Excessive penalties for late payment   | 0.6            | –              | 1.0         | 1.2           | –               | 1.0                       | –                         | –                              | 0.9                            | 1.4            |
| Difficulty of understanding regime     | 1.0            | –              | 2.2         | –             | 0.9             | 1.7                       | –                         | –                              | 2.2                            | 2.2            |
| Other                                  | 13.4           | 17.9           | 10.4        | 9.3           | 13.9            | 10.3                      | –                         | 9.2                            | 23.0                           | 8.1            |
| Uncertain                              | 2.4            | 2.0            | 2.4         | 3.8           | 0.9             | 2.6                       | –                         | 3.9                            | 1.6                            | 2.5            |

Base: All businesses citing tax as an obstacle and reporting corporation tax, N = 440; Businesses with employees, N = 422 <sup>o</sup>N<100 cases

- a minority of these businesses (14.4 per cent) reported payment arrangements and penalties as an obstacle. Employers in the primary sector (31.5 per cent) were most likely to report this, followed by 23.3 per cent of those in construction.

The same businesses were then asked to explain how corporation tax acted as an obstacle to the success of the business.

From the results in Table 5.7b we can see that:

- nearly half of these businesses cited two ways in which corporation tax was negatively affecting them: through its impact on cash flow (reported by 46.3 per cent), and because the money paid in tax could otherwise be used for investment (44.4 per cent)
- over half of these businesses with ten to 49 employees (57 per cent) reported the problem of investment. Analysis by sector shows that this was the major issue for employers in the primary sector (96.4 per cent) and 58.5 per cent in the production sector. The highest proportion of employers reporting the impact on cash flow was in the service sector (51.4 per cent).
- a small proportion of these businesses (8.7 per cent) reported the time spent keeping tax records as an obstacle. This was most likely to be cited by sole traders (11.8 per cent).
- difficulty in understanding the regime, and excessive penalties for late payment was only an obstacle for a few businesses.

### 5.3.5 Income tax

Of those who reported tax, 12.3 per cent specified income tax as an obstacle. This amounts to just 4.7 per cent of all small

businesses. We asked businesses who reported income tax specific questions about this tax. Table 5.8a shows which aspects of income tax are seen as an obstacle. From this we can see that:

- as in the case of corporation tax, the highest proportion of these businesses (76.9 per cent) report the level of tax as an obstacle to their business
- the proportion of businesses reporting the level of tax varies by size. It is reported by a higher proportion of small businesses (83.8 per cent) compared with 63.9 per cent of medium ones. It is also most likely to be reported by employers in the primary and construction sectors.
- although payment arrangements are reported by one in five of these businesses, this aspect is most likely to be reported by sole traders (22.8 per cent) and by employers in the primary sector (27.7 per cent).

**Table 5.8a: Which aspects of income tax are an obstacle: businesses citing tax as an obstacle and reporting income tax (Q70)**

| Proportions who said...        | All Businesses |              |             |               |                 | Businesses with Employees |               |                   |                    |                |
|--------------------------------|----------------|--------------|-------------|---------------|-----------------|---------------------------|---------------|-------------------|--------------------|----------------|
|                                | All %          | No Emp'ees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB° % | Pro-duction CDE % | Con-struction F° % | Services G-O % |
| The level of tax               | 76.9           | 76.7         | 76.6        | 83.8          | 63.9            | 77.4                      | 100.0         | 71.6              | 92.0               | 76.3           |
| Payment arrangements/penalties | 20.0           | 22.8         | 13.0        | 10.7          | 16.0            | 12.7                      | 27.7          | 11.9              | 6.8                | 12.8           |
| Other                          | 10.3           | 9.3          | 13.1        | 10.3          | 24.1            | 12.8                      | –             | 17.5              | 4.6                | 13.1           |
| Don't know                     | 0.5            | –            | 1.9         | 1.2           | –               | 1.8                       | –             | –                 | –                  | 2.5            |

Base: All businesses citing tax as an obstacle and reporting income tax, N = 317; Businesses with employees, N = 253  
 °N<100 cases

The same businesses were then asked to explain how income tax acted as an obstacle to the success of the business.

From the results in Table 5.8b, we can see that the results are similar to those for corporation tax discussed above:

- The two main effects of income tax are its impact on cash flow and the fact that the tax money could otherwise be used on investment.
- Over half of these businesses report the impact on cash flow (55.2 per cent). The proportions vary by size, with 40 per cent of medium-sized businesses reporting this issue, compared with 59.8 per cent of micro businesses. The highest proportion of businesses citing this impact by sector is 64.5 per cent in construction, followed by 62.3 per cent in services.
- Although the issue of tax money not being available for investment is reported second most frequently, the proportions are lower than in the case of corporation tax. Just over a quarter (26.1 per cent of these businesses) cite this aspect, compared with 44.4 per cent in the case of corporation tax.

- The proportion of businesses reporting time keeping records was higher than in the case of corporation tax: 16.3 per cent compared with 8.7 per cent. The proportions varied by size, with sole traders and micro businesses being more likely to report this aspect than larger businesses. This did not seem to be an issue for employers in either the primary or construction sector (no businesses in either), but was reported by nearly a quarter of those in production (23.5 per cent).
- A small proportion of these businesses (4.5 per cent) said that difficulty understanding the regime was an obstacle. This proportion was highest in the medium-sized businesses (eight per cent).

**Table 5.8b: How income tax acts as an obstacle: businesses citing tax as an obstacle and reporting income tax (Q71)**

| Proportions who said...                | All Businesses |               |             |               |                 | Businesses with Employees |               |                   |                    |                |
|--|----------------|---------------|-------------|---------------|-----------------|---------------------------|---------------|-------------------|--------------------|----------------|
|  | All %          | No Empl'ees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB° % | Pro-duction CDE % | Con-struction F° % | Services G-O % |
| Time keeping records                   | 16.3           | 16.9          | 16.0        | 7.6           | 8.0             | 14.6                      | –             | 23.5              | –                  | 14.6           |
| Impact on cash flow                    | 55.2           | 53.9          | 59.8        | 52.5          | 40.0            | 58.4                      | 55.4          | 41.9              | 64.5               | 62.3           |
| Tax money could be used for investment | 26.1           | 25.5          | 25.9        | 36.2          | 43.9            | 27.6                      | 16.9          | 33.7              | 30.9               | 26.3           |
| Excessive penalties for late payment   | –              | –             | –           | 1.2           | –               | 0.2                       | –             | 0.5               | –                  | 0.1            |
| Difficulty of understanding regime     | 4.5            | 4.3           | 5.5         | 3.5           | 8.0             | 5.3                       | –             | 5.3               | 2.3                | 5.8            |
| Other                                  | 6.6            | 6.7           | 4.9         | 14.1          | 20.1            | 6.5                       | 27.7          | 7.6               | 17.7               | 4.0            |
| Uncertain                              | 6.6            | 7.8           | 4.2         | 0.5           | –               | 3.6                       | –             | 0.7               | –                  | 4.9            |

Base: All businesses citing tax as an obstacle and reporting income tax, N = 317; Businesses with employees, N = 253  
 ° N < 100 cases

### 5.3.6 Climate Change Levy

We then moved on to ask respondents who reported the Climate Change Levy, specific questions about this tax. Only a very small number (36 respondents) had specified this tax as an obstacle. As the numbers are so small, the findings should be treated with caution, and breakdowns into categories are unreliable.

Just under half of these respondents said that it increased business costs; slightly less could not say which aspect was an obstacle, and all other responses received negligible agreement.

**Table 5.9: Which aspects of business rates are obstacles: businesses citing tax as an obstacle and reporting business rates (Q72)**

| Proportions who said...        | All Businesses |                |             |               |                 | Businesses with Employees |               |                   |                    |                |
|--------------------------------|----------------|----------------|-------------|---------------|-----------------|---------------------------|---------------|-------------------|--------------------|----------------|
|                                | All %          | No Employees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB° % | Pro-duction CDE % | Con-struction F° % | Services G-O % |
| The level of business rates    | 89.9           | 91.2           | 88.2        | 87.5          | 77.1            | 88.0                      | 100.0         | 84.6              | 97.5               | 87.8           |
| Payment arrangements/penalties | 3.6            | 3.5            | 3.9         | 2.6           | 4.5             | 3.8                       | –             | 7.0               | –                  | 3.5            |
| Don't get value for money      | 12.8           | 10.2           | 17.0        | 17.2          | 15.2            | 17.0                      | –             | 15.1              | 31.7               | 16.7           |
| Other                          | 1.5            | –              | 3.4         | 7.8           | 9.2             | 4.0                       | –             | 7.2               | 2.5                | 3.6            |
| Don't know                     | 1.6            | 2.1            | 0.7         | –             | 3.0             | 0.7                       | –             | –                 | –                  | 0.8            |

Base: All businesses citing tax as an obstacle and reporting business rates, N = 407; Businesses with employees, N = 342 °N<100 cases

### 5.3.7 Business rates

The 13 per cent of these businesses (or five per cent of all small businesses) who reported business rates were asked specific questions about this tax. Table 5.9 shows which aspects of business rates are seen as an obstacle. From this we can see that:

- it is the level of business rates which stands out as an obstacle. This was reported by 89.9 per cent of these businesses.
- sole traders were particularly likely to report this factor (91.2 per cent) compared with 77.1 per cent of medium businesses. Amongst employers, 100 per cent of businesses in the primary sector, and 97.5 per cent in construction, cited the level of the rates as an obstacle.
- around one in eight of these businesses said that they did not get value for money out of the business rates. Amongst the employers, this was not a view held in the primary sector, but nearly one-third of those in the construction sector cited this as an obstacle.
- payment arrangements and penalties were only cited as an obstacle by 3.6 per cent of these businesses, with a higher proportion (7.0 per cent) of employers in the production sector.

The same businesses were then asked to explain how business rates acted as an obstacle to the success of the business.

From the results in Table 5.10 we can see that:

- nearly half of these businesses said that the impact was on the cash flow of their business
- just under a third of these businesses said that the business rates took money out of the business that could be used for investment. Amongst employers, this obstacle was particularly important for those in the primary sector (cited by 92 per cent), followed by those in construction (60 per cent).

- 29 per cent of these businesses said that they did not get value for money from the business rates. The proportion of businesses expressing this view varied with the size of the business, from 30.3 per cent of sole traders, to 12.2 per cent of medium-sized businesses. Amongst employers, this issue of value for money was not cited by primary sector employers, and only by one in 20 construction sector employers. However, it was perceived as an obstacle by 29.2 per cent of those in the primary sector, and 28.3 per cent of those in services.

**Table 5.10: How business rates act as an obstacle: businesses citing tax as an obstacle and reporting business rates (Q74)**

| Proportions who said...                | All Businesses |                           |             |               |                 | Businesses with Employees |                           |                                |                                |                |
|--|----------------|---------------------------|-------------|---------------|-----------------|---------------------------|---------------------------|--------------------------------|--------------------------------|----------------|
|  | All %          | No Empl <sup>e</sup> es % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB <sup>o</sup> % | Pro-duction CDE <sup>o</sup> % | Con-struction F <sup>o</sup> % | Services G-O % |
| Time keeping records                   | 1.7            | –                         | 4.9         | 1.0           | 6.1             | 4.5                       | –                         | 4.8                            | 14.4                           | 3.9            |
| Impact on cash flow                    | 48.4           | 50.6                      | 44.9        | 44.5          | 48.2            | 44.9                      | 8.0                       | 24.5                           | 51.9                           | 48.7           |
| Tax money could be used for investment | 30.2           | 30.2                      | 28.7        | 40.7          | 33.3            | 30.1                      | 92.0                      | 36.3                           | 60.0                           | 26.2           |
| Excessive penalties for late payment   | 0.4            | –                         | 0.9         | 2.1           | –               | 1.0                       | –                         | –                              | –                              | 1.2            |
| Difficulty of understanding regime     | 0.7            | –                         | 2.2         | –             | –               | 1.9                       | –                         | 4.6                            | –                              | 1.6            |
| Don't get value for money              | 29.0           | 30.3                      | 28.3        | 17.9          | 12.2            | 26.9                      | –                         | 29.2                           | 5.0                            | 28.3           |
| Other                                  | 12.5           | 12.8                      | 11.6        | 15.7          | 12.3            | 12.0                      | –                         | 23.7                           | 5.0                            | 10.7           |
| Uncertain                              | 1.1            | 0.8                       | 1.6         | –             | –               | 1.4                       | –                         | 4.8                            | –                              | 0.9            |

Base: All businesses citing tax as an obstacle and reporting business rates, N = 407; Businesses with employees, N = 342 <sup>o</sup>N<100 cases

## 5.4 Regulations as an obstacle to business

In Section 5.1 above, we showed that 38.7 per cent of all businesses thought that 'regulations' acted in a way which placed obstacles in the way of their business's success. The proportion rose to nearly half (47.6 per cent) among small businesses with employees. In this section, we now move on to ask these businesses which regulations they considered to be an obstacle to the success of the business and in what way. The results are set out in Table 5.11. These show that:

- health and safety regulations were reported by the highest proportion of all businesses (24.4 per cent)
- amongst employers, the proportions reporting health and safety regulations were highest in the construction sector (43.4 per cent) and production (40.1 per cent)
- employment protection regulations came second but were only reported by 8.5 per cent of businesses. However, the proportion was much higher amongst medium-sized businesses, where a quarter of businesses (25.5 per cent) reported employment protection

**Table 5.11: Which regulations are obstacles to business: all businesses reporting regulations (Q77)**

| Proportions who said...         | All Businesses |                |             |               |                 | Businesses with Employees |               |                   |                   |                |
|---------------------------------|----------------|----------------|-------------|---------------|-----------------|---------------------------|---------------|-------------------|-------------------|----------------|
|                                 | All %          | No Employees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB° % | Pro-duction CDE % | Con-struction F % | Services G-O % |
| Minimum Wage                    | 1.3            | 0.5            | 2.5         | 3.7           | 2.6             | 2.7                       | 0.1           | 5.2               | 1.0               | 2.6            |
| Health and Safety               | 24.4           | 21.7           | 27.6        | 33.9          | 30.9            | 28.9                      | 18.7          | 40.1              | 43.4              | 23.9           |
| Environmental                   | 5.7            | 6.7            | 3.5         | 5.1           | 5.8             | 3.9                       | 2.9           | 6.9               | 2.0               | 3.6            |
| Pensions                        | 0.8            | 1.0            | 0.5         | 0.7           | 0.8             | 0.6                       | –             | 0.1               | 0.7               | 0.7            |
| Anti-discrimination legislation | 0.7            | 0.6            | 0.7         | 1.0           | 1.7             | 0.8                       | –             | 0.7               | 0.1               | 1.0            |
| Planning/building               | 6.7            | 6.9            | 7.0         | 4.0           | 4.0             | 6.4                       | 4.6           | 2.7               | 14.1              | 5.9            |
| Tax-related                     | 5.8            | 6.4            | 5.3         | 3.0           | 1.7             | 4.7                       | 2.1           | 4.8               | 1.5               | 5.5            |
| Employment protection           | 8.5            | 6.6            | 9.7         | 16.9          | 25.5            | 11.6                      | 8.4           | 16.4              | 11.3              | 10.6           |
| Information/record-keeping      | 1.3            | 0.8            | 2.0         | 1.0           | 1.6             | 2.0                       | 4.6           | 1.4               | 1.1               | 2.2            |
| Trading Standards               | 1.0            | 1.1            | 0.7         | 1.1           | 0.6             | 0.8                       | –             | 0.6               | 0.1               | 1.0            |
| Working time                    | 1.2            | 0.3            | 2.2         | 3.9           | 8.6             | 2.7                       | 0.5           | 2.7               | 0.4               | 3.3            |
| No specific ones/all            | 22.9           | 22.6           | 23.7        | 22.2          | 18.6            | 23.2                      | 31.1          | 23.2              | 23.0              | 22.8           |
| Sector specific                 | 19.4           | 20.4           | 18.1        | 15.7          | 19.1            | 17.7                      | 33.4          | 11.3              | 11.7              | 19.4           |
| Other                           | 9.5            | 9.5            | 9.0         | 10.5          | 12.4            | 9.4                       | 10.7          | 8.7               | 5.8               | 10.1           |
| Don't know                      | 5.7            | 6.7            | 4.0         | 4.2           | 2.8             | 4.0                       | –             | 4.1               | 3.5               | 4.3            |
| None                            | 4.8            | 5.3            | 4.4         | 3.1           | 2.2             | 4.0                       | –             | 2.3               | 4.2               | 4.8            |

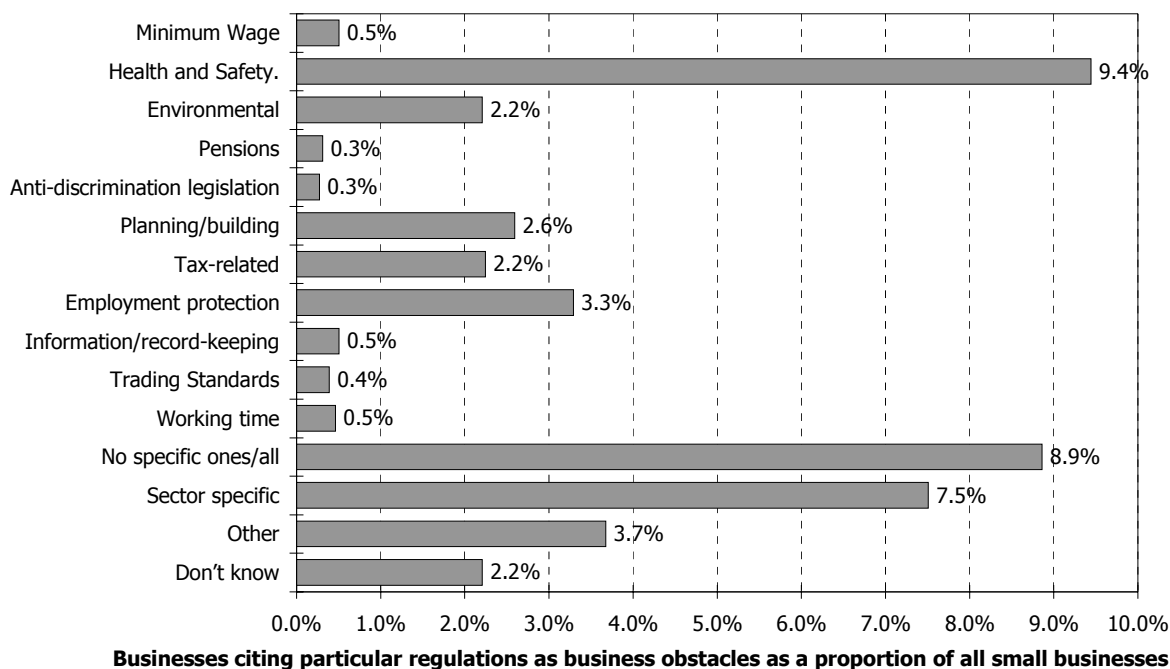
Base: All businesses reporting regulations, N = 3,322; Businesses with employees, N = 2,959

- a small proportion of all businesses reported planning/building regulations (6.7 per cent), tax-related regulations (5.8 per cent), and environmental regulations (5.7 per cent)
- other regulations — pensions, anti-discrimination legislation, information/record keeping, trading standards and working time — did not feature as an obstacle for more than a around one per cent or less of all businesses
- other sector-specific regulations (not named) were reported as an obstacle by 19.4 per cent of all businesses. Amongst employers, the highest proportion (33.4 per cent) was in the primary sector.

However, it must be recalled that these proportions are based on a sub-set of small businesses, that is those who identified regulations as a business obstacle in the first place, some 38.7 per cent of all small businesses. In Figure 5.2 (overleaf), we indicate the extent of perceived impact of these specific regulations across all small businesses.



**Figure 5.2: Overall incidence of different regulations reported as obstacles to business, based on all businesses (Q77)**



Base: All respondents; unweighted base, N = 8,693

Businesses were then asked in what ways the regulations reported act as an obstacle to business. The responses are set out in Table 5.12 (overleaf). These show that:

- it is the time spent in administration and the costs of administration that are reported by the highest proportion of businesses (52.3 per cent of all businesses)
- the costs involved in complying with the regulations came second, reported by 21.4 per cent of all businesses. Less than one in five sole traders (18.3 per cent) reported this aspect, compared with 29.3 per cent of medium-sized businesses.
- a small proportion (8.9 per cent) reported the time involved in getting advice as an obstacle. A similar proportion (8.4 per cent) cited difficulty in understanding the regulations.
- just 5.7 per cent said that the regulations increased the costs of taking on employees and/or made it harder to fire them; but this proportion rose to 11.6 in the largest sized businesses
- although around a fifth reported the cost of compliance itself as an obstacle, the cost of advice on compliance was only cited by 3.4 per cent of all businesses. Only 2.5 per cent said that difficulty in getting this advice was an obstacle.
- less than three per cent of all businesses reported competition from businesses who do not comply with the regulations.

**Table 5.12: In what ways do regulations act as an obstacle to business: all businesses reporting regulations (Q78)**

| Proportions who said...                               | All Businesses |                |             |               |                 | Businesses with Employees |              |                  |                  |                |
|---|----------------|----------------|-------------|---------------|-----------------|---------------------------|--------------|------------------|------------------|----------------|
|   | All %          | No Employees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB % | Production CDE % | Construction F % | Services G-O % |
| Difficulty in understanding                           | 8.4            | 7.2            | 10.6        | 8.9           | 8.4             | 10.2                      | 4.5          | 9.6              | 8.9              | 11.0           |
| Difficulty in getting advice on compliance            | 2.5            | 2.2            | 3.1         | 3.4           | 1.0             | 3.1                       | 2.2          | 4.9              | 3.3              | 2.6            |
| Time involved in getting advice                       | 8.9            | 8.8            | 9.4         | 8.4           | 7.0             | 9.1                       | 2.9          | 10.2             | 14.4             | 8.2            |
| Cost of compliance advice                             | 3.4            | 3.3            | 3.6         | 3.4           | 4.8             | 3.6                       | 2.3          | 4.6              | 5.7              | 3.1            |
| Cost of compliance                                    | 21.4           | 18.3           | 25.5        | 28.4          | 29.3            | 26.2                      | 21.7         | 29.1             | 27.7             | 25.5           |
| Increased costs of taking on employees/harder to fire | 5.7            | 5.6            | 5.1         | 8.1           | 11.6            | 5.9                       | 2.7          | 6.0              | 6.5              | 6.0            |
| Competition from businesses who don't comply          | 2.3            | 1.7            | 3.1         | 4.2           | 4.4             | 3.3                       | 4.8          | 6.2              | 3.2              | 2.5            |
| Administrative time/costs                             | 52.3           | 49.8           | 56.9        | 58.4          | 53.2            | 56.4                      | 72.2         | 54.6             | 59.7             | 55.1           |
| Other   | 12.7           | 15.1           | 8.6         | 9.8           | 12.3            | 9.0                       | 5.5          | 6.6              | 4.9              | 10.6           |
| Uncertain   | 2.7            | 2.9            | 2.6         | 1.7           | 1.2             | 2.4                       | –            | 3.9              | 2.5              | 2.2            |

Base: All businesses reporting regulations, N = 3,052; businesses with employees, N = 2,732

# 6. Financing the Business

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Improving access to finance for small businesses is an important theme for the Small Business Service. It is recognised that effective capital markets will facilitate business start-ups, enable small businesses to finance potentially viable investments, and provide them with funding for innovation. In removing unnecessary constraints which small businesses might face in securing finance, the overall efficiency of the capital market can be improved, and enhanced growth assured.

In this chapter we look at the experiences of respondents with respect to 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.

## 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 6.1a shows the responses for all businesses, whether employers or not. We can see that:

- the majority of businesses (83.2 per cent) had not sought finance in the past 12 months
- the proportion of businesses seeking finance varied with size, with sole traders being least likely to seek finance and medium-sized businesses most likely to do so
- nearly one in five medium-sized businesses had sought finance more than once in the past 12 months, compared with 2.7 per cent of businesses without employees and 6.4 per cent of micro businesses.

**Table 6.1a: Finance sought in past 12 months: all businesses (Q80)**

| Proportions who said... | All % | No Empl'ees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % |
|-------------------------|-------|---------------|-------------|---------------|-----------------|
| Yes, once only          | 11.8  | 9.6           | 16.3        | 20.0          | 21.0            |
| Yes, more than once     | 4.2   | 2.7           | 6.4         | 11.9          | 18.5            |
| No                      | 83.2  | 87.2          | 76.1        | 66.1          | 58.9            |
| Don't know              | 0.5   | 0.2           | 0.8         | 1.7           | 1.6             |
| Unwilling to answer     | 0.3   | 0.3           | 0.4         | 0.2           | 0.1             |

**Table 6.1b: Finance sought in past 12 months: businesses with employees only (Q80)**

|                     | All with Empl'ees | Primary AB      | Pro-duction CDE | Con-struction F | Services G-O        | England       | Wales          | Scotland      | N. Ireland    |
|---------------------|-------------------|-----------------|-----------------|-----------------|---------------------|---------------|----------------|---------------|---------------|
| Yes, once only      | 16.9              | 26.5            | 20.3            | 20.2            | 15.4                | 16.7          | 20.7           | 19.1          | 13.2          |
| Yes, more than once | 7.5               | 9.3             | 7.4             | 8.2             | 7.4                 | 7.6           | 4.6            | 8.8           | 6.2           |
| No                  | 74.2              | 63.6            | 71.6            | 71.0            | 75.6                | 74.3          | 74.2           | 70.5          | 80.7          |
| Don't know          | 1.0               | 0.6             | 0.6             | 0.7             | 1.1                 | 1.0           | 0.5            | 1.0           | –             |
| Unwilling to answer | 0.4               | –               | 0.1             | –               | 0.5                 | 0.4           | –              | 0.5           | –             |
|                     | T/O <£56K         | £56-£249K       | £250K-£1.49m    | £1.5m-£2.8m     | >£2.8m <sup>o</sup> | Sole Prop.    | Partner-ship   | Incor-porated | Exporter      |
| Yes, once only      | 14.8              | 17.6            | 19.4            | 19.6            | 17.0                | 14.7          | 20.5           | 16.5          | 17.5          |
| Yes, more than once | 3.0               | 6.7             | 9.1             | 13.9            | 10.4                | 4.0           | 8.0            | 8.6           | 10.1          |
| No                  | 81.6              | 74.8            | 71.3            | 65.2            | 71.0                | 80.3          | 70.3           | 73.4          | 71.3          |
| Don't know          | 0.1               | 0.7             | 0.3             | 1.3             | 1.7                 | 0.8           | 0.9            | 1.1           | 0.6           |
| Unwilling to answer | 0.5               | 0.2             | –               | –               | –                   | 0.2           | 0.3            | 0.4           | 0.5           |
|                     | Prop. Growth      | Not Prop Growth | Market Const.   | Other Const.    |                     | Sust'd Growth | Const'd Growth | New Growth    | No Growth     |
| Yes, once only      | 20.7              | 9.7             | 11.1            | 14.3            |                     | 27.5          | 21.5           | 21.3          | 13.8          |
| Yes, more than once | 9.7               | 2.9             | 5.1             | 6.2             |                     | 14.7          | 9.8            | 12.1          | 5.1           |
| No                  | 68.0              | 86.3            | 83.2            | 78.7            |                     | 55.8          | 66.4           | 64.6          | 80.2          |
| Don't know          | 1.1               | 0.8             | 0.6             | 0.8             |                     | 1.5           | 1.4            | 1.4           | 0.7           |
| Unwilling to answer | 0.5               | 0.3             | –               | –               |                     | 0.6           | 0.8            | 0.6           | 0.2           |
|                     | Women Led         | MEG Led         | Rural Area*     | Not Rural*      | Deprived Area*      | Not* Deprived | <=3 Years      | 4-10 Years    | 10 plus Years |
| Yes, once only      | 12.4              | 14.9            | 19.0            | 15.6            | 15.8                | 17.0          | 19.5           | 19.5          | 15.6          |
| Yes, more than once | 5.3               | 7.0             | 7.4             | 7.7             | 8.0                 | 7.5           | 10.0           | 7.0           | 7.2           |
| No                  | 80.8              | 74.6            | 72.8            | 75.1            | 74.3                | 74.3          | 69.0           | 71.7          | 76.0          |
| Don't know          | 0.7               | 3.0             | 0.4             | 1.3             | 1.5                 | 0.9           | 0.8            | 1.5           | 0.8           |
| Unwilling to answer | 0.8               | 0.5             | 0.5             | 0.3             | 0.5                 | 0.3           | 0.7            | 0.3           | 0.3           |

Base: a = All businesses, N = 8,693; b = Businesses with employees, N = 7,254 \* England only <sup>o</sup>N<100 cases

In Table 6.1b, which focuses just on small businesses with employees, we can see that:

- employers in the primary sector were most likely to have sought finance, with over a quarter having done so once in the past 12 months
- responses varied according to the growth expectations of the business. Businesses which had grown in the past year and expected to grow again (sustained growth) were most likely to have sought finance. Over a quarter (27.5 per cent) of these

businesses had sought finance once, and a further 14.7 per cent more than once. In contrast, 13.8 per cent of employers who had not experienced employment growth, and did not expect to grow, had sought finance once during the same period, and only 5.1 per cent had sought it more than once.

- the likelihood of seeking finance also varied with the level of financial turnover. Those with the smallest turnover were less likely to have sought finance than those with a larger turnover.
- four out of five women-led businesses had not sought finance in the past 12 months
- a higher than average proportion of businesses established in the last three years, had sought finance, with ten per cent having sought it more than once.

## 6.2 Reasons for seeking finance

All businesses who said that they had tried to obtain finance at least once were asked the reasons why they had sought finance.

Table 6.2a shows the responses for all businesses whether employers or not. We can see that:

- the two reasons most frequently cited for seeking finance were for working capital/cashflow (given by 33.5 per cent) and for capital equipment/vehicles (given by 31.9 per cent)
- businesses without employees and micro businesses were more likely to mention working capital than small or medium-sized businesses
- a minority of businesses (13.5 per cent) gave buying land or buildings as a reason for seeking finance. A smaller proportion (6.8 per cent) said that the finance was to improve buildings.
- buying another business, were mentioned by less than two per cent of all businesses.

**Table 6.2a: Reasons for seeking finance: all businesses who had sought finance at least once (Q81)**

| Proportions who said...          | All<br>% | No<br>Empl'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|----------------------------------|----------|---------------------|-------------------|---------------------|-----------------------|
| Working capital/cashflow         | 33.5     | 35.8                | 32.3              | 25.1                | 27.2                  |
| Buying land or buildings         | 13.5     | 14.5                | 12.2              | 12.1                | 14.6                  |
| Improving buildings              | 6.8      | 6.4                 | 6.8               | 8.5                 | 8.9                   |
| Capital equipment/vehicles       | 31.9     | 30.3                | 32.7              | 36.6                | 36.8                  |
| Research and development         | 1.4      | 1.9                 | 0.7               | 1.1                 | 1.6                   |
| Acquiring intellectual property  | 0.3      | –                   | 0.6               | 0.4                 | 0.3                   |
| Protecting intellectual property | 0.1      | –                   | 0.2               | 0.2                 | –                     |
| Training/staff development       | 0.8      | 0.4                 | 1.1               | 2.3                 | 1.3                   |
| Buying another business          | 1.5      | 1.3                 | 1.6               | 2.3                 | 3.1                   |
| Marketing                        | 0.6      | 0.1                 | 1.2               | 0.8                 | –                     |
| Other                            | 7.9      | 7.6                 | 8.1               | 9.5                 | 5.0                   |
| Don't know                       | 0.2      | –                   | 0.5               | 0.2                 | 0.8                   |
| Unwilling to answer              | 1.6      | 1.6                 | 1.9               | 0.8                 | 0.5                   |

**Table 6.2b: Reasons for seeking finance: businesses with employees only (Q81)**

|                                  | All<br>with<br>Empl'ees | Primary<br>AB° | Pro-<br>duction<br>CDE | Con-<br>struction<br>F | Services<br>G-O | England | Wales | Scotland | N.<br>Ireland° |
|----------------------------------|-------------------------|----------------|------------------------|------------------------|-----------------|---------|-------|----------|----------------|
| Working capital/cashflow         | 30.8                    | 48.8           | 30.7                   | 30.3                   | 29.7            | 30.9    | 17.3  | 36.1     | 33.7           |
| Buying land or buildings         | 12.3                    | 17.1           | 7.4                    | 15.9                   | 12.7            | 12.2    | 12.1  | 13.4     | 12.9           |
| Improving buildings              | 7.2                     | 3.9            | 2.6                    | 0.6                    | 9.7             | 6.6     | 12.6  | 8.0      | 15.4           |
| Capital equipment/vehicles       | 33.6                    | 24.3           | 38.6                   | 46.6                   | 30.7            | 33.3    | 44.9  | 31.5     | 31.2           |
| Research and development         | 0.8                     | –              | 1.2                    | 0.1                    | 0.9             | 0.8     | 0.3   | 1.0      | 1.2            |
| Acquiring intellectual property  | 0.6                     | –              | 1.2                    | –                      | 0.5             | 0.5     | 2.2   | –        | 0.4            |
| Protecting intellectual property | 0.2                     | –              | –                      | –                      | 0.3             | 0.2     | –     | –        | –              |
| Training/staff development       | 1.3                     | –              | 1.2                    | 0.7                    | 1.6             | 1.4     | 1.3   | 1.4      | –              |
| Buying another business          | 1.8                     | 0.7            | 3.2                    | 0.1                    | 1.7             | 1.6     | 3.0   | 3.1      | –              |
| Marketing                        | 1.1                     | –              | 0.2                    | –                      | 1.6             | 1.1     | 1.5   | 1.0      | –              |
| Other                            | 8.2                     | 1.4            | 12.0                   | 5.8                    | 8.1             | 8.9     | 4.8   | 3.9      | 3.6            |
| Don't know                       | 0.5                     | –              | –                      | –                      | 0.7             | 0.5     | –     | 0.1      | –              |
| Unwilling to answer              | 1.7                     | 3.9            | 1.9                    | –                      | 1.8             | 1.9     | –     | 0.5      | 1.6            |

|                                     | T/O<br><£56K° | £56-<br>£249K | £250K-<br>£1.49m | £1.5m-<br>£2.8m | >£2.8m° | Sole<br>Prop. | Partner-<br>ship | Incor-<br>porated | Exporter |
|-------------------------------------|---------------|---------------|------------------|-----------------|---------|---------------|------------------|-------------------|----------|
| Working capital/cashflow            | 24.8          | 36.1          | 32.4             | 29.3            | 39.7    | 32.7          | 27.2             | 31.5              | 40.6     |
| Buying land or buildings            | 14.0          | 12.2          | 11.4             | 13.7            | 9.6     | 8.1           | 16.8             | 11.7              | 8.2      |
| Improving buildings                 | 9.1           | 6.2           | 6.9              | 7.1             | 5.5     | 8.5           | 12.6             | 4.7               | 3.1      |
| Capital<br>equipment/vehicles       | 37.9          | 28.1          | 35.3             | 33.0            | 31.1    | 33.2          | 33.6             | 33.9              | 25.2     |
| Research and<br>development         | –             | –             | 0.9              | 1.2             | 2.8     | 0.3           | 0.7              | 1.1               | 2.4      |
| Acquiring intellectual<br>property  | –             | 1.3           | 0.3              | 0.2             | –       | 0.2           | –                | 0.9               | 0.4      |
| Protecting intellectual<br>property | –             | –             | 0.6              | –               | –       | –             | –                | 0.3               | –        |
| Training/staff<br>development       | –             | 1.4           | 2.6              | 0.8             | –       | 0.1           | 0.9              | 1.8               | 1.9      |
| Buying another business             | 2.0           | 2.1           | 1.3              | 5.2             | 2.8     | 1.1           | 1.2              | 2.2               | 2.2      |
| Marketing                           | –             | 1.0           | 0.7              | 0.1             | –       | 1.0           | –                | 1.5               | 2.3      |
| Other                               | 12.1          | 8.7           | 6.4              | 8.9             | 5.6     | 12.0          | 4.7              | 8.6               | 11.4     |
| Don't know                          | –             | 1.7           | 0.2              | 0.2             | 2.8     | 1.2           | –                | 0.4               | 0.3      |
| Unwilling to answer                 | –             | 1.2           | 1.1              | 0.3             | –       | 1.3           | 2.3              | 1.5               | 2.2      |

|                                     | Prop.<br>Growth | Not<br>Prop<br>Growth | Market<br>Const.° | Other<br>Const. | Sust'd<br>Growth | Const'd<br>Growth | New<br>Growth | No<br>Growth |
|-------------------------------------|-----------------|-----------------------|-------------------|-----------------|------------------|-------------------|---------------|--------------|
| Working capital/cashflow            | 31.4            | 29.0                  | 28.7              | 28.6            | 27.1             | 25.9              | 39.0          | 29.2         |
| Buying land or buildings            | 12.7            | 12.5                  | 4.4               | 11.7            | 16.6             | 11.6              | 11.4          | 11.6         |
| Improving buildings                 | 7.6             | 6.1                   | 3.0               | 6.6             | 3.6              | 8.0               | 7.3           | 8.1          |
| Capital<br>equipment/vehicles       | 30.9            | 41.8                  | 50.6              | 39.1            | 36.3             | 35.4              | 28.3          | 34.8         |
| Research and<br>development         | 1.1             | –                     | 0.1               | 0.2             | 1.5              | 0.2               | 1.2           | 0.7          |
| Acquiring intellectual<br>property  | 0.7             | –                     | –                 | 0.3             | 0.4              | –                 | 1.2           | 0.5          |
| Protecting intellectual<br>property | 0.3             | –                     | –                 | –               | –                | –                 | 0.9           | –            |
| Training/staff<br>development       | 1.4             | 0.8                   | 0.4               | 1.9             | 2.0              | 0.5               | 3.1           | 0.6          |
| Buying another business             | 2.0             | 0.2                   | 1.0               | 2.2             | 2.4              | 2.8               | 0.7           | 1.8          |
| Marketing                           | 1.2             | –                     | –                 | 1.9             | 3.2              | 0.2               | 1.6           | 0.4          |
| Other                               | 8.5             | 5.9                   | 11.8              | 7.4             | 6.9              | 11.7              | 4.1           | 9.7          |
| Don't know                          | 0.6             | –                     | –                 | –               | –                | 0.4               | 0.3           | 0.7          |
| Unwilling to answer                 | 1.6             | 3.8                   | –                 | –               | 0.1              | 3.2               | 1.0           | 2.0          |

|                                  | Women Led | MEG Led | Rural Area* | Not Rural* | Deprived Area* | Not* Deprived | <=3 Years | 4-10 Years | 10 plus Years |
|----------------------------------|-----------|---------|-------------|------------|----------------|---------------|-----------|------------|---------------|
| Working capital/cashflow         | 32.7      | 35.6    | 31.9        | 30.1       | 25.9           | 32.5          | 38.1      | 30.0       | 29.0          |
| Buying land or buildings         | 10.7      | 16.6    | 10.6        | 13.0       | 13.9           | 11.6          | 12.9      | 14.3       | 11.4          |
| Improving buildings              | 12.6      | 15.9    | 7.8         | 6.0        | 5.7            | 6.9           | 7.6       | 6.1        | 7.4           |
| Capital equipment/vehicles       | 20.9      | 17.5    | 34.6        | 32.7       | 35.8           | 32.5          | 24.2      | 32.6       | 36.6          |
| Research and development         | 0.1       | 0.3     | 0.7         | 0.9        | 2.0            | 0.5           | 2.4       | –          | 0.7           |
| Acquiring intellectual property  | –         | 0.9     | 0.6         | 0.5        | 0.2            | 0.7           | 1.0       | 1.3        | 0.2           |
| Protecting intellectual property | 0.3       | 0.1     | 0.5         | 0.1        | –              | 0.3           | –         | –          | 0.3           |
| Training/staff development       | 1.0       | 2.6     | 0.9         | 1.7        | 2.8            | 0.9           | 2.0       | 1.0        | 1.3           |
| Buying another business          | 4.1       | 1.7     | 0.9         | 2.0        | 1.6            | 1.6           | 1.0       | 0.8        | 2.3           |
| Marketing                        | 0.6       | 0.3     | 0.8         | 1.3        | 1.6            | 0.9           | 1.9       | 2.3        | 0.5           |
| Other                            | 14.3      | 4.4     | 8.7         | 9.1        | 8.7            | 9.0           | 7.0       | 9.2        | 8.3           |
| Don't know                       | 0.2       | 1.0     | 0.1         | 0.8        | –              | 0.7           | 0.2       | 0.8        | 0.4           |
| Unwilling to answer              | 2.4       | 3.1     | 1.8         | 1.9        | 1.8            | 1.9           | 1.8       | 1.5        | 1.7           |

Base: a = All businesses who had sought finance at least once, N = 2,330; b = Businesses with employees who had sought finance at least once, N = 2,129 \* England only ° N<100 cases

In Table 6.2b, which focuses just on small businesses with employees, we can see that:

- overall, the most common reason for seeking finance was to purchase capital equipment/vehicles, cited by a third of employers
- in the construction sector, a higher proportion (46.6 per cent) of employers than in other sectors mentioned acquiring capital equipment or vehicles. The respondents who were least likely to mention this were MEG-led (17.5 per cent) and women-led (20.9 per cent) businesses.
- the second most common reason for seeking finance was for working capital and/or cash flow reasons, mentioned by a little under a third of employers. Employers in the primary sector were most likely to give this reason. Businesses with a turnover of above £2.8 million, or most of whose business was exported abroad, were also more likely to mention working capital/cash flow reasons.
- businesses which had been trading for the shortest time — less than three years — were more likely to mention working capital/cash flow than longer-established businesses. Employers who expected their business to grow in the next year were also more likely to have sought finance for working capital/cash flow.
- businesses in Wales were less likely to give working capital/cash flow as their reason than were businesses in the other countries



- although we noted earlier that growing businesses were more likely to have sought finance, their reasons for doing so do not appear to differ greatly from the rest.

## 6.3 Type of finance sought

All businesses who had sought finance were asked what sources of finance they had sought.

Table 6.3a shows the responses for all businesses whether employers or not. We can see that:

- half the businesses (51.6 per cent) said that they had sought a bank loan while a fifth had sought a bank overdraft. However the proportion of businesses without employees that had sought a bank loan were higher than average.
- smaller proportions — less than one in ten — had sought a grant or finance via leasing/hire purchase, and 6.9 per cent had sought a mortgage for property purchase or improvement
- few businesses had sought any of the remaining finance options: equity investment, factoring, a loan from family, business partners, or directors, or a loan from a CDFI.

**Table 6.3a: Type of finance sought: all businesses who had sought finance (Q82)**

| Proportions who said...                     | All<br>% | No<br>Empl'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|---|----------|---------------------|-------------------|---------------------|-----------------------|
| Equity investment existing shareholders     | 0.4      | –                   | 0.8               | 0.9                 | 0.9                   |
| Equity investment new shareholders          | 0.4      | 0.3                 | 0.3               | 1.4                 | 1.2                   |
| Bank overdraft                              | 20.6     | 21.6                | 20.4              | 16.5                | 16.9                  |
| Bank loan                                   | 51.6     | 55.2                | 49.3              | 40.8                | 42.3                  |
| Mortgage for property purchase/improvement  | 6.9      | 7.8                 | 5.9               | 5.6                 | 5.2                   |
| Leasing/hire purchase                       | 9.2      | 6.4                 | 10.8              | 17.2                | 20.5                  |
| Factoring                                   | 0.6      | 0.7                 | 0.4               | 0.7                 | 1.0                   |
| Loan from family/business partner/directors | 0.9      | 0.7                 | 1.3               | 0.5                 | 0.2                   |
| Loan from a CDFI                            | 2.0      | 2.2                 | 1.7               | 2.7                 | 2.2                   |
| Grant                                       | 9.0      | 8.6                 | 8.2               | 14.3                | 10.3                  |
| Other                                       | 5.5      | 3.9                 | 7.0               | 7.7                 | 8.7                   |
| Don't know                                  | 0.3      | –                   | 0.7               | 0.9                 | 0.7                   |
| Unwilling to answer                         | 0.7      | –                   | 1.6               | 1.1                 | 0.9                   |

**Table 6.3b: Type of finance sought: businesses with employees only (Q82)**

|   | All<br>with<br>Empl'ees | Primary<br>AB° | Pro-<br>duction<br>CDE | Con-<br>struction<br>F | Services<br>G-O | England       | Wales            | Scotland          | N.<br>Ireland° |
|---|-------------------------|----------------|------------------------|------------------------|-----------------|---------------|------------------|-------------------|----------------|
| Equity investment existing shareholders     | 0.8                     | –              | 1.2                    | 0.1                    | 0.9             | 0.8           | –                | 0.1               | 6.1            |
| Equity investment new shareholders          | 0.5                     | –              | 1.1                    | 0.1                    | 0.5             | 0.4           | 0.2              | 2.7               | –              |
| Bank overdraft                              | 19.5                    | 29.8           | 22.0                   | 23.2                   | 17.6            | 19.9          | 14.8             | 17.8              | 17.8           |
| Bank loan                                   | 47.4                    | 57.6           | 47.2                   | 44.3                   | 47.4            | 47.5          | 37.2             | 52.4              | 44.9           |
| Mortgage for property purchase/improvement  | 5.8                     | 0.9            | 2.1                    | 6.2                    | 7.1             | 6.4           | 4.3              | 1.7               | 2.8            |
| Leasing/hire purchase                       | 12.4                    | 8.0            | 14.3                   | 17.1                   | 11.4            | 11.8          | 13.5             | 18.7              | 12.1           |
| Factoring                                   | 0.5                     | –              | 1.3                    | –                      | 0.4             | 0.4           | 0.1              | 2.1               | –              |
| Loan from family/business partner/directors | 1.1                     | 3.9            | 0.4                    | 2.8                    | 0.8             | 1.3           | –                | 0.1               | –              |
| Loan from a CDFI                            | 1.9                     | 4.2            | 2.3                    | 0.4                    | 2.0             | 2.0           | 1.6              | 1.4               | –              |
| Grant                                       | 9.4                     | 1.0            | 10.7                   | 2.8                    | 10.7            | 8.0           | 31.1             | 13.9              | 4.0            |
| Other                                       | 7.2                     | 0.7            | 5.6                    | 6.3                    | 8.2             | 7.7           | 2.7              | 2.1               | 15.9           |
| Don't know                                  | 0.7                     | 0.1            | 0.4                    | –                      | 1.0             | 0.8           | 0.7              | 0.9               | –              |
| Unwilling to answer                         | 1.5                     | –              | 1.1                    | 1.9                    | 1.6             | 1.6           | –                | 0.4               | 1.6            |
|   | T/O<br><£56K°           | £56-<br>£249K  | £250K-<br>£1.49m       | £1.5m-<br>£2.8m        | >£2.8m°         | Sole<br>Prop. | Partner-<br>ship | Incor-<br>porated | Exporter       |
| Equity investment existing shareholders     | –                       | 0.8            | 0.6                    | 0.9                    | –               | 1.0           | 0.7              | 0.8               | 2.6            |
| Equity investment new shareholders          | –                       | 0.4            | 0.4                    | 1.8                    | –               | 0.4           | 0.1              | 0.7               | 1.6            |
| Bank overdraft                              | 17.4                    | 22.5           | 23.1                   | 19.6                   | 20.3            | 16.3          | 18.8             | 20.7              | 24.9           |
| Bank loan                                   | 58.6                    | 49.2           | 41.0                   | 48.1                   | 36.2            | 54.5          | 49.8             | 44.7              | 48.1           |
| Mortgage for property purchase/improvement  | 11.9                    | 5.7            | 6.0                    | 2.9                    | 2.9             | 5.6           | 8.4              | 5.0               | 3.5            |
| Leasing/hire purchase                       | –                       | 7.0            | 16.3                   | 20.0                   | 11.4            | 6.1           | 13.2             | 13.8              | 10.2           |
| Factoring                                   | –                       | 0.8            | 0.3                    | 1.6                    | –               | 1.0           | –                | 0.5               | 0.6            |
| Loan from family/business partner/directors | –                       | 1.7            | 1.0                    | 1.6                    | –               | 0.1           | 1.4              | 1.2               | 0.1            |
| Loan from a CDFI                            | –                       | 0.5            | 3.7                    | 1.7                    | 2.8             | 2.5           | 0.8              | 2.2               | 1.5            |
| Grant                                       | 5.8                     | 10.8           | 9.5                    | 9.6                    | 9.6             | 4.1           | 5.6              | 12.0              | 11.9           |
| Other                                       | 13.0                    | 6.4            | 8.2                    | 5.2                    | 8.9             | 10.2          | 5.6              | 7.1               | 7.1            |
| Don't know                                  | –                       | 1.0            | 0.4                    | 0.6                    | –               | 1.6           | 0.2              | 0.7               | 0.5            |
| Unwilling to answer                         | –                       | 0.9            | 0.1                    | 0.3                    | 8.4             | 2.5           | 1.5              | 1.1               | 1.2            |

|   | Prop. Growth | Not Prop Growth | Market Const.° | Other Const. | Sust'd Growth | Const'd Growth | New Growth | No Growth |
|---|--------------|-----------------|----------------|--------------|---------------|----------------|------------|-----------|
| Equity investment existing shareholders     | 0.8          | –               | 0.1            | 2.3          | 0.6           | 0.5            | –          | 1.3       |
| Equity investment new shareholders          | 0.7          | –               | –              | –            | 1.4           | 0.9            | 0.6        | 0.2       |
| Bank overdraft                              | 19.2         | 23.8            | 11.3           | 19.1         | 15.8          | 17.1           | 21.2       | 20.5      |
| Bank loan                                   | 47.1         | 47.7            | 62.6           | 43.7         | 48.2          | 41.3           | 45.2       | 49.5      |
| Mortgage for property purchase/improvement  | 6.5          | 1.9             | 1.1            | 7.8          | 6.3           | 7.8            | 6.8        | 4.9       |
| Leasing/hire purchase                       | 12.5         | 9.7             | 14.9           | 14.3         | 11.0          | 16.6           | 8.4        | 13.6      |
| Factoring                                   | 0.6          | –               | 0.8            | 0.3          | 0.3           | 0.6            | 1.5        | 0.1       |
| Loan from family/business partner/directors | 1.2          | 1.6             | –              | –            | 2.3           | 0.2            | –          | 1.4       |
| Loan from a CDFI                            | 2.0          | 1.0             | 0.1            | 2.9          | 2.0           | 1.3            | 3.2        | 1.5       |
| Grant                                       | 10.1         | 5.6             | 4.7            | 10.2         | 14.4          | 8.6            | 12.5       | 6.8       |
| Other                                       | 7.0          | 7.0             | 6.3            | 10.2         | 8.2           | 7.7            | 8.7        | 6.2       |
| Don't know                                  | 0.7          | 1.3             | –              | 0.3          | 1.1           | 0.4            | 0.3        | 0.9       |
| Unwilling to answer                         | 1.3          | 3.8             | –              | –            | 0.9           | 3.2            | 0.9        | 1.5       |

|   | Women Led | MEG Led | Rural Area* | Not Rural* | Deprived Area* | Not* Deprived | <=3 Years | 4-10 Years | 10 plus Years |
|---|-----------|---------|-------------|------------|----------------|---------------|-----------|------------|---------------|
| Equity investment existing shareholders     | –         | –       | 0.2         | 1.1        | 0.1            | 1.0           | 1.3       | 0.9        | 0.6           |
| Equity investment new shareholders          | –         | 0.5     | 0.3         | 0.4        | 0.4            | 0.4           | 1.5       | 0.5        | 0.3           |
| Bank overdraft                              | 14.1      | 16.6    | 22.9        | 18.3       | 18.9           | 20.3          | 20.1      | 18.1       | 19.8          |
| Bank loan                                   | 48.8      | 52.1    | 50.2        | 46.0       | 44.5           | 48.6          | 51.0      | 47.2       | 46.5          |
| Mortgage for property purchase/improvement  | 11.8      | 7.1     | 3.2         | 8.1        | 6.4            | 6.4           | 5.3       | 8.1        | 5.2           |
| Leasing/hire purchase                       | 1.8       | 5.7     | 12.3        | 11.5       | 13.9           | 11.1          | 7.7       | 9.7        | 14.6          |
| Factoring                                   | –         | –       | 0.2         | 0.5        | 1.0            | 0.1           | 1.0       | 0.2        | 0.4           |
| Loan from family/business partner/directors | 4.3       | 0.4     | 1.6         | 1.1        | 0.5            | 1.5           | 2.2       | 1.6        | 0.6           |
| Loan from a CDFI                            | 0.6       | 3.4     | 1.6         | 2.2        | 1.3            | 2.3           | 4.7       | 1.3        | 1.3           |
| Grant                                       | 17.7      | 9.6     | 7.2         | 8.5        | 12.1           | 6.7           | 9.0       | 10.7       | 9.1           |
| Other                                       | 12.6      | 4.5     | 7.0         | 8.2        | 7.9            | 7.6           | 7.1       | 8.7        | 6.7           |
| Don't know                                  | 0.7       | 1.9     | 0.2         | 1.1        | 0.3            | 0.9           | 1.0       | 0.1        | 0.9           |
| Unwilling to answer                         | 0.1       | 3.1     | 1.8         | 1.5        | 0.9            | 1.8           | 0.3       | 2.8        | 1.3           |

Base: a = All businesses, N = 2,330; b = Businesses with employees, N = 2,129 \* England only ° N < 100 cases

In Table 6.3b, which focuses just on small businesses with employees, we can see that:

- a little under a half of all employers (47.4 per cent) had sought a bank loan. This proportion was higher in the primary sector (57.6 per cent) than in the other sectors.
- within the UK, fewer businesses in Wales than elsewhere had sought a bank loan. The proportion was highest in Scotland.

- businesses with a turnover of less than £56,000 were more likely to have sought a bank loan than businesses with a higher financial turnover
- around one in five employers had sought a bank overdraft, with the highest proportion in the primary sector (29.8 per cent)
- only 11.3 per cent of businesses that were constrained from growing by market factors had sought a bank overdraft, but more than three-fifths in this category (62.6 per cent) sought a bank loan.

## 6.4 Amount of finance sought

All businesses who had sought finance were asked how much finance they had sought.

Table 6.4a shows the responses for all businesses, whether employers or not. We can see that:

- there was a wide range of responses to this question. Grouping those in the first four categories, nearly half of all businesses (49 per cent) had sought less than £25,000.
- the largest proportion— around a quarter — said that they had sought between £10,000 and £24,999
- the second largest proportion was 13.8 per cent, who had sought between £5,000 and £9,999
- just under one in ten had sought more than £100,000
- nearly one in eight businesses were unwilling to provide an answer
- not surprisingly, larger businesses had sought more finance. One in five medium businesses had sought more than £1million, compared with only 2.1 per cent of micro businesses and 5.5 per cent of small businesses.

In Table 6.4b, which focuses just on businesses with employees, we can see that:

- there is a predictable relationship between financial turnover and the amount of finance sought. Of those with the highest turnover — more than £2.8 million — nearly two-fifths had sought £1 million or more, compared with 17.2 per cent of businesses with a turnover of between £1.5 and £2.8 million, and only 1.2 per cent of those with a turnover between £250,000 and £1.49 million.
- the highest proportion of businesses in the production sector sought finance of between £10,000 and £24,999. In the primary sector, the largest proportion — 19.7 per cent — sought an amount of between £100,000 and £249,999.
- a higher proportion of women-led businesses (62.8 per cent) sought loans of less than £100,000, than of minority ethnic-led businesses (55.1 per cent). But the figures may be skewed by

the high proportion of businesses not providing hard data. Amongst minority ethnic businesses, 24 per cent either did not know, or were unwilling to answer, compared with 16.2 per cent of women-led businesses.

**Table 6.4a: Amount of finance sought: all businesses who had sought finance (Q83)**

| Proportions who said... | All<br>% | No<br>Empl'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|-------------------------|----------|---------------------|-------------------|---------------------|-----------------------|
| Less than £1,000        | 0.8      | 1.1                 | 0.4               | 0.4                 | 0.2                   |
| £1,000 to £4,999        | 10.0     | 15.1                | 5.0               | 1.7                 | 0.8                   |
| £5,000 to £9,999        | 13.8     | 17.3                | 11.8              | 3.8                 | 0.6                   |
| £10,000 to £24,999      | 24.4     | 28.0                | 22.7              | 14.1                | 4.3                   |
| £25,000 to £49,999      | 9.6      | 7.4                 | 12.9              | 10.1                | 6.3                   |
| £50,000 to £99,999      | 7.4      | 5.0                 | 8.8               | 16.4                | 6.9                   |
| £100,000 to £249,999    | 9.3      | 6.0                 | 11.8              | 17.0                | 16.2                  |
| £250,000 to £499,999    | 3.4      | 1.6                 | 4.5               | 7.4                 | 14.2                  |
| £500,000 to £999,999    | 2.4      | 2.0                 | 1.5               | 6.3                 | 12.7                  |
| £1,000,000 or more      | 3.5      | 3.5                 | 2.1               | 5.5                 | 20.1                  |
| Don't know              | 3.0      | 1.6                 | 4.1               | 6.3                 | 7.8                   |
| Unwilling to answer     | 12.4     | 11.4                | 14.3              | 10.9                | 10.0                  |

**Table 6.4b: Amount of finance sought: businesses with employees only (Q83)**

|                      | All<br>with<br>Empl'ees | Primary<br>AB° | Pro-<br>duction<br>CDE | Con-<br>struction<br>F | Services<br>G-O | England | Wales | Scotland | N.<br>Ireland° |
|----------------------|-------------------------|----------------|------------------------|------------------------|-----------------|---------|-------|----------|----------------|
| Less than £1,000     | 0.4                     | –              | –                      | 0.2                    | 0.6             | 0.4     | 0.8   | –        | –              |
| £1,000 to £4,999     | 4.2                     | –              | 4.0                    | 3.8                    | 4.6             | 3.8     | 7.0   | 5.9      | 6.1            |
| £5,000 to £9,999     | 9.8                     | 9.6            | 9.8                    | 15.1                   | 9.0             | 8.9     | 14.7  | 16.1     | 14.6           |
| £10,000 to £24,999   | 20.3                    | 12.4           | 28.3                   | 20.2                   | 18.8            | 20.1    | 18.5  | 22.4     | 26.0           |
| £25,000 to £49,999   | 12.1                    | 10.7           | 10.0                   | 15.9                   | 12.1            | 12.6    | 11.8  | 10.0     | 1.2            |
| £50,000 to £99,999   | 10.2                    | 8.6            | 9.5                    | 6.7                    | 11.1            | 10.1    | 11.4  | 9.9      | 11.3           |
| £100,000 to £249,999 | 12.9                    | 19.7           | 13.4                   | 8.8                    | 13.1            | 12.8    | 14.8  | 12.1     | 17.8           |
| £250,000 to £499,999 | 5.4                     | 9.5            | 4.6                    | 5.9                    | 5.3             | 5.3     | 4.4   | 6.3      | 10.1           |
| £500,000 to £999,999 | 2.9                     | 5.0            | 2.5                    | 2.1                    | 3.0             | 3.0     | 0.9   | 3.0      | 3.6            |
| £1,000,000 or more   | 3.5                     | 3.1            | 3.3                    | 3.8                    | 3.5             | 3.6     | 1.8   | 2.9      | 2.7            |
| Don't know           | 4.6                     | –              | 3.8                    | 6.9                    | 4.7             | 4.9     | 6.2   | 2.0      | 1.2            |
| Unwilling to answer  | 13.5                    | 21.3           | 10.9                   | 10.5                   | 14.2            | 14.4    | 7.7   | 9.5      | 5.2            |

|                      | T/O<br><£56K <sup>o</sup> | £56-<br>£249K | £250K-<br>£1.49m | £1.5m-<br>£2.8m | >£2.8m <sup>o</sup> | Sole<br>Prop. | Partner-<br>ship | Incor-<br>porated | Exporter |
|----------------------|---------------------------|---------------|------------------|-----------------|---------------------|---------------|------------------|-------------------|----------|
| Less than £1,000     | –                         | 1.3           | 0.2              | 0.3             | –                   | –             | 1.1              | 0.3               | 0.2      |
| £1,000 to £4,999     | 19.9                      | 6.5           | 1.8              | 0.6             | –                   | 9.4           | 2.4              | 3.4               | 2.7      |
| £5,000 to £9,999     | 27.7                      | 15.4          | 8.0              | 0.7             | –                   | 14.5          | 9.6              | 8.7               | 9.1      |
| £10,000 to £24,999   | 17.8                      | 30.9          | 22.3             | 7.0             | –                   | 31.1          | 22.5             | 16.7              | 14.1     |
| £25,000 to £49,999   | 14.3                      | 10.8          | 18.8             | 7.4             | –                   | 7.9           | 14.4             | 12.4              | 14.1     |
| £50,000 to £99,999   | 10.4                      | 9.4           | 14.1             | 8.8             | 8.4                 | 7.4           | 9.8              | 11.1              | 12.3     |
| £100,000 to £249,999 | 0.9                       | 11.2          | 16.5             | 18.4            | 4.5                 | 5.2           | 10.4             | 16.0              | 15.6     |
| £250,000 to £499,999 | 1.3                       | 2.1           | 7.3              | 12.8            | 6.5                 | 1.7           | 6.1              | 6.2               | 9.4      |
| £500,000 to £999,999 | 0.7                       | 1.4           | 3.1              | 10.9            | 14.2                | 0.7           | 1.0              | 4.2               | 3.1      |
| £1,000,000 or more   | –                         | 1.3           | 1.2              | 17.2            | 38.5                | 0.2           | 0.8              | 5.4               | 6.1      |
| Don't know           | –                         | 2.5           | 3.2              | 4.8             | 3.5                 | 3.9           | 3.3              | 5.2               | 3.0      |
| Unwilling to answer  | 6.9                       | 7.3           | 3.5              | 11.2            | 24.4                | 17.9          | 18.6             | 10.4              | 10.3     |

|                      | Prop.<br>Growth | Not Prop<br>Growth | Market<br>Const. ° | Other<br>Const. | Sust'd<br>Growth | Const'd<br>Growth | New<br>Growth | No<br>Growth |
|----------------------|-----------------|--------------------|--------------------|-----------------|------------------|-------------------|---------------|--------------|
| Less than £1,000     | 0.5             | 0.3                | –                  | –               | 0.2              | –                 | 1.2           | 0.2          |
| £1,000 to £4,999     | 4.5             | 4.9                | 2.3                | 0.9             | 4.7              | 4.2               | 6.7           | 3.0          |
| £5,000 to £9,999     | 8.6             | 17.8               | 8.6                | 10.3            | 10.6             | 8.4               | 9.1           | 10.3         |
| £10,000 to £24,999   | 19.4            | 24.8               | 26.5               | 19.7            | 16.8             | 19.0              | 17.0          | 23.3         |
| £25,000 to £49,999   | 12.0            | 12.0               | 20.4               | 9.6             | 14.2             | 10.8              | 15.7          | 10.3         |
| £50,000 to £99,999   | 10.3            | 7.2                | 6.8                | 15.0            | 10.3             | 8.6               | 9.0           | 10.8         |
| £100,000 to £249,999 | 13.7            | 6.9                | 10.8               | 15.8            | 16.9             | 8.8               | 12.6          | 12.9         |
| £250,000 to £499,999 | 6.1             | 3.9                | 2.5                | 3.0             | 9.3              | 7.7               | 5.2           | 3.9          |
| £500,000 to £999,999 | 3.2             | 1.9                | 3.9                | 1.1             | 4.2              | 3.6               | 1.4           | 3.0          |
| £1,000,000 or more   | 4.0             | 1.5                | 2.0                | 2.0             | 3.4              | 4.3               | 4.4           | 2.9          |
| Don't know           | 4.2             | 4.4                | 6.9                | 7.5             | 4.1              | 4.2               | 5.0           | 4.8          |
| Unwilling to answer  | 13.4            | 14.3               | 9.4                | 15.3            | 5.2              | 20.3              | 12.7          | 14.7         |

|                      | Women<br>Led | MEG<br>Led | Rural<br>Area* | Not<br>Rural* | Deprived<br>Area* | Not*<br>Deprived | <=3<br>Years | 4-10<br>Years | 10 plus<br>Years |
|----------------------|--------------|------------|----------------|---------------|-------------------|------------------|--------------|---------------|------------------|
| Less than £1,000     | 0.7          | 1.6        | 0.1            | 0.6           | 1.0               | 0.3              | 1.3          | –             | 0.3              |
| £1,000 to £4,999     | 8.6          | 7.9        | 2.4            | 4.6           | 4.7               | 3.6              | 5.9          | 7.5           | 2.6              |
| £5,000 to £9,999     | 10.2         | 5.1        | 11.1           | 7.7           | 9.2               | 8.8              | 12.4         | 13.2          | 8.0              |
| £10,000 to £24,999   | 19.3         | 19.2       | 19.1           | 20.8          | 22.6              | 19.3             | 14.3         | 27.5          | 19.6             |
| £25,000 to £49,999   | 15.8         | 12.4       | 14.1           | 11.7          | 10.2              | 13.4             | 13.9         | 8.0           | 13.0             |
| £50,000 to £99,999   | 8.2          | 8.9        | 10.3           | 10.1          | 10.5              | 10.0             | 11.2         | 8.0           | 10.7             |
| £100,000 to £249,999 | 13.2         | 11.4       | 14.5           | 11.6          | 10.2              | 13.6             | 12.6         | 11.2          | 13.6             |
| £250,000 to £499,999 | 5.1          | 3.3        | 5.8            | 5.0           | 4.3               | 5.6              | 8.4          | 5.2           | 4.7              |
| £500,000 to £999,999 | 1.2          | 3.6        | 2.5            | 3.2           | 2.6               | 3.1              | 3.2          | 1.5           | 3.3              |
| £1,000,000 or more   | 1.6          | 2.6        | 1.9            | 4.6           | 5.2               | 3.1              | 2.9          | 1.4           | 4.3              |
| Don't know           | 4.3          | 10.9       | 2.6            | 6.2           | 8.4               | 3.8              | 2.3          | 2.7           | 5.9              |
| Unwilling to answer  | 11.9         | 13.1       | 15.7           | 13.8          | 11.2              | 15.5             | 11.6         | 13.7          | 14.0             |

Base: a = All businesses, N = 2,330; b = Businesses with employees, N = 2,219 \* England only ° N<100 cases

Although not shown in the tables, we analysed the data further to ask whether the type of finance sought differed significantly with the amount sought. This showed that:

- however much or little was sought, a bank loan was by far the most common means of trying to raise it
- a bank overdraft remains the second most widespread source provided the amount sought was less than £100,000. For amounts under this, overdrafts had been used by about a quarter of businesses seeking finance, but for amounts of £100,000 or more this falls to 8.0 per cent.
- leasing/hire purchase is somewhat more prevalent for amounts between £10,000 and £100,000, but both below and above this band it is much less widely used
- mortgages were more widely used for these larger amounts, £100,000 or more, but were much less evident for lower ones.

## 6.5 Difficulty in obtaining finance

Businesses who had sought finance were asked whether they had experienced any difficulties in obtaining finance from the first source approached.

### 6.5.1 Whether experienced difficulty

Table 6.5a shows the responses for all businesses whether employers or not. We can see that:

- around three-quarters of all businesses had not experienced any difficulties in obtaining finance. This proportion rose to four-fifths of businesses from medium-sized businesses.
- overall, 13.2 per cent had failed to obtain any finance at all. This proportion varied by size, with the highest proportion from businesses with no employees, and the lowest from medium-sized businesses.
- around one in 20 businesses had only obtained part of the finance they sought, while 6.7 per cent overall had obtained all the finance but experienced problems in doing so.

In Table 6.5b, which focuses just on small businesses with employees, we can see that:

- there were notable variations between sectors. While 84.4 per cent of employers in the primary sector and 85.6 per cent in construction had not experienced any difficulties, the proportion dropped to 71.4 per cent in the service sector and 76.2 per cent in production.
- businesses in Northern Ireland were most likely to have been able to obtain finance — 86.2 per cent had no difficulties, and only 2.4 could not do so
- among businesses with employees, those located in disadvantaged areas, and those managed by women or by

ethnic minority group members, had been just as likely as other businesses to seek external funding. Furthermore, among the former, that is those located in disadvantaged areas, they had been just as likely to get it. However, among women-led businesses, and more particularly among minority group-led businesses, the proportion experiencing problems when they sought external finance was higher than average.

- businesses which had experienced growth, and those intending to grow in the coming year, were somewhat more likely than those who had or did not, to report difficulties in raising finance
- newly-established businesses had experienced more difficulty in obtaining finance than longer-established businesses. More than one in five employers in businesses trading for three years or less had been unable to obtain any finance, compared with 14.4 per cent of those trading for four to ten years, and 8.2 per cent of those trading for more than ten years.

Although not shown in the tables, we analysed the data further to ask whether the likelihood of experiencing difficulty in raising the finance required differed significantly with the amount sought. This showed that:

- for amounts below £25,000 and from £250,000 and above, the proportion of businesses trying to raise finance and having no difficulty in doing so did not fall below 70 per cent (76.3 and 80.5 per cent respectively; however
- between these amounts, there is an evident dip, such that the average proportion having no difficulty fell to 66.3 per cent.

**Table 6.5a: Difficulty in obtaining finance from first source: all businesses who had sought finance (Q84)**

| Proportions who said...                | All % | No Employees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % |
|--|-------|----------------|-------------|---------------|-----------------|
| Yes, unable to obtain any finance      | 13.2  | 14.4           | 12.6        | 9.9           | 7.5             |
| Yes, obtained some not all             | 4.7   | 4.4            | 5.3         | 4.2           | 3.7             |
| Obtained all finance but with problems | 6.7   | 6.9            | 6.1         | 7.9           | 6.5             |
| No difficulties                        | 74.1  | 73.9           | 73.7        | 76.0          | 80.3            |
| Don't know                             | 1.2   | 0.4            | 2.1         | 1.8           | 1.5             |
| Unwilling to answer                    | 0.1   | –              | 0.2         | 0.3           | 0.4             |



**Table 6.5b: Difficulty in obtaining finance from first source: businesses with employees only (Q84)**

|  | All with Empl'ees      | Primary AB <sup>o</sup> | Pro-duction CDE            | Con-struction F | Services G-O        | England       | Wales          | Scotland     | N. Ireland <sup>o</sup> |
|--|------------------------|-------------------------|----------------------------|-----------------|---------------------|---------------|----------------|--------------|-------------------------|
| Yes, unable to obtain any finance      | 11.9                   | 1.4                     | 15.0                       | 7.6             | 12.4                | 11.9          | 13.8           | 13.0         | 2.4                     |
| Yes, obtained some not all             | 5.0                    | 1.7                     | 1.3                        | 4.8             | 6.2                 | 5.1           | 3.8            | 5.3          | 2.8                     |
| Obtained all finance but with problems | 6.4                    | 3.9                     | 5.5                        | 1.3             | 7.7                 | 6.6           | 3.8            | 5.7          | 8.5                     |
| No difficulties                        | 74.4                   | 84.4                    | 76.2                       | 85.6            | 71.4                | 74.3          | 72.1           | 73.5         | 86.2                    |
| Don't know                             | 2.1                    | 8.5                     | 1.9                        | 0.7             | 1.9                 | 2.0           | 6.2            | 1.4          | –                       |
| Unwilling to answer                    | 0.2                    | –                       | –                          | –               | 0.3                 | 0.1           | 0.2            | 1.1          | –                       |
|  | T/O <£56K <sup>o</sup> | £56-£249K               | £250K-£1.49m               | £1.5m-£2.8m     | >£2.8m <sup>o</sup> | Sole Prop.    | Partnership    | Incorporated | Exporter                |
| Yes, unable to obtain any finance      | 7.9                    | 16.4                    | 10.4                       | 9.5             | 2.8                 | 13.0          | 7.4            | 13.4         | 17.1                    |
| Yes, obtained some not all             | 4.8                    | 6.0                     | 5.5                        | 4.9             | –                   | 5.2           | 2.1            | 6.0          | 4.6                     |
| Obtained all finance but with problems | 4.3                    | 7.2                     | 7.6                        | 8.7             | 22.4                | 3.8           | 5.9            | 7.2          | 6.5                     |
| No difficulties                        | 83.0                   | 67.0                    | 74.2                       | 75.4            | 72.0                | 76.6          | 82.3           | 70.8         | 70.5                    |
| Don't know                             | –                      | 3.2                     | 2.2                        | 1.3             | 2.8                 | 1.1           | 1.8            | 2.4          | 1.2                     |
| Unwilling to answer                    | –                      | 0.1                     | –                          | 0.1             | –                   | 0.1           | 0.5            | 0.1          | 0.1                     |
|  | Prop. Growth           | Not Prop Growth         | Market Const. <sup>o</sup> | Other Const.    |                     | Sust'd Growth | Const'd Growth | New Growth   | No Growth               |
| Yes, unable to obtain any finance      | 12.8                   | 6.2                     | 11.9                       | 11.9            |                     | 15.7          | 6.9            | 16.7         | 9.8                     |
| Yes, obtained some not all             | 5.5                    | 3.0                     | 3.2                        | 4.4             |                     | 5.8           | 3.6            | 6.6          | 4.5                     |
| Obtained all finance but with problems | 6.8                    | 3.2                     | 9.5                        | 6.3             |                     | 12.0          | 8.1            | 4.8          | 5.1                     |
| No difficulties                        | 72.4                   | 85.9                    | 74.8                       | 75.9            |                     | 65.4          | 79.7           | 68.3         | 78.4                    |
| Don't know                             | 2.4                    | 1.4                     | 0.5                        | 0.7             |                     | 1.1           | 1.4            | 3.6          | 1.8                     |
| Unwilling to answer                    | 0.2                    | 0.3                     | –                          | 0.8             |                     | 0.1           | 0.2            | –            | 0.4                     |
|  | Women Led              | MEG Led                 | Rural Area*                | Not Rural*      | Deprived Area*      | Not* Deprived | <=3 Years      | 4-10 Years   | 10 plus Years           |
| Yes, unable to obtain any finance      | 15.6                   | 19.9                    | 7.5                        | 14.3            | 12.7                | 11.7          | 22.0           | 14.4         | 8.2                     |
| Yes, obtained some not all             | 8.2                    | 8.7                     | 3.9                        | 5.8             | 3.7                 | 5.6           | 9.6            | 6.0          | 3.4                     |
| Obtained all finance but with problems | 4.9                    | 8.5                     | 6.9                        | 6.4             | 6.6                 | 6.6           | 5.2            | 6.4          | 6.8                     |
| No difficulties                        | 69.8                   | 58.5                    | 79.1                       | 71.6            | 74.8                | 74.1          | 60.3           | 72.8         | 78.9                    |
| Don't know                             | 1.5                    | 3.3                     | 2.5                        | 1.7             | 2.1                 | 1.9           | 2.9            | 0.4          | 2.4                     |
| Unwilling to answer                    | –                      | 1.1                     | 0.1                        | 0.2             | 0.1                 | 0.2           | –              | –            | 0.4                     |

Base: a = All businesses, N = 2,330; b = Businesses with employees only, N = 2129

\* England only

<sup>o</sup> N<100 cases

We further reviewed the results to see whether innovating businesses were any more or less likely to encounter difficulties when they tried to secure finance, but there were only very slight differences from the average for these businesses.

## 6.5.2 Whether offered help or advice

Those businesses who had any difficulty obtaining finance from their first source were asked follow-up questions about whether they had received any help or advice in improving their application.

Their responses are shown in Table 6.6. All businesses and businesses with employees are shown separately in the same table. This shows that:

- the majority had not been offered any assistance. Over three-quarters of sole traders (76.8 per cent) had not been offered help, compared with 60.3 per cent of employers. Employers in the construction sector were least likely to have been offered assistance: 91.1 per cent said that it had not been offered.
- around a quarter of all businesses had been offered direct assistance by their first source. This proportion rose to a third of medium-sized businesses.
- the proportion of employers that had been offered help varied considerably between the sectors. Half the employers in the primary sector had been directly assisted, compared with only 5.8 per cent of those in construction.

**Table 6.6: Whether offered help or advice by first source: businesses with difficulty obtaining finance (Q83)**

| Proportions who said...                               | All Businesses |               |             |               |                 | Businesses with Employees |                           |                   |                                |                |
|---|----------------|---------------|-------------|---------------|-----------------|---------------------------|---------------------------|-------------------|--------------------------------|----------------|
|   | All %          | No Empl'ees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB <sup>o</sup> % | Pro-duction CDE % | Con-struction F <sup>o</sup> % | Services G-O % |
| Yes, the source assisted me directly                  | 24.2           | 21.1          | 28.1        | 25.0          | 33.7            | 27.7                      | 50.3                      | 27.6              | 5.8                            | 28.8           |
| Yes, source recommended contacting other organisation | 1.9            | –             | 4.5         | 2.8           | 3.9             | 4.2                       | –                         | 7.0               | 0.6                            | 4.1            |
| No  | 69.2           | 76.8          | 60.3        | 63.0          | 44.1            | 60.3                      | 49.0                      | 57.1              | 91.1                           | 58.7           |
| Don't know  | 3.4            | 1.0           | 5.5         | 7.7           | 16.5            | 6.3                       | 0.7                       | 8.3               | 2.2                            | 6.3            |
| Unwilling to answer                                   | 1.3            | 1.1           | 1.6         | 1.5           | 1.8             | 1.6                       | –                         | –                 | 0.3                            | 2.1            |

Base: All businesses with difficulty obtaining finance, N = 601; Businesses with employees, N = 543

<sup>o</sup>N<100 cases

## 6.5.3 Whether advice used to re-apply

Those businesses who were offered advice from the first source were asked about their use of the advice to re-apply and the outcome of any re-submission.

However, the base for this question was very small, with just 180 businesses, including 164 employers. Thus, we do not present the detailed breakdown of the findings here, but simply note that:

- three out of five businesses successfully obtained finance when they re-applied.

- amongst employers, nearly half were successful when they reapplied.

## 6.6 Impact of difficulties raising finance

All businesses who said they had experienced difficulties in raising finance were asked about the effect on their business.

Table 6.7a shows the responses for all businesses whether employers or not. We can see that:

- nearly two out of five of all businesses said that the difficulty with obtaining finance meant that they could not grow as fast as they would like
- the second most frequently cited impact was that the difficulty raising finance took up management time, cited by 18 per cent of all businesses
- a small proportion of all businesses (15.7 per cent) felt that their survival as a business was threatened; but this was a concern for a higher proportion of businesses with no employees and micro businesses than for larger businesses
- the impact on productivity was mentioned by 13 per cent of all businesses
- smaller proportions mentioned that the difficulty raising finance pushed up costs (7.5 per cent) and affected investment (7.4 per cent).

**Table 6.7a: Impact of difficulty raising finance: all businesses with difficulty raising finance (Q87)**

| Proportions who said...          | All<br>% | No<br>Empl'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|----------------------------------|----------|---------------------|-------------------|---------------------|-----------------------|
| Threatens survival               | 15.7     | 17.8                | 13.7              | 10.3                | 10.6                  |
| Can't grow as fast as would like | 38.5     | 40.4                | 36.7              | 33.7                | 38.7                  |
| Takes up management time         | 18.0     | 19.9                | 15.7              | 15.7                | 15.2                  |
| Pushes up costs                  | 7.5      | 8.0                 | 7.2               | 5.8                 | 6.7                   |
| Affects investment               | 7.4      | 6.7                 | 7.4               | 12.3                | 8.0                   |
| Affects productivity             | 13.0     | 11.4                | 15.2              | 14.5                | 10.5                  |
| Other                            | 23.6     | 23.2                | 22.7              | 29.0                | 29.8                  |
| Don't know                       | 7.4      | 6.6                 | 8.8               | 6.8                 | 4.8                   |
| Unwilling to answer              | 0.9      | 1.1                 | 0.9               | –                   | –                     |

**Table 6.7b: Impact of difficulty raising finance: businesses with employees only (Q87)**

|                                  | All with Empl'ees | Primary AB°      | Production CDE  | Construction F° | Services G-O   | England       | Wales°          | Scotland°    | N. Ireland°   |
|----------------------------------|-------------------|------------------|-----------------|-----------------|----------------|---------------|-----------------|--------------|---------------|
| Threatens survival               | 13.0              | 4.5              | 13.3            | 11.1            | 13.2           | 11.8          | 8.7             | 20.2         | 62.0          |
| Can't grow as fast as would like | 36.2              | 55.6             | 36.2            | 28.1            | 36.6           | 36.0          | 41.0            | 38.5         | 20.4          |
| Takes up management time         | 15.7              | 9.6              | 14.5            | 13.0            | 16.3           | 16.1          | 19.5            | 11.2         | 8.8           |
| Pushes up costs                  | 6.9               | –                | 7.0             | 28.7            | 5.1            | 6.2           | 28.5            | 3.9          | 8.8           |
| Affects investment               | 8.3               | 24.3             | 8.7             | 10.4            | 7.8            | 7.5           | 16.0            | 12.0         | 17.6          |
| Affects productivity             | 14.9              | 34.0             | 15.6            | 11.4            | 14.8           | 15.0          | 17.7            | 12.6         | 17.6          |
| Other                            | 24.0              | 6.0              | 31.7            | 20.4            | 23.0           | 26.6          | 1.1             | 10.8         | 8.8           |
| Don't know                       | 8.3               | –                | 7.8             | 11.2            | 8.3            | 8.3           | 7.7             | 8.9          | 8.8           |
| Unwilling to answer              | 0.7               | –                | –               | –               | 0.9            | 0.4           | –               | 3.7          | –             |
|                                  | T/O <£56K°        | £56-£249K°       | £250K-£1.49m    | £1.5m-£2.8m     | >£2.8m°        | Sole Prop.°   | Partnership°    | Incorporated | Exporter      |
| Threatens survival               | 21.4              | 8.1              | 12.8            | 10.9            | –              | 18.4          | 15.7            | 11.3         | 19.3          |
| Can't grow as fast as would like | 14.9              | 47.2             | 33.4            | 52.9            | 33.3           | 32.2          | 37.3            | 36.7         | 30.3          |
| Takes up management time         | 7.9               | 13.4             | 16.6            | 13.9            | 11.1           | 15.1          | 7.9             | 17.4         | 18.4          |
| Pushes up costs                  | 20.6              | 8.9              | 4.5             | 3.6             | –              | 4.6           | 8.9             | 7.1          | 8.2           |
| Affects investment               | –                 | 4.2              | 8.5             | 20.4            | –              | 6.8           | 3.9             | 9.3          | 9.5           |
| Affects productivity             | 18.0              | 22.6             | 13.2            | 18.2            | –              | 6.8           | 20.1            | 15.7         | 30.2          |
| Other                            | 36.1              | 10.1             | 30.1            | 25.8            | 22.2           | 16.8          | 10.5            | 28.9         | 32.0          |
| Don't know                       | 14.9              | 5.8              | 11.1            | 3.8             | 33.3           | 15.2          | 6.8             | 7.2          | 2.0           |
| Unwilling to answer              | –                 | –                | 0.9             | –               | –              | 0.6           | 1.8             | 0.4          | 1.1           |
|                                  | Prop. Growth      | Not Prop Growth° | Market Const. ° | Other Const.°   |                | Sust'd Growth | Const'd Growth° | New Growth   | No Growth     |
| Threatens survival               | 9.6               | 21.3             | 17.0            | 38.6            |                | 5.2           | 19.0            | 9.0          | 18.3          |
| Can't grow as fast as would like | 40.1              | 14.3             | 10.5            | 25.9            |                | 47.2          | 12.8            | 47.2         | 28.9          |
| Takes up management time         | 15.9              | 19.6             | 29.8            | 4.6             |                | 23.2          | 12.9            | 7.1          | 17.9          |
| Pushes up costs                  | 6.4               | 20.7             | 7.1             | 1.5             |                | 13.4          | 9.0             | 5.8          | 3.8           |
| Affects investment               | 9.2               | 1.5              | 17.3            | 1.1             |                | 7.6           | 6.9             | 5.5          | 10.6          |
| Affects productivity             | 15.5              | 15.6             | 9.9             | 11.3            |                | 13.1          | 7.7             | 14.6         | 17.8          |
| Other                            | 24.1              | 14.8             | 31.6            | 27.0            |                | 20.8          | 42.4            | 24.4         | 21.4          |
| Don't know                       | 8.5               | 22.0             | –               | –               |                | 3.0           | 13.7            | 7.3          | 10.6          |
| Unwilling to answer              | 0.8               | –                | –               | –               |                | 0.4           | –               | 2.2          | –             |
|                                  | Women Led°        | MEG Led°         | Rural Area*°    | Not Rural*      | Deprived Area* | Not* Deprived | <=3 Years°      | 4-10 Years ° | 10 plus Years |
| Threatens survival               | 3.2               | 5.5              | 7.6             | 13.4            | 16.9           | 10.1          | 12.3            | 9.5          | 15.1          |
| Can't grow as fast as would like | 38.5              | 37.1             | 43.7            | 33.1            | 36.9           | 35.7          | 45.7            | 35.5         | 31.2          |
| Takes up management time         | 28.8              | 18.2             | 10.4            | 18.3            | 11.6           | 17.5          | 11.7            | 21.7         | 15.0          |
| Pushes up costs                  | 12.1              | 8.8              | 6.1             | 6.3             | 4.6            | 6.7           | 4.7             | 12.5         | 5.5           |
| Affects investment               | 9.5               | 15.4             | 8.6             | 7.1             | 11.5           | 6.2           | 13.4            | 6.4          | 6.4           |
| Affects productivity             | 16.5              | 5.4              | 19.4            | 13.3            | 12.4           | 15.8          | 20.9            | 12.0         | 13.0          |
| Other                            | 25.1              | 24.5             | 20.5            | 28.8            | 22.2           | 28.0          | 23.7            | 16.7         | 27.9          |
| Don't know                       | 15.8              | 5.6              | 10.4            | 7.5             | 8.9            | 8.1           | 0.4             | 10.4         | 11.8          |
| Unwilling to answer              | –                 | 2.9              | –               | 0.6             | 0.5            | 0.4           | 1.1             | 1.5          | –             |

Base: a = All businesses, N = 542; b = Businesses with employees, N = 487 \* England only ° N<100 cases

In Table 6.7b, the responses of employers are set out. From this, we can see how many businesses of each type felt they could not grow as fast as they'd like:

- the impact of the difficulty obtaining finance varies according to business factors and growth expectations
- over one-third of all employers said that it meant they could not grow as fast as they would like. This proportion dropped to 14.9 per cent of those with the lowest turnover and rose to 52.9 per cent of those with a turnover of between £1.5 and £2.8 million.
- businesses in the category of sustained growth or new growth were most likely to say that they could not grow as fast as they would like because of the difficulty raising finance. These proportions were much lower amongst those whose growth was contained, or who did not expect any growth.
- a higher proportion of employers in rural areas (43.7 per cent) than in non-rural areas mentioned that difficulty obtaining finance meant that they could not grow as fast as they would like.

Other results from this table indicate that:

- for 16 per cent of businesses, the impact was the taking up of management time; this rose to 30 per cent for market constrained businesses and 29 per cent for women-led businesses
- there was wide variation by country in the proportion expressing the view that the difficulty obtaining finance threatened their survival. Overall, 13 per cent of employers expressed this view. Fewer than one in ten Welsh employers cited this concern, compared with 62 per cent of employers in Northern Ireland.
- employers in the most deprived areas were more likely to say that their survival was threatened by the difficulty in obtaining finance: 16.9 per cent did so, compared with 10.1 per cent in the least deprived areas
- the impact on productivity was cited by 14.9 per cent of all employers. However, exporters were particularly likely to cite this, with 30.2 per cent saying that productivity had been affected by the difficulty in obtaining finance.

## **6.7 Late payment**

The survey asked a series of questions about small businesses' experience of the problem of late payment by customers. The questions were asked to a random half of businesses in England and Northern Ireland. As the numbers of businesses are relatively small, the responses are presented in summary tables showing all businesses and businesses with employees separately.

**Table 6.8: Extent of problem of late payment (Q88)**

| Proportions who said... | All Businesses |               |             |               |                 | Businesses with Employees |               |                   |                   |                |
|-------------------------|----------------|---------------|-------------|---------------|-----------------|---------------------------|---------------|-------------------|-------------------|----------------|
|                         | All %          | No Empl'ees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB° % | Pro-duction CDE % | Con-struction F % | Services G-O % |
| Big problem             | 11.3           | 10.3          | 12.6        | 17.7          | 21.0            | 13.6                      | 4.6           | 22.0              | 23.8              | 10.6           |
| Small problem           | 24.7           | 22.8          | 27.7        | 36.1          | 39.0            | 29.2                      | 23.5          | 43.7              | 30.5              | 26.0           |
| No problem              | 40.8           | 42.0          | 39.1        | 31.4          | 31.2            | 37.8                      | 51.0          | 30.9              | 37.7              | 38.9           |
| Not relevant, no credit | 23.1           | 24.9          | 20.0        | 14.4          | 8.4             | 18.9                      | 20.9          | 2.8               | 8.0               | 24.0           |
| Don't know              | 0.1            | –             | 0.4         | 0.3           | 0.4             | 0.4                       | –             | 0.6               | –                 | 0.4            |
| Unwilling to answer     | –              | –             | 0.1         | –             | –               | 0.1                       | –             | –                 | –                 | 0.1            |

Base: Half businesses in England plus Northern Ireland; All businesses, N = 2,739; Businesses with employees, N = 2,280 °N<100 cases

### 6.7.1 Extent of problem of late payment

The businesses were first asked whether they had a problem with customers paying later than required in the normal terms of business. From the responses shown in Table 6.8 we can see that:

- just over one in ten considered late payment to be a big problem, and a quarter thought it was a problem, albeit a small one
- for two out of five businesses, late payment was not a problem at all
- the larger the business, the more likely were they to identify late payment as a big problem, and the least likely they were to say that it was not a problem
- nearly a quarter of employers in the production and construction sectors considered late payment to be a big problem, compared with only one in ten employers in the service sector, and one in 20 in the primary sector
- for a quarter of all businesses, the question was not relevant as they said they did not issue credit. This was a more common response amongst sole traders (24.9 per cent) than among businesses with employees.

### 6.7.2 Written terms regarding payment date

Respondents (excluding those not issuing credit) were asked whether they agreed written terms and conditions with their customers covering when they would be paid.

**Table 6.9: Whether written terms and conditions were agreed regarding payment date: excluding businesses not issuing credit (Q89)**

| Proportions who said... | All Businesses |               |             |               |                 | Businesses with Employees |               |                   |                   |                |
|-------------------------|----------------|---------------|-------------|---------------|-----------------|---------------------------|---------------|-------------------|-------------------|----------------|
|                         | All %          | No Empl'ees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB° % | Pro-duction CDE % | Con-struction F % | Services G-O % |
| Yes                     | 66.0           | 62.5          | 70.9        | 84.6          | 90.8            | 73.6                      | 54.8          | 78.8              | 76.7              | 72.3           |
| No                      | 34.0           | 37.5          | 29.1        | 15.4          | 9.2             | 26.4                      | 45.2          | 21.2              | 23.3              | 27.7           |

Base: Half businesses in England plus Northern Ireland; All businesses, N = 2,258; Businesses with employees, N = 1,913 °N<100 cases

From the responses shown in Table 6.9 we can see that:

- overall, two-thirds of all businesses said that they did agree written terms and conditions
- the proportion agreeing written terms varied with size, from 62.5 per cent of sole traders to 90.8 per cent of medium-sized businesses
- the lowest proportion agreeing terms, according to sector, was in the primary sector, where 54.8 per cent had done so, compared with around three-quarters of businesses in the other sectors.

### 6.7.3 Customer taken to court

Businesses were asked whether they had ever taken a customer to court for not paying their debts

From the responses shown in Table 6.10 we can see that:

- around three-quarters of all businesses had never taken a customer to court, the proportion rising to 81.4 per cent of sole traders
- the smaller size businesses were less likely to have taken a customer to court: 18.3 per cent of sole traders, and 31.3 per cent of micro businesses had done so, compared with 57.7 per cent of medium businesses

**Table 6.10: Whether customer ever taken to court: excluding businesses not issuing credit (Q90)**

| Proportions who said... | All Businesses |               |             |               |                 | Businesses with Employees |               |                   |                   |                |
|-------------------------|----------------|---------------|-------------|---------------|-----------------|---------------------------|---------------|-------------------|-------------------|----------------|
|                         | All %          | No Empl'ees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB° % | Pro-duction CDE % | Con-struction F % | Services G-O % |
| Yes                     | 23.5           | 18.3          | 31.3        | 47.2          | 57.7            | 34.5                      | 38.8          | 46.5              | 40.0              | 29.9           |
| No                      | 76.1           | 81.4          | 68.1        | 52.2          | 41.8            | 64.9                      | 60.5          | 52.8              | 60.0              | 69.4           |
| Don't know              | 0.4            | 0.3           | 0.5         | 0.6           | 0.2             | 0.5                       | 0.7           | 0.7               | –                 | 0.6            |
| Unwilling to answer     | –              | –             | 0.1         | –             | 0.2             | 0.1                       | –             | –                 | –                 | 0.2            |

Base: Half businesses in England plus Northern Ireland; All businesses, N = 2,258; Businesses with employees, N = 1,913 °N<100 cases

- employers in the services sector were least likely to have done so, with the highest proportion being in the production sector.

#### 6.7.4 Awareness of late payment legislation

These businesses, but now also including those who did not offer credit, were asked if they were aware of the legislation dealing with late payment.

From the responses shown in Table 6.11 we can see that:

- overall, nearly two-thirds of businesses were aware of the legislation, but the proportion was much higher in the larger businesses
- amongst employers, awareness was highest in the production sector.

**Table 6.11: Awareness of late payment legislation (Q91)**

| Proportions who said... | All Businesses |               |             |               |                 | Businesses with Employees |                           |                   |                   |                |
|-------------------------|----------------|---------------|-------------|---------------|-----------------|---------------------------|---------------------------|-------------------|-------------------|----------------|
|                         | All %          | No Empl'ees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB <sup>o</sup> % | Pro-duction CDE % | Con-struction F % | Services G-O % |
| Yes                     | 64.3           | 60.9          | 70.2        | 76.5          | 86.6            | 71.6                      | 67.3                      | 78.2              | 72.5              | 69.7           |
| No                      | 34.1           | 37.6          | 28.1        | 22.1          | 12.5            | 26.8                      | 28.4                      | 21.3              | 27.4              | 28.2           |
| Don't know              | 1.5            | 1.5           | 1.5         | 1.5           | 0.7             | 1.5                       | 4.4                       | 0.5               | 0.2               | 1.9            |
| Unwilling to answer     | –              | –             | 0.1         | –             | 0.2             | 0.1                       | –                         | –                 | –                 | 0.2            |

Base: Half businesses in England plus Northern Ireland; All businesses, N = 2,739; Businesses with employees, N = 2,280 <sup>o</sup>N<100 cases

#### 6.7.5 Legislation mentioned when chasing debts

Those who were aware of the legislation were asked, as a follow-up question, whether they had ever mentioned late payment legislation when chasing debts in the past 12 months.

From the responses shown in Table 6.12 we can see that:

- the likelihood of mentioning the legislation when chasing debts varied by business size. A third of employers in medium-sized businesses said that they had done so, compared with 15.6 per cent of sole traders and 16.7 per cent of micro businesses.
- in the primary and services sector, 16.2 per cent of employers had mentioned the legislation, with higher proportions in the production and the construction sectors.



**Table 6.12: Legislation mentioned when chasing debts; businesses who were aware of the legislation only (Q92)**

| Proportions who said... | All Businesses |               |             |               |                 | Businesses with Employees |                           |                   |                   |                |
|-------------------------|----------------|---------------|-------------|---------------|-----------------|---------------------------|---------------------------|-------------------|-------------------|----------------|
|                         | All %          | No Empl'ees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB <sup>o</sup> % | Pro-duction CDE % | Con-struction F % | Services G-O % |
| Yes                     | 16.6           | 15.6          | 16.7        | 24.5          | 33.1            | 18.5                      | 16.2                      | 21.9              | 25.6              | 16.2           |
| No                      | 83.4           | 84.4          | 83.3        | 75.5          | 66.9            | 81.5                      | 83.8                      | 78.1              | 74.4              | 83.8           |

Base: Half businesses in England plus Northern Ireland; All businesses, N = 1,675; Businesses with employees, N = 1,466 <sup>o</sup>N<100 cases

### 6.7.6 Legal action

Finally, these businesses were asked whether they had taken legal action against anyone under the late payment legislation in the last 12 months.

From the responses shown in Table 6.13, it is clear that only a small number of businesses had ever taken legal action using the legislation.

- Overall, only 1.9 per cent of all businesses had taken legal action under the legislation.
- Variations in proportions of businesses by business size or sector were very small. The largest proportion of employers saying they had used the late payment legislation was in the production sector — five per cent.

**Table 6.13: Legal action taken using late payment legislation: businesses who were aware of the legislation only (Q93)**

| Proportions who said... | All Businesses |               |             |               |                 | Businesses with Employees |                           |                   |                                |                |
|-------------------------|----------------|---------------|-------------|---------------|-----------------|---------------------------|---------------------------|-------------------|--------------------------------|----------------|
|                         | All %          | No Empl'ees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % | All %                     | Primary AB <sup>o</sup> % | Pro-duction CDE % | Con-struction F <sup>o</sup> % | Services G-O % |
| Yes                     | 1.9            | 1.9           | 1.8         | 2.1           | 3.4             | 1.9                       | –                         | 5.0               | 0.5                            | 1.3            |
| No                      | 96.2           | 95.6          | 97.9        | 96.9          | 92.5            | 97.7                      | –                         | 94.8              | 97.2                           | 98.5           |
| No answer               | 1.8            | 2.5           | –           | 0.9           | 3.4             | 0.2                       | –                         | 0.2               | –                              | 0.2            |
| Unwilling to answer     | 0.1            | –             | 0.3         | –             | 0.7             | 0.3                       | –                         | –                 | 2.3                            | –              |

Base: Half businesses in England plus Northern Ireland; All businesses, N = 934; Businesses with employees, N = 770 <sup>o</sup>N<100 cases

# 7. Business Advice and Support

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We noted above, in Chapter 4, that one of the Small Business Service's strategic themes centres on building the capability for business growth among small businesses. An important means through which this, and other, objectives may be achieved is through encouraging improvements in awareness, accessibility and utility of the several sources of advice and support for small businesses. Therefore, in this chapter, we move on to consider the use of different sources of information, advice and support which small businesses use.

However, we also noted in Chapter 5 above that apart from competition from other businesses, coping with regulations was the most widely reported difficulty cited by small businesses, with almost half of them recognising regulations as an obstacle to success of business, and 14.5 per cent of them recognising them as the most important of such obstacles. Therefore, in this chapter we focus mainly on small businesses' use of support and advice with regulatory issues which they may experience, looking in turn at:

- the extent to which small businesses have sought advice about business regulation; and,
- their satisfaction with the advice received.

However, at the end of the chapter we briefly discuss why some small businesses do not seem to use advice or support at all, and here we expand our concern to look at all types of advice, not just that relating to regulations.

## 7.1 Seeking advice about business regulation

Survey respondents were asked what sources of advice they had used in the previous year about regulations which might affect their business. The results are shown in Table 7.1.

Looking first at the results shown in Table 7.1a, and covering all businesses, including those with no employees, we can see that:

- about half of these businesses (52.7 per cent) had not sought advice or information from any of these sources during the past year about regulations which might affect them. However, the likelihood of seeking such advice increases sharply with

**Table 7.1a: Sources of advice about regulations used in past 12 months: all businesses**

| Proportions who said...  | All<br>% | No<br>Empl'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|--|----------|---------------------|-------------------|---------------------|-----------------------|
| Accountant   | 12.8     | 12.1                | 14.6              | 14.6                | 13.0                  |
| Bank   | 1.5      | 1.0                 | 2.7               | 2.3                 | 0.8                   |
| Trade/Business Association                                       | 10.7     | 8.1                 | 15.6              | 20.9                | 29.5                  |
| Business Support Organisations**                                 | 3.4      | 2.5                 | 5.0               | 8.1                 | 8.9                   |
| Consultant   | 2.2      | 1.4                 | 2.9               | 9.1                 | 13.5                  |
| Internet/library/press   | 6.3      | 6.2                 | 6.5               | 7.3                 | 7.8                   |
| Business/personal contacts, including customers, suppliers, etc. | 3.8      | 4.2                 | 3.1               | 2.4                 | 2.4                   |
| Solicitor  | 2.8      | 2.0                 | 3.8               | 7.8                 | 14.5                  |
| Inland Revenue   | 1.3      | 1.1                 | 1.9               | 1.5                 | 0.4                   |
| Local Authority  | 2.8      | 2.8                 | 2.9               | 2.6                 | 1.7                   |
| Other Regulatory Agencies (HSE/Environment Agency/etc.)          | 3.5      | 3.0                 | 4.4               | 5.3                 | 6.7                   |
| DTI/SBS/Other government bodies                                  | 3.7      | 3.1                 | 4.6               | 6.2                 | 8.0                   |
| All other sources  | 4.1      | 3.8                 | 4.4               | 7.0                 | 9.0                   |
| None   | 52.7     | 57.9                | 43.5              | 29.9                | 21.1                  |
| Don't know   | 0.2      | 0.2                 | 0.4               | 0.2                 | 0.2                   |
| Unable to answer   | 0.8      | 0.4                 | 1.4               | 2.2                 | 3.4                   |

*Base: All businesses, UK; unweighted, N = 8,693 \*\* Business Support Organisations include Enterprise Agencies, Chambers of Commerce, Business Links, Business Eye, Business Gateway, Invest Northern Ireland*

the size of the business, such that among medium-sized businesses only about one-fifth had not done so.

- none of the various sources can properly be described as frequently used, but the three which were most often used were:
  - the business's accountant (12.8 per cent)
  - the trade or business association to which the business might belong (10.7 per cent); and
  - public information sources, such as the internet, library or press (6.3 per cent)
- beyond these three sources, all of the rest were only used by fewer than one in 20 businesses
- as the size of the business increases, we observe not only the greater likelihood of consulting any of these sources, but also an increase in the range of sources cited by significant proportions of businesses. Thus, among the medium-sized businesses, consulting with their trade association, with a solicitor, and with a consultant, were all more prominent. Furthermore, their use of government bodies such as DTI or SBS, and our residual category, 'all other sources' was virtually twice as frequent as among the sample as a whole. By contrast, these larger organisations were less likely to use sources such as banks, local authorities, the Inland Revenue or personal/business contacts/customers, for inquiries about regulations.

Moving on to consider these results in more detail, and looking now just at businesses with employees, in Table 7.1b, we can see that:

- among the employers, there are some marked variations in the likelihood of having consulted any of these sources during the past year. Thus, for example, we can see that growing businesses in general, and the more recently established ones, appear more likely to have consulted more often than in other sectors, as do employers in primary industries. By contrast, ethnic minority-led businesses have consulted less often than average.
- the use of trade and business associations in this respect seems particularly widespread in primary and construction industries, and among the larger businesses, although here there is also evidence of increased use of consultants as the size of the business grows
- curiously, exporting businesses do not seem more likely to have sought this kind of information than other businesses, although they have been somewhat more prone to using solicitors when they did
- employers in Northern Ireland seem to have made more than average use of government bodies such as DTI and SBS, as well as 'all other sources', while employers in Wales have made more use of business/personal contacts and local authority sources than elsewhere.

**Table 7.1b: Sources of advice about regulations used in past year: employer businesses only**

|                                     | All with<br>Empl'ees | Primary<br>AB | Pro-<br>duction<br>CDE | Con-<br>struction<br>F | Services<br>G-O | England           | Wales            | Scotland      | N.<br>Ireland |
|-------------------------------------|----------------------|---------------|------------------------|------------------------|-----------------|-------------------|------------------|---------------|---------------|
| Accountant                          | 14.6                 | 10.9          | 13.6                   | 11.9                   | 15.3            | 15.2              | 8.9              | 10.0          | 13.6          |
| Bank                                | 2.6                  | 0.6           | 2.7                    | 3.1                    | 2.6             | 2.8               | 0.9              | 2.2           | –             |
| Trade/Business<br>Association       | 16.7                 | 32.6          | 15.5                   | 27.2                   | 14.9            | 16.9              | 18.3             | 15.9          | 11.8          |
| Business Support<br>Organisations** | 5.5                  | 6.7           | 9.6                    | 4.1                    | 4.8             | 5.8               | 5.0              | 4.0           | 2.4           |
| Consultant                          | 4.0                  | 5.6           | 6.7                    | 3.5                    | 3.5             | 3.9               | 5.0              | 4.0           | 5.3           |
| Internet/library/press              | 6.6                  | 6.7           | 5.9                    | 6.1                    | 6.9             | 6.8               | 8.6              | 5.1           | 3.9           |
| Business/pers. contacts             | 3.0                  | 1.6           | 2.7                    | 2.5                    | 3.2             | 3.0               | 6.6              | 2.4           | 0.7           |
| Solicitor                           | 4.7                  | 4.5           | 2.7                    | 2.5                    | 5.4             | 4.9               | 3.0              | 4.6           | 0.8           |
| Inland Revenue                      | 1.8                  | –             | 1.1                    | 0.9                    | 2.2             | 1.8               | 2.8              | 1.7           | 2.6           |
| Local Authority                     | 2.8                  | 2.0           | 1.5                    | 1.5                    | 3.3             | 2.6               | 7.0              | 4.3           | –             |
| Other Regulatory<br>Agencies        | 4.6                  | 8.0           | 3.6                    | 5.1                    | 4.6             | 4.4               | 6.5              | 6.0           | 4.3           |
| DTI/SBS/other<br>government bodies  | 4.9                  | 12.0          | 5.4                    | 2.7                    | 4.9             | 5.1               | 2.9              | 2.1           | 10.8          |
| All other sources                   | 4.9                  | 5.3           | 3.7                    | 6.0                    | 5.0             | 5.1               | 2.5              | 2.2           | 10.4          |
| None                                | 40.9                 | 31.0          | 42.3                   | 39.3                   | 41.3            | 40.6              | 39.7             | 46.0          | 39.6          |
| Don't know                          | 0.4                  | –             | –                      | –                      | 0.5             | 0.4               | –                | –             | –             |
| Unable to answer                    | 1.6                  | 0.7           | 2.2                    | 1.2                    | 1.5             | 1.6               | 1.4              | 1.8           | 1.7           |
|                                     | T/O<br><£56K         | £56-<br>£249K | £250K-<br>£1.49m       | £1.5m-<br>£2.8m        | >£2.8m°         | Incor-<br>porated | Partner-<br>ship | Sole<br>Prop. | Exporter      |
| Accountant                          | 8.6                  | 16.0          | 15.7                   | 18.0                   | 9.6             | 18.4              | 10.0             | 8.1           | 16.8          |
| Bank                                | 3.3                  | 3.0           | 2.7                    | 2.6                    | 2.3             | 2.7               | 3.0              | 2.0           | 3.2           |
| Trade/Business<br>Association       | 11.4                 | 15.0          | 21.3                   | 22.4                   | 15.6            | 16.9              | 18.6             | 14.4          | 15.6          |
| Business Support<br>Organisations** | 5.3                  | 5.4           | 7.3                    | 8.9                    | 3.3             | 7.4               | 3.5              | 2.4           | 8.8           |
| Consultant                          | 1.6                  | 2.6           | 5.1                    | 10.5                   | 8.3             | 5.6               | 2.4              | 1.2           | 6.1           |
| Internet/library/press              | 6.4                  | 6.6           | 8.5                    | 6.8                    | 3.9             | 7.4               | 6.0              | 5.2           | 7.5           |
| Business/pers. contacts             | 4.7                  | 2.3           | 3.0                    | 1.8                    | 0.4             | 3.0               | 3.3              | 2.9           | 1.8           |
| Solicitor                           | 2.8                  | 2.4           | 5.6                    | 13.6                   | 12.1            | 6.3               | 3.1              | 1.7           | 7.4           |
| Inland Revenue                      | 3.3                  | 2.6           | 1.8                    | 1.0                    | –               | 1.9               | 1.8              | 1.8           | 2.1           |
| Local Authority                     | 5.5                  | 4.4           | 1.6                    | 1.6                    | 0.2             | 1.7               | 5.2              | 3.8           | 1.6           |
| Other Regulatory<br>Agencies        | 1.8                  | 4.7           | 5.0                    | 4.6                    | 4.4             | 4.4               | 5.2              | 4.6           | 3.1           |
| DTI/SBS/other<br>government bodies  | 1.8                  | 4.0           | 6.3                    | 6.0                    | 4.6             | 5.6               | 4.6              | 3.6           | 4.7           |
| All other sources                   | 4.2                  | 4.3           | 4.6                    | 6.1                    | 10.4            | 5.6               | 4.9              | 3.1           | 4.0           |
| None                                | 48.1                 | 44.9          | 35.1                   | 30.8                   | 42.0            | 35.9              | 43.2             | 52.9          | 40.1          |
| Don't know                          | 0.5                  | –             | 0.1                    | 0.2                    | 2.3             | 0.4               | 0.1              | 0.4           | 1.2           |
| Unable to answer                    | 1.8                  | 0.6           | 1.2                    | 1.1                    | 4.8             | 1.7               | 1.3              | 1.6           | 2.1           |

|                                  | Prop. Growth | Not Prop Growth | Market Const. | Other Const. | Sust'd Growth | Const'd Growth | New Growth | No Growth |
|----------------------------------|--------------|-----------------|---------------|--------------|---------------|----------------|------------|-----------|
| Accountant                       | 15.0         | 13.9            | 14.0          | 13.6         | 18.7          | 13.6           | 15.5       | 14.0      |
| Bank                             | 2.9          | 1.2             | 2.8           | 3.7          | 3.1           | 3.7            | 3.4        | 2.2       |
| Trade/Business Association       | 17.6         | 13.9            | 18.3          | 17.5         | 22.2          | 16.1           | 17.8       | 15.9      |
| Business Support Organisations** | 7.6          | 1.7             | 4.4           | 2.9          | 8.5           | 6.4            | 9.2        | 4.1       |
| Consultant                       | 4.9          | 2.2             | 5.8           | 2.2          | 7.3           | 3.8            | 5.0        | 3.4       |
| Internet/library/press           | 7.7          | 4.2             | 7.5           | 5.5          | 7.7           | 10.5           | 6.4        | 6.0       |
| Business/pers. contacts          | 3.4          | 1.7             | 2.9           | 3.7          | 2.6           | 2.4            | 3.5        | 3.0       |
| Solicitor                        | 6.2          | 1.7             | 2.8           | 3.5          | 9.4           | 5.0            | 5.0        | 3.9       |
| Inland Revenue                   | 1.6          | 1.9             | 1.3           | 3.0          | 2.8           | 2.1            | 2.0        | 1.6       |
| Local Authority                  | 3.0          | 2.3             | 1.3           | 3.9          | 4.3           | 3.0            | 3.6        | 2.4       |
| Other Regulatory Agencies        | 4.5          | 4.3             | 5.6           | 5.8          | 3.8           | 4.0            | 5.7        | 4.6       |
| DTI/SBS/other government bodies  | 5.7          | 3.0             | 3.7           | 5.5          | 5.7           | 7.3            | 5.5        | 4.4       |
| All other sources                | 5.4          | 4.6             | 2.5           | 4.2          | 7.0           | 7.6            | 6.0        | 4.0       |
| None                             | 36.1         | 52.5            | 43.3          | 42.1         | 25.0          | 38.8           | 33.5       | 45.1      |
| Don't know                       | 0.5          | 0.1             | –             | 0.4          | 0.6           | 0.1            | –          | 0.4       |
| Unable to answer                 | 1.9          | 1.2             | 0.4           | 0.9          | 3.2           | 0.7            | 1.9        | 1.4       |

|                                   | Women Led | MEG Led | Rural Area* | Not Rural* | Deprived Area* | Not* Deprived | <=3 Years | 4-10 Years | 10 plus Years |
|-----------------------------------|-----------|---------|-------------|------------|----------------|---------------|-----------|------------|---------------|
| Accountant                        | 14.4      | 9.1     | 14.4        | 15.6       | 17.3           | 14.5          | 19.4      | 15.5       | 13.2          |
| Bank                              | 3.8       | 2.2     | 2.6         | 2.9        | 2.2            | 3.0           | 5.7       | 2.1        | 2.1           |
| Trade/Business Association        | 12.9      | 11.2    | 19.7        | 15.5       | 14.7           | 17.6          | 15.3      | 12.6       | 18.3          |
| Business Support Organisations ** | 6.1       | 2.4     | 5.3         | 6.0        | 6.4            | 6.0           | 6.9       | 5.3        | .3            |
| Consultant                        | 2.5       | 2.3     | 4.3         | 3.8        | 4.2            | 3.9           | 3.1       | 2.1        | 4.8           |
| Internet/library/press            | 6.6       | 5.4     | 7.7         | 6.4        | 6.4            | 6.9           | 6.8       | 6.6        | 6.6           |
| Business/pers. contacts           | 4.5       | 2.6     | 3.7         | 2.6        | 2.9            | 3.0           | 6.4       | 2.8        | 2.4           |
| Solicitor                         | 6.3       | 4.1     | 5.1         | 4.8        | 4.6            | 5.0           | 7.5       | 3.8        | 4.3           |
| Inland Revenue                    | 4.1       | 0.9     | 1.4         | 2.0        | 2.5            | 1.5           | 2.9       | 2.0        | 1.6           |
| Local Authority                   | 3.8       | 4.4     | 3.3         | 2.3        | 1.7            | 2.9           | 4.1       | 3.9        | 2.3           |
| Other Regulatory Agencies         | 4.2       | 4.0     | 4.2         | 4.5        | 5.0            | 4.2           | 4.0       | 4.3        | 4.9           |
| DTI/SBS/other Government bodies   | 6.0       | 3.3     | 6.9         | 4.2        | 4.6            | 5.3           | 6.7       | 4.0        | 4.9           |
| All other sources                 | 5.6       | 2.6     | 5.3         | 5.0        | 4.4            | 5.3           | 4.8       | 4.5        | 5.1           |
| None                              | 40.1      | 54.2    | 37.2        | 42.4       | 41.9           | 40.2          | 31.8      | 46.2       | 41.4          |
| Don't know                        | 0.4       | 0.1     | 0.7         | 2.0        | 1.3            | 1.7           | 0.9       | 0.5        | 0.2           |
| Unable to answer                  | 1.5       | 3.0     | 0.2         | 0.5        | 0.4            | 0.4           | 1.2       | 1.4        | 1.7           |

Base: a = All businesses, N = 8,693; b = Businesses with employees, N = 7,254 ° N<100 cases \*\* Business Support Organisations include Enterprise Agencies, Chambers of Commerce, Business Links, Business Eye, Business Gateway, Invest Northern Ireland

## 7.2 Satisfaction with advice received: variation between different sources

Turning now to look at user satisfaction with these services, we asked all those businesses who had used any of these services during the previous year, how satisfied they were with the advice received. Businesses were prompted to assess their satisfaction according to a standard five-point scale, shown below in Table 7.2. To cope with the effect of memory lapse and personnel changes, responses were also coded to 'don't know' and 'unwilling to say'.

The distribution of responses is shown in Table 7.2, first for all businesses, including those without employees, and then just for businesses with employees.

Looking first at all businesses, in Table 7.2a, we can see that:

- the vast majority of users have been reasonably satisfied with the advice received from all of the sources reviewed. For almost all of them, the proportion of users who were dissatisfied in some way was less than ten per cent, and only for local authorities, other regulatory agencies and business support organisations did the level of dissatisfaction rise above this.
- the sources which users seem to have found the most satisfactory were:
  - accountants
  - Inland Revenue
  - trade/business Associations
  - banks; and
  - solicitors
- the sources which users seem to have found the least satisfactory as sources of advice about regulation were:
  - internet/library/press
  - business support organisations.
  - local authorities; and
  - other regulatory agencies.

**Table 7.2a: Satisfaction with sources of advice about regulations: all businesses who had used the source in past 12 months**

| Proportions who said...           | Very Dissatisfied | Dissatisfied | Neither Satis. nor Dissatis. | Satisfied | Very Satisfied | DK & NA |
|-----------------------------------|-------------------|--------------|------------------------------|-----------|----------------|---------|
|                                   | %                 | %            | %                            | %         | %              | %       |
| Accountant                        | 0.6               | 3.5          | 3.1                          | 51.7      | 40.3           | 0.8     |
| Bank                              | 3.1               | 1.5          | 3.3                          | 56.4      | 35.6           | 0.1     |
| Trade/Business Association        | 2.5               | 1.9          | 5.8                          | 51.4      | 38.1           | 0.3     |
| Business Support Organisations ** | 4.3               | 6.7          | 11.8                         | 45.3      | 30.5           | 1.4     |
| Consultant                        | 3.8               | 2.0          | 4.9                          | 49.7      | 35.1           | 4.5     |
| Internet/library/press            | 2.0               | 3.0          | 6.4                          | 63.3      | 23.7           | 1.6     |
| Business/personal contacts        | 3.5               | 1.1          | 5.1                          | 56.0      | 33.9           | 0.4     |
| Solicitor                         | 0.5               | 1.5          | 5.9                          | 60.7      | 30.7           | 0.6     |
| Inland Revenue                    | 0.6               | 1.5          | 4.5                          | 53.8      | 37.8           | 1.9     |
| Local Authority                   | 3.1               | 10.5         | 2.6                          | 55.3      | 26.0           | 2.4     |
| Other Regulatory Agencies         | 3.5               | 10.2         | 9.1                          | 52.5      | 24.2           | 0.5     |
| DTI/SBS/other government bodies   | 2.6               | 2.7          | 5.3                          | 60.7      | 28.1           | 0.6     |
| All other sources                 | 1.2               | 2.7          | 4.5                          | 54.8      | 33.7           | 3.0     |

**Table 7.2b: Satisfaction with sources of advice about regulations: all employers who had used the source in past 12 months**

| Proportions who said...          | Very Dissatisfied | Dissatisfied | Neither Satis. nor Dissatis. | Satisfied | Very Satisfied | DK & NA |
|----------------------------------|-------------------|--------------|------------------------------|-----------|----------------|---------|
|                                  | %                 | %            | %                            | %         | %              | %       |
| Accountant                       | 0.4               | 3.0          | 3.2                          | 49.0      | 42.2           | 2.2     |
| Bank                             | 5.9               | 2.9          | 6.3                          | 50.7      | 34.0           | 0.3     |
| Trade/Business Association       | 0.7               | 1.7          | 5.7                          | 51.6      | 39.9           | 0.3     |
| Business Support Organisations** | 1.9               | 4.2          | 8.1                          | 49.6      | 38.2           | 0.9     |
| Consultant                       | 1.7               | 3.5          | 3.7                          | 44.4      | 43.9           | 2.9     |
| Internet/library/press           | 2.8               | 3.1          | 6.1                          | 69.2      | 18.4           | 0.4     |
| Business/personal contacts       | 0.2               | 4.6          | 8.4                          | 54.0      | 31.3           | 1.5     |
| Solicitor                        | 1.0               | 3.0          | 1.7                          | 58.0      | 35.1           | 1.2     |
| Inland Revenue                   | 1.4               | 3.7          | 7.0                          | 57.5      | 25.8           | 4.6     |
| Local Authority                  | 7.7               | 9.0          | 8.6                          | 55.7      | 18.3           | 0.7     |
| Other Regulatory Agencies        | 2.1               | 7.8          | 5.2                          | 51.9      | 31.9           | 1.2     |
| DTI/SBS/other government bodies  | 6.3               | 6.5          | 6.7                          | 57.0      | 22.0           | 1.6     |
| All other sources                | 1.9               | 2.8          | 6.4                          | 47.8      | 37.3           | 3.7     |

Base: Businesses using sources cited ° N<100 cases \*\* Business Support Organisations include Enterprise Agencies, Chambers of Commerce, Business Links, Business Eye, Business Gateway, Invest Northern Ireland



Moving on to consider just those small businesses with employees, in Table 7.2b, we can see that:

- again, there are relatively high and widespread levels of satisfaction with all the sources used for advice about regulations. Even for the local authorities, for whom we observe the most dissatisfaction, three in every four users (74 per cent) were either satisfied or very satisfied with them.
- the most satisfactory sources were:
  - accountants
  - trade/business associations
  - consultants; and
  - solicitors
- the least satisfactory, albeit still with high overall levels of satisfaction, were:
  - other regulatory agencies
  - Inland Revenue
  - Internet/library/press
  - DTI/SBS/other government bodies; and
  - local authorities.

### **7.3 Satisfaction with advice received: variation between businesses**

In addition to variation in satisfaction between different sources of advice, the survey also considered differences in satisfaction between different kinds of small business. In order to present these variations in an accessible way, we have calculated an index of user satisfaction, by attributing a value to each of the 'satisfied/dissatisfied' categories shown in Table 7.2, and multiplying this by the proportion of businesses in that cell. The values used are:

- |                                       |    |
|---------------------------------------|----|
| ● Very satisfied:                     | +2 |
| ● Satisfied:                          | +1 |
| ● Neither satisfied nor 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 entirely arbitrary, but they are applied equally to all the sources of advice cited, and they do not

favour any one in particular. Thus, although they confer no *absolute* measurement of the balance of satisfaction and dissatisfaction, they do nevertheless provide us with a *relative* measure for assessing each source against the others. It is also worth noting that these are the indices of satisfaction for *users*; they tell us nothing about the possible dissatisfaction of the non-users. The reasons for such non-use are discussed later in this chapter, however.

Table 7.3 shows the index of satisfaction derived in this way for all 15 substantive sources of advice and for each of the sub-groupings of small businesses with which we have been concerned.

Once again, the first part of the table looks at businesses who had used the advice source cited whether or not they employed any staff. It shows that:

- with a maximum satisfaction rating of 200, most of these sources achieved ratings of more than 100, suggesting a reasonable level of satisfaction across the board
- whatever the size of the business, we observe considerable satisfaction expressed with solicitors, trade and business association and accountants, while at the other end of the spectrum, satisfaction with local authorities, and internet/library/press sources is lower among all the size bands.
- There is considerable variation by business size in the level of satisfaction with business support organisations. Here we observe a fairly low level of satisfaction among the very smallest rising sharply among those with any number of employees, but not then continuing to rise much as the size of the business increases.

Part (b) of Table 7.3 provides estimates of the index of satisfaction for businesses who had used the advice source cited and who also employed staff. These results should be treated with more care, as the unweighted bases for several of the cells are very small. It shows that:

- formal and professional sources of advice about regulations seem to be the most satisfactory, with fairly high levels of satisfaction shown for accountants, trade/business associations, consultants and solicitors, across the many different kinds of business shown here
- this is less true of the banks, and less true still of other external organisations, such as the Inland Revenue, DTI/SBS/other government bodies, and local authorities
- as the size of the business increases, so satisfaction with consultants and solicitors increases, while that with informal sources, such as personal contacts and internet/library/press, declines somewhat
- newer businesses appear to be somewhat more satisfied than longer established ones, with consultants and their personal

contacts. Businesses run by women seem to be particularly happy with their use of consultants in this respect.

**Table 7.3a: Index of satisfaction with advice on regulations: all businesses who used source**  
**Maximum score = +200, minimum score = -200**

| Proportions who said...             | <i>Unw.<br/>N =</i> | All  | No<br>Empl'ees | Micro<br>1-9 | Small<br>10-49 | Medium<br>50-250 |
|-------------------------------------|---------------------|------|----------------|--------------|----------------|------------------|
| Accountant                          | 1,110               | +127 | +126           | +130         | +129           | +119             |
| Bank                                | 159                 | +120 | +137           | +104         | +103           | +100             |
| Trade/Business<br>Association       | 1,511               | +121 | +114           | +128         | +132           | +124             |
| Business Support<br>Organisations** | 484                 | +91  | +68            | +115         | +117           | +119             |
| Consultant                          | 530                 | +110 | +92            | +125         | 126            | +124             |
| Internet/library/press              | 576                 | +104 | 107            | +95          | +110           | +99              |
| Business/personal<br>contacts       | 274                 | +116 | 117            | +111         | +113           | +118             |
| Solicitor                           | 509                 | +120 | +116           | +124         | +120           | +125             |
| Inland Revenue                      | 121                 | +127 | +144           | +105         | +85            | +52              |
| Local Authority                     | 269                 | +90  | +100           | +64          | +89            | +88              |
| Other Regulatory<br>Agencies        | 458                 | +84  | +70            | +105         | +95            | +112             |
| DTI/SBS/Other<br>government bodies  | 425                 | +109 | +128           | +82          | +79            | +87              |
| All other sources                   | 446                 | +117 | +118           | +112         | +128           | +121             |

**Table 7.3b: Index of satisfaction with advice on regulations: all employers who used source**

|                                  | All with Employees | Primary AB | Production CDE | Construction F | Services G-O | England    | Wales       | Scotland     | N. Ireland |
|----------------------------------|--------------------|------------|----------------|----------------|--------------|------------|-------------|--------------|------------|
| Accountant                       | +130               | +122       | +130           | +141           | +128         | +130       | +115        | +123         | +156       |
| Bank                             | +104               | +200       | +40            | +124           | +114         | +99        | +142        | +163         | –          |
| Trade/Business Association       | +128               | +119       | 128            | +137           | +127         | +130       | +110        | +103         | +161       |
| Business Support Organisations** | +115               | +108       | +132           | +127           | +107         | +114       | +102        | +144         | +100       |
| Consultant                       | +125               | +84        | +131           | +138           | +124         | +126       | +134        | +122         | +94        |
| Internet/library/press           | +97                | +107       | +89            | +98            | +98          | +96        | +97         | +102         | +169       |
| Business/personal contacts       | +111               | +120       | +110           | +28            | +120         | +111       | +113        | +116         | +67        |
| Solicitor                        | +123               | +115       | +114           | +82            | +127         | +124       | +145        | +101         | +147       |
| Inland Revenue                   | +103               | –          | +89            | +135           | +102         | +98        | +131        | +135         | +109       |
| Local Authority                  | +68                | +130       | +86            | +142           | +60          | +65        | +62         | +91          | –          |
| Other Regulatory Agencies        | +104               | +16        | +132           | +105           | +105         | +101       | +87         | +119         | +149       |
| DTI/SBS/other government bodies  | +82                | -14        | +91            | +134           | +85          | +75        | +97         | +133         | +146       |
| All other sources                | +116               | 105        | +112           | +98            | +120         | +116       | +151        | +77          | +124       |
|                                  | T/O <£56K          | £56-£249K  | £250K-£1.49m   | £1.5m-£2.8m    | >£2.8m       | Sole Prop. | Partnership | Incorporated | Exporter   |
| Accountant                       | +145               | +132       | +135           | +128           | +128         | +131       | +137        | +128         | +116       |
| Bank                             | +100               | +98        | +130           | +58            | +100         | +83        | +134        | +98          | +98        |
| Trade/Business Association       | +134               | +113       | +130           | +137           | +106         | +131       | +127        | +127         | +121       |
| Business Support Organisations** | +136               | +100       | +120           | +116           | +94          | +109       | +127        | +114         | +106       |
| Consultant                       | +99                | +122       | +124           | +128           | +153         | +79        | +149        | +125         | +127       |
| Internet/library/press           | +98                | +96        | +109           | +105           | +100         | +94        | +89         | +100         | +86        |
| Business/personal contacts       | +134               | +88        | +132           | +114           | +100         | +147       | +101        | +103         | +98        |
| Solicitor                        | +82                | +148       | +125           | +127           | +130         | +113       | +128        | +123         | +120       |
| Inland Revenue                   | +152               | +108       | +87            | +63            | –            | +112       | +131        | +90          | +90        |
| Local Authority                  | +15                | +83        | +109           | +29            | +100         | +73        | +72         | +60          | +61        |
| Other Regulatory Agencies        | +73                | +127       | +102           | +99            | +135         | +111       | +98         | +103         | +87        |
| DTI/SBS/other government bodies  | +70                | +65        | +104           | +89            | +100         | +87        | +80         | +81          | +56        |
| All other sources                | +133               | +97        | +112           | +128           | +152         | +100       | +123        | +117         | +104       |

|                                  | Women Led | MEG Led | Rural Area* | Not Rural* | Deprived Area* | Not* Deprived | <=3 Years | 4-10 Years | 10 plus Years |
|----------------------------------|-----------|---------|-------------|------------|----------------|---------------|-----------|------------|---------------|
| Accountant                       | +151      | +138    | +136        | +127       | +134           | +128          | +134      | +117       | +133          |
| Bank                             | +145      | +98     | +132        | +86        | +78            | +105          | +123      | +72        | +102          |
| Trade/Business Association       | +122      | +135    | +135        | +128       | +132           | +130          | +121      | +124       | +130          |
| Business Support Organisations** | +102      | +116    | +114        | +113       | +132           | +107          | +120      | +97        | +119          |
| Consultant                       | +161      | +153    | +121        | +129       | +123           | +127          | +155      | +130       | +120          |
| Internet/library/press           | +96       | +103    | +94         | +97        | +86            | +99           | +80       | +77        | +107          |
| Business/personal contacts       | +141      | +116    | +126        | +101       | +90            | +118          | +135      | +99        | +102          |
| Solicitor                        | +145      | +137    | +130        | +121       | +137           | +120          | +119      | +151       | +118          |
| Inland Revenue                   | +95       | +106    | +98         | +97        | +60            | +119          | +107      | +105       | +100          |
| Local Authority                  | +53       | +72     | +82         | +53        | +51            | +68           | +67       | +100       | +52           |
| Other Regulatory Agencies        | +105      | +93     | +86         | +109       | +109           | +98           | +120      | +108       | +99           |
| DTI/SBS/other government bodies  | +75       | +70     | +65         | +84        | +93            | +70           | +94       | +75        | +80           |
| All other sources                | +122      | +136    | +130        | +109       | +108           | +118          | +107      | +139       | +112          |

Base: All businesses/employers using the source cited \* England only \*\* Business Support Organisations include Enterprise Agencies, Chambers of Commerce, Business Links, Business Eye, Business Gateway, Invest Northern Ireland

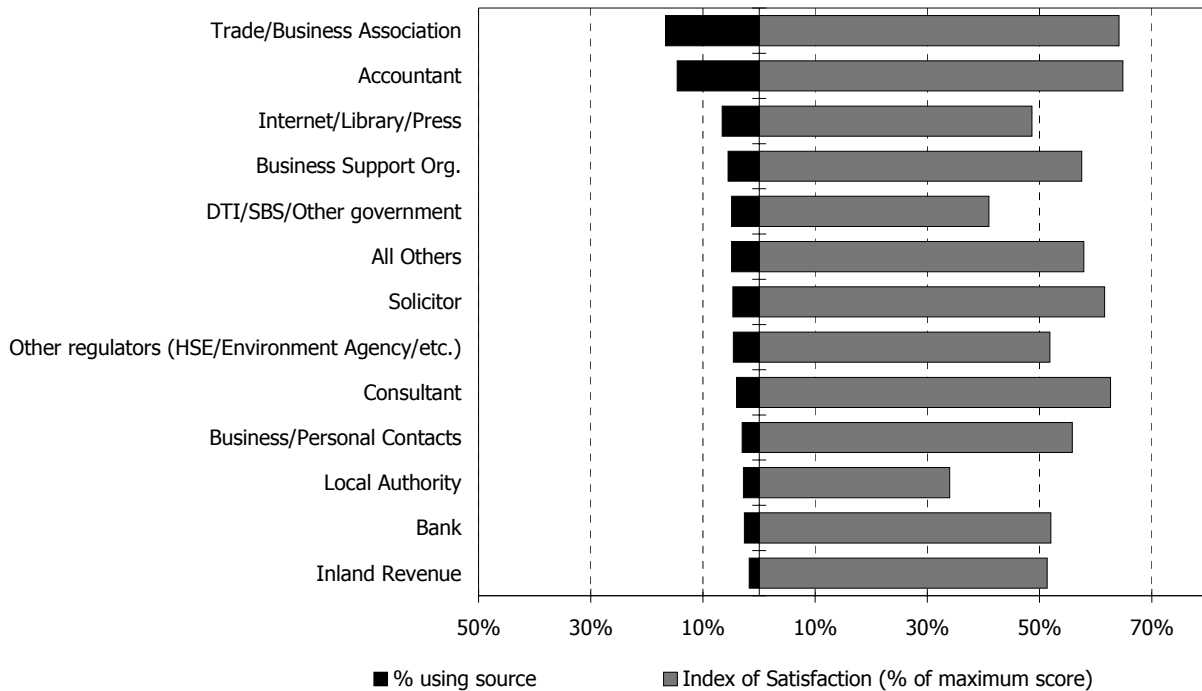
NB Because of the small number of businesses using many of these sources of advice, many of the cells in this table are based on relatively small numbers, frequently <100.

## 7.4 Advice about regulations: use and satisfaction combined

Clearly, in evaluating the overall usefulness of a particular source of information, one would wish to take account of both accessibility and use on the one hand, and of satisfaction with the advice received on the other. Figure 7.1 draws these two indicators of usefulness together. For each of the 15 sources of advice in question, the bars extending to the left show the former (that is, they set out the proportion of businesses using the source in question), while the ones on the right show the level of satisfaction for that source (in this chart we have used the satisfaction index, above, as a proportion of the maximum possible score). While it is difficult to say how relatively important each side of the bar might be in relation to the other, it is nevertheless clear that, in general, the longer the combined bar is, the better; that is the more likely is that source to be both accessible and well thought of by its users.

It should be noted that the figure relates only to small businesses with employees, and that the sources of advice have been re-ordered in line with their use by employers.

**Figure 7.1: Combined indicator of use and satisfaction with source: small all employers**



*Base: Employers using cited sources only*

The figure suggests that:

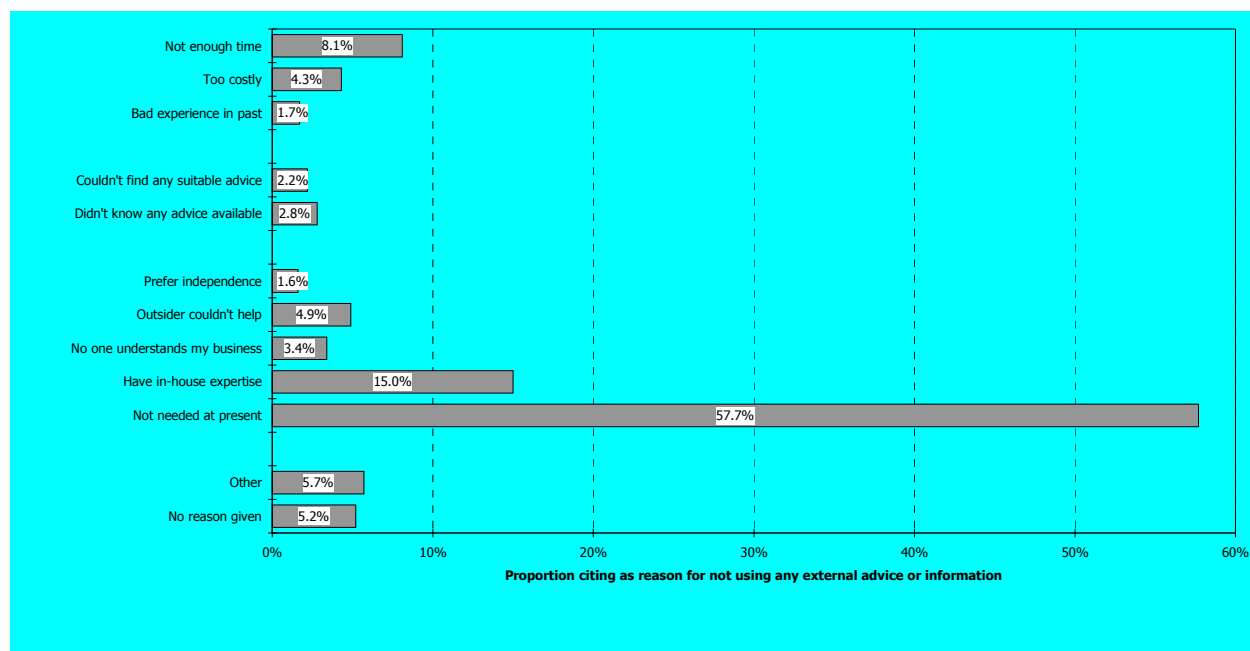
- two sources in particular have both above average levels of use and satisfaction. These are business/trade associations and accountants.
- some sources, for example consultants (and to a lesser extent personal contacts) are relatively little used, but have above average levels of satisfaction when they are
- By contrast, other sources, such as local authorities, are both little used and with lower than average levels of satisfaction. This is somewhat the case too for both banks and the Inland Revenue, although here the satisfaction rating is closer to the average.

## 7.5 General advice and information on business matters

Of course, like any other business, small firms may need advice and information about a much wider range of matters than just regulations. However, the research showed that only a minority of the employers among them had in fact used any external source of support for advice about general business matters during the previous 12 months, and we went on to ask them why not.

Their responses are shown in Figure 7.2.

**Figure 7.2: Reasons given for not using external sources of advice and information: all employers**



Base: All employers not using any external source of advice or information in past year; unweighted; N = 1,594

Here we can see that:

- by far the dominant reasons for not choosing to use any external advice was that the business either did not need it or did not want it. Thus, we can see that some 57.7 per cent of these businesses said that they simply had not needed any external advice, while another 15 per cent said that they had sufficient internal expertise to draw on. In addition approximately one in ten said that they had reservations about using outside help, because such individuals would not understand the business well enough (3.4 per cent), or because they would not be able to help (4.9 per cent) or simply because the respondent preferred independence.
- a small proportion of these businesses might have found such help useful, but either did not know that it was available (2.2 per cent) or did not know where to look for it (2.8 per cent). This suggests that there would only be fairly modest gains from making such sources of advice more prominent or visible to potential users.
- finally, another minority of non-users had difficulty in engaging with the available sources of advice. For the most part, this was because they did not have enough time to engage properly with such external sources (8.1 per cent), or found them too costly (4.3 per cent), or had had some kind of bad experience in using such sources in the past (1.7 per cent).

## **8. Contact with/Use of Government Services**

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In this chapter we look at the relationship(s) between small businesses and the public authorities. For the most part, we are concerned with relationships with Government, although parts of the chapter also include local government and the health service.

The chapter looks in turn at:

- contact with government bodies
- satisfaction with such contact
- perceptions about government's responsiveness to small business concerns; and
- public procurement.

The first three sections of this chapter focus just on small businesses in England and Northern Ireland. The final section reverts to the full UK sample.

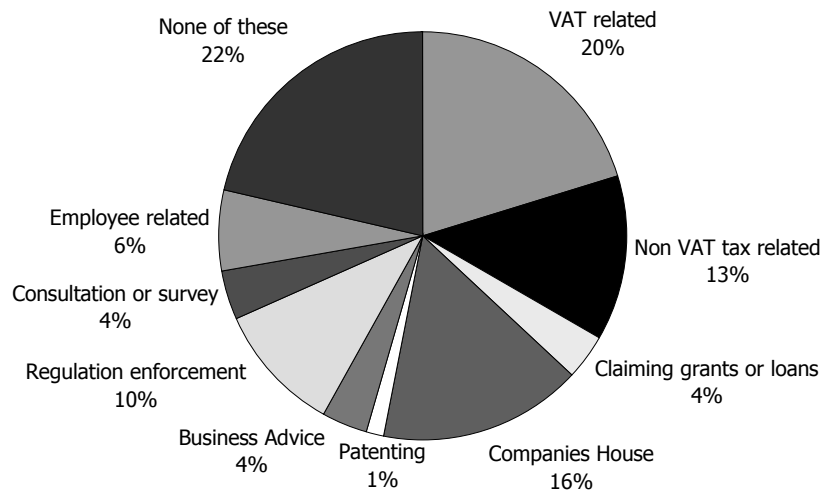
### **8.1 Contact with Government**

Survey respondents in England and Northern Ireland were asked whether they had had any contact with Government in the previous year on a range of specified areas. Contact was broadly defined to include letters, e-mails, web sites, telephone calls and personal visits.

The results for employers are summarised in Figure 8.1 (overleaf), showing that the largest area of contact, cited by a third of these businesses, was tax-related issues, particularly VAT.



**Figure 8.1: Areas of contact with Government: all employers in England and Northern Ireland (Q309)**



Base: Small businesses with employees in England and Northern Ireland only; unweighted N = 5,165

The results are shown in more detail in Table 8.1.

Looking first at all businesses, in Table 8.1a, we can see that:

- nearly half of all businesses (45.1 per cent) had not had contact with the Government on any of the specified areas. Those with no employees were most likely to give this response (45.1 per cent). As the size of the business increased, they were more likely to have had contact. Fewer than one in five (18.3 per cent) of medium-sized businesses had not had any contact.
- of the areas specified, the largest proportion — 30.1 per cent of all businesses — mentioned VAT related. Around one in five had had contact on non-VAT tax-related issues, and a similar proportion on Companies House.
- a minority of businesses mentioned the area of regulation enforcement (12.4 per cent)
- a small proportion (5.7 per cent) mentioned the area of employee-related issues, while 4.4 per cent cited business advice, 4.1 per cent claiming grants or loans, and four per cent contacting the Government about a consultation or survey
- in all area, it is notable that the proportion of businesses that has had contact with the Government increases with the size of the business.

**Table 8.1a: Areas of contact with Government: all businesses in England and Northern Ireland (Q309)**

| Proportions who said...  | All<br>% | No<br>Empl'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|--------------------------|----------|---------------------|-------------------|---------------------|-----------------------|
| VAT related              | 30.1     | 28.1                | 33.8              | 39.1                | 46.6                  |
| Non-VAT tax related      | 20.4     | 19.8                | 21.1              | 24.4                | 34.3                  |
| Claiming grants or loans | 4.1      | 3.1                 | 5.4               | 11.0                | 16.6                  |
| Companies House          | 20.8     | 17.9                | 26.0              | 33.8                | 43.8                  |
| Patenting                | 1.7      | 1.5                 | 1.8               | 3.9                 | 8.0                   |
| Business Advice          | 4.4      | 3.7                 | 5.9               | 6.6                 | 9.7                   |
| Regulation enforcement   | 12.4     | 10.1                | 16.9              | 21.5                | 28.2                  |
| Consultation or survey   | 4.0      | 2.9                 | 5.7               | 9.2                 | 17.0                  |
| Employee related         | 5.7      | 3.5                 | 9.9               | 15.2                | 19.4                  |
| None of these            | 45.1     | 48.7                | 38.9              | 26.9                | 18.3                  |
| Don't know               | 0.7      | 0.4                 | 1.1               | 2.7                 | 2.4                   |
| Unwilling to answer      | 0.3      | 0.3                 | 0.6               | 0.1                 | 0.2                   |

**Table 8.1b: Areas of contact with Government: employer businesses in England and Northern Ireland only (Q309)**

|                          | All<br>with<br>Empl'ees | Primary<br>AB° | Pro-<br>duction<br>CDE | Con-<br>struction<br>F | Services<br>G-O | England | N.<br>Ireland |
|--------------------------|-------------------------|----------------|------------------------|------------------------|-----------------|---------|---------------|
| VAT related              | 34.9                    | 26.9           | 33.8                   | 37.3                   | 35.1            | 34.9    | 34.1          |
| Non-VAT tax related      | 21.9                    | 12.8           | 20.3                   | 24.1                   | 22.2            | 21.8    | 22.9          |
| Claiming grants or loans | 6.5                     | 25.4           | 7.9                    | 4.7                    | 5.8             | 6.5     | 7.9           |
| Companies House          | 27.6                    | 16.1           | 27.3                   | 32.0                   | 27.4            | 27.9    | 16.1          |
| Patenting                | 2.2                     | 3.7            | 4.7                    | 1.8                    | 1.7             | 2.3     | 0.7           |
| Business Advice          | 6.1                     | 17.6           | 6.9                    | 4.7                    | 5.7             | 6.1     | 5.9           |
| Regulation enforcement   | 17.8                    | 35.0           | 17.2                   | 11.6                   | 18.3            | 17.7    | 22.4          |
| Consultation or survey   | 6.5                     | 19.1           | 6.3                    | 3.0                    | 6.6             | 6.5     | 6.4           |
| Employee related         | 10.9                    | 8.1            | 10.4                   | 9.3                    | 11.3            | 10.7    | 17.8          |
| None of these            | 36.7                    | 38.0           | 38.3                   | 33.8                   | 36.7            | 36.7    | 37.0          |
| Don't know               | 1.3                     | 0.6            | 1.1                    | 1.3                    | 1.4             | 1.4     | 0.6           |
| Unwilling to answer      | 0.5                     | –              | 0.1                    | 0.5                    | 0.6             | 0.5     | 1.3           |

|                          | T/O<br><£56K | £56-<br>£249K | £250K-<br>£1.49m | £1.5m-<br>£2.8m | >£2.8m° | Sole<br>Prop. | Partner-<br>ship | Incor-<br>porated | Exporter |
|--------------------------|--------------|---------------|------------------|-----------------|---------|---------------|------------------|-------------------|----------|
| VAT related              | 23.0         | 35.4          | 38.6             | 47.5            | 45.9    | 28.2          | 28.5             | 39.3              | 41.5     |
| Non-VAT tax related      | 20.9         | 23.0          | 22.8             | 25.0            | 24.5    | 19.4          | 19.6             | 23.5              | 22.6     |
| Claiming grants or loans | 2.5          | 4.4           | 8.6              | 10.4            | 5.5     | 3.8           | 6.4              | 7.4               | 7.8      |
| Companies House          | 14.8         | 28.5          | 34.6             | 37.9            | 32.1    | 8.3           | 11.6             | 39.1              | 35.1     |
| Patenting                | 0.7          | 1.5           | 2.2              | 5.8             | 6.0     | 0.7           | 1.9              | 2.8               | 4.7      |
| Business Advice          | 8.0          | 7.5           | 5.5              | 5.4             | 5.4     | 5.0           | 6.9              | 6.2               | 9.4      |
| Regulation enforcement   | 13.5         | 14.3          | 19.5             | 21.6            | 21.0    | 15.7          | 18.4             | 18.3              | 18.9     |
| Consultation or survey   | 5.6          | 5.4           | 7.6              | 12.0            | 18.3    | 4.3           | 7.4              | 6.8               | 6.8      |
| Employee related         | 12.8         | 8.4           | 11.6             | 16.0            | 16.0    | 9.3           | 12.7             | 10.9              | 12.1     |
| None of these            | 47.6         | 37.7          | 31.5             | 22.2            | 31.2    | 49.1          | 44.1             | 30.2              | 29.7     |
| Don't know               | 1.5          | 0.2           | 0.8              | 1.6             | 0.9     | 1.7           | 1.6              | 1.1               | 1.6      |
| Unwilling to answer      | –            | 0.2           | 0.5              | 0.2             | –       | 0.7           | 0.2              | 0.5               | 0.3      |

|                          | Prop. Growth | Not Prop Growth | Market Const. | Other Const. |  | Sust'd Growth | Const'd Growth | New Growth | No Growth |
|--------------------------|--------------|-----------------|---------------|--------------|--|---------------|----------------|------------|-----------|
| VAT related              | 39.9         | 26.7            | 28.3          | 26.8         |  | 40.6          | 40.2           | 42.5       | 31.6      |
| Non-VAT tax related      | 24.5         | 16.1            | 19.1          | 20.9         |  | 25.8          | 25.1           | 25.0       | 20.2      |
| Claiming grants or loans | 8.2          | 3.2             | 4.1           | 5.0          |  | 12.7          | 9.3            | 9.4        | 4.6       |
| Companies House          | 32.3         | 18.7            | 25.3          | 20.5         |  | 32.5          | 27.8           | 28.2       | 26.9      |
| Patenting                | 3.3          | 0.6             | –             | 0.8          |  | 4.8           | 2.9            | 1.9        | 1.9       |
| Business Advice          | 7.5          | 3.5             | 1.9           | 5.8          |  | 11.0          | 6.9            | 10.5       | 4.3       |
| Regulation enforcement   | 19.4         | 14.3            | 20.9          | 14.9         |  | 19.2          | 20.4           | 19.0       | 17.0      |
| Consultation or survey   | 7.7          | 3.5             | 6.2           | 6.0          |  | 8.9           | 7.7            | 7.6        | 5.7       |
| Employee related         | 13.0         | 6.9             | 10.3          | 7.8          |  | 17.3          | 13.5           | 13.4       | 9.0       |
| None of these            | 31.1         | 49.0            | 42.5          | 39.2         |  | 27.4          | 30.4           | 31.1       | 40.1      |
| Don't know               | 1.5          | 1.4             | 1.6           | 0.6          |  | 2.2           | 1.1            | 1.2        | 1.3       |
| Unwilling to answer      | 0.7          | 0.2             | –             | 0.4          |  | 1.1           | 0.9            | 0.7        | 0.3       |

|                          | Women Led | MEG Led | Rural Area* | Not Rural* | Deprived Area* | Not* Deprived | <=3 Years | 4-10 Years | 10 plus Years |
|--------------------------|-----------|---------|-------------|------------|----------------|---------------|-----------|------------|---------------|
| VAT related              | 25.2      | 29.9    | 35.2        | 34.9       | 33.0           | 35.6          | 44.7      | 36.2       | 32.4          |
| Non-VAT tax related      | 17.2      | 16.3    | 23.6        | 21.0       | 20.0           | 22.5          | 27.6      | 21.3       | 20.8          |
| Claiming grants or loans | 7.0       | 3.2     | 8.0         | 5.7        | 6.0            | 6.6           | 6.7       | 6.3        | 6.5           |
| Companies House          | 23.6      | 18.9    | 26.1        | 28.8       | 26.3           | 28.5          | 35.9      | 20.2       | 27.9          |
| Patenting                | 1.0       | 1.8     | 2.3         | 2.3        | 1.7            | 2.5           | 3.2       | 2.2        | 2.0           |
| Business Advice          | 3.5       | 6.6     | 7.4         | 5.4        | 5.7            | 6.3           | 9.5       | 6.8        | 5.2           |
| Regulation enforcement   | 16.3      | 15.1    | 20.6        | 16.3       | 16.5           | 18.1          | 18.6      | 15.7       | 18.3          |
| Consultation or survey   | 5.9       | 4.8     | 6.3         | 6.6        | 6.4            | 6.5           | 7.4       | 5.0        | 6.7           |
| Employee related         | 10.5      | 13.8    | 10.7        | 10.6       | 8.9            | 11.3          | 12.1      | 9.5        | 11.0          |
| None of these            | 48.8      | 42.0    | 37.0        | 36.5       | 40.3           | 35.4          | 29.1      | 39.1       | 37.6          |
| Don't know               | 1.0       | 3.7     | 0.6         | 1.8        | 1.3            | 1.4           | 1.3       | 1.3        | 1.4           |
| Unwilling to answer      | 0.4       | 0.2     | 0.3         | 0.6        | 0.6            | 0.4           | 0.8       | 0.6        | 0.4           |

Base: in England and Northern Ireland only a = All businesses; N = 6,189; b = Businesses with employees only; N = 5,165 \* England only ° N<100 cases

Moving on to look at Table 8.1b, which focuses just on small businesses with employees, we can see that:

- over one in three employers had not had any contact with the Government in the specified areas. This proportion rose to nearly half of businesses that were not proposing to grow, and women-led businesses. Around two out of five ethnic minority-led businesses, and businesses in deprived areas, also gave this response.
- where employers had made contact with the Government, the largest proportion mentioned the area relating to VAT (34.9 per cent). A higher proportion of businesses with the largest financial turnover cited this area: 47.5 per cent of those with a turnover of between £1.5m and £2.8m, and 45.9 per cent of those with a turnover of more than £2.8 million. A higher than average proportion of exporters mentioned this area. In contrast, less than a third of businesses with no expectations of growth cited the VAT-related area. A smaller proportion of women-led businesses (25.2 per cent) and ethnic minority-led businesses (29.9 per cent) had had contact in the area of VAT.

- the second most frequently mentioned area was contact with Companies House, which deals with company registration matters. This was mentioned by 27.6 per cent of all employers. Smaller proportions of businesses in Northern Ireland (16.1 per cent), and businesses with a turnover of less than £56K (14.8 per cent), mentioned this area. Similarly, below average proportions of sole proprietors (8.3 per cent) and partnerships (11.6 per cent) cited Companies House. The proportion giving this response increased with the size of financial turnover, and was also given by over a third of businesses which had been established for less than three years.
- around one in five employers had had contact with the Government in the area of non-VAT related tax matters. This proportion was lower in the primary sector (12.8 per cent). Lower than average proportions gave this response amongst those businesses not proposing to grow (16.1 per cent), and ethnic minority-led businesses (16.3 per cent) and women-led businesses (17.2 per cent).
- regulation enforcement was mentioned by a much higher proportion of businesses in the primary sector (35.0 per cent) than in other sectors
- one in ten employers had had contact with the Government on the area of employee relations. This proportion rose to 17.8 per cent in Northern Ireland, 16 per cent of businesses with a turnover of more than £1.5m, and 17.3 per cent of those characterised by sustained growth.

## 8.2 Satisfaction with Government contact

Still looking just at England and Northern Ireland, we asked all those businesses who had had any contact with Government in any of the specified areas, how satisfied they were with how the relevant bodies had handled the contact. As in the questions about sources of advice about regulation (Chapter 7), businesses were prompted to assess their satisfaction according to a standard five-point scale, shown below in Table 8.2. Responses were also coded to 'don't know' and 'unwilling to say'.

The distribution of responses is shown in Table 8.2, first for all businesses, including those without employees, and then just for businesses with employees.

Looking first at all businesses, in Table 8.2a, we can see that:

- although the majority of small firms who had been in contact with Government were satisfied, there was some evidence of dissatisfaction with the way in which the Government had handled contact. Thus, relatively few businesses (compared with those reporting on their use of external advice in Chapter 7 for example) said that they had been very satisfied, and a significant minority of users said that they had been, to some extent, dissatisfied.
- in seven of the nine specified areas, more than ten per cent expressed some form of dissatisfaction with the contact. In the

case of claiming grants or loans this proportion rose to one in three of all businesses, while in regulation enforcement and consultation or survey, it was one in five.

- Government contact in the following areas was rated as most satisfactory:
  - patenting
  - Companies House
- Government contact in the following areas was found to be least satisfactory (with proportions over ten per cent of all businesses):
  - claiming grants or loans
  - regulation enforcement
  - consultation or survey
  - non-VAT tax related
  - business advice
  - VAT related
  - employee related.

**Table 8.2a: Satisfaction with the way the Government handled contact: all businesses in England and Northern Ireland who had Government contact in past 12 months (Q310)**

| Proportions who said...               | V.<br>Satisf'd<br>% | Satisf'd<br>% | Neither<br>Satis. nor<br>Dissatis.<br>% | Dissatisf'd<br>% | V.<br>Dissatisf'd<br>% | DK<br>% | No<br>Answ.<br>% |
|---------------------------------------|---------------------|---------------|---|------------------|------------------------|---------|------------------|
| VAT related (n = 2,222)               | 14.5                | 58.1          | 9.7                                     | 6.8              | 6.3                    | 5.1     | 0.2              |
| Non-VAT tax related<br>(n = 1,419)    | 10.5                | 55.6          | 11.6                                    | 9.5              | 7.3                    | 5.4     | 0.1              |
| Claiming grants or loans<br>(n = 500) | 14.8                | 38.1          | 8.7                                     | 16.4             | 16.6                   | 5.3     | 0.1              |
| Companies House<br>(n = 1,754)        | 14.4                | 70.0          | 6.4                                     | 4.3              | 0.6                    | 4.2     | 0.1              |
| Patenting (n = 198)                   | 20.3                | 60.8          | 12.2                                    | 1.8              | 1.5                    | 3.4     |                  |
| Business Advice (n = 393)             | 15.4                | 49.1          | 4.5                                     | 10.1             | 4.6                    | 14.4    | 2.0              |
| Regulation enforcement<br>(n = 1,141) | 8.8                 | 53.4          | 12.6                                    | 12.4             | 7.7                    | 4.3     | 0.9              |
| Consultation or survey<br>(n = 478)   | 6.0                 | 54.0          | 13.0                                    | 13.4             | 6.2                    | 5.3     | 2.2              |
| Employee related (n = 756)            | 11.7                | 63.2          | 8.4                                     | 6.6              | 4.5                    | 5.5     | –                |

*Base: All businesses in England and Northern Ireland who answered the question*

Moving on to consider just those small businesses with employees, in Table 8.2b, we can see that:

- again, against a background of overall satisfaction, there is evidence of a not insignificant level of dissatisfaction with the way the Government has handled contact. In seven out ten areas, at least one in ten employers expressed some form of dissatisfaction. In the case of claiming grants or loans, this rose to the same proportion as for all businesses: one in three. Although patenting was an area with which employers were most satisfied, the level of dissatisfaction was 8.4 per cent, compared with 3.3 per cent of all businesses. Furthermore, there are, again, relatively low levels of marked satisfaction.
- the most satisfactory contact was in the following areas:
  - Companies House
  - patenting
- Government contact in the following areas was found to be least satisfactory (with proportions over ten per cent of all businesses):
  - claiming grants or loans
  - consultation or survey
  - regulation enforcement
  - non-VAT tax related
  - VAT related
  - business advice
  - employee related.

### 8.2.1 Index of satisfaction

In order to make an easy comparison between the overall levels of

**Table 8.2b: Satisfaction with the way the Government handled contact: all employers in England and Northern Ireland who had Government contact in past 12 months (Q310)**

| Proportions who said...            | V. Satisf'd<br>% | Satisf'd<br>% | Neither Satis. nor Dissatis.<br>% | Dissatisf'd<br>% | V. Dissatisf'd<br>% | DK<br>% | No Answ.<br>% |
|------------------------------------|------------------|---------------|-----------------------------------|------------------|---------------------|---------|---------------|
| VAT related (n = 1,928)            | 13.7             | 55.5          | 10.2                              | 8.2              | 6.0                 | 6.1     | 0.4           |
| Non-VAT tax related (n = 1,120)    | 9.1              | 58.7          | 10.1                              | 10.6             | 4.4                 | 6.8     | 0.4           |
| Claiming grants or loans (n = 470) | 11.1             | 42.3          | 6.8                               | 14.0             | 18.3                | 7.2     | 0.2           |
| Companies House (n = 1,583)        | 16.6             | 65.0          | 8.3                               | 3.0              | 1.5                 | 5.3     | 0.3           |
| Patenting (n = 184)                | 16.5             | 58.5          | 7.5                               | 4.6              | 3.8                 | 9.0     |               |
| Business Advice (n = 352)          | 20.9             | 55.6          | 6.6                               | 7.0              | 3.9                 | 5.9     | 0.1           |
| Regulation enforcement (n = 1,040) | 9.6              | 55.6          | 9.9                               | 9.7              | 9.2                 | 5.4     | 0.6           |
| Consultation or survey (n = 447)   | 8.5              | 52.9          | 12.3                              | 11.3             | 8.8                 | 5.5     | 0.7           |
| Employee related (n = 716)         | 12.8             | 65.6          | 6.2                               | 5.5              | 5.0                 | 4.9     | –             |

Base: All employers in England and Northern Ireland who answered the question

satisfaction reported by small businesses who had been in contact with Government at different points in the previous year, we have constructed an index of satisfaction on exactly the same lines as used in Chapter 7 above.

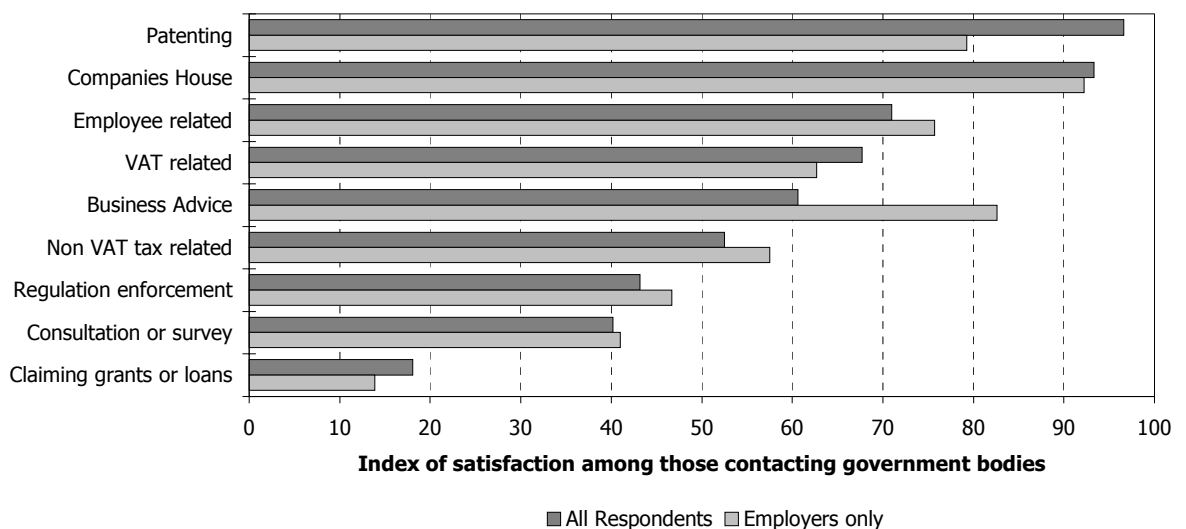
Thus, we have again attributed a value to each of the 'satisfied/dissatisfied' categories shown in Table 8.2, and multiplying this by the proportion of businesses in that cell. The values used are:

- Very satisfied: +2
- Satisfied: +1
- Neither satisfied nor 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. The results are shown in Figure 8.2.

Here we can see that the broad pattern of satisfaction is generally the same, whether or not the business has employees or not. It may be possible to rationalise some of the relatively low scores shown; for example, we might suppose that the level of dissatisfaction with the claiming of grants and loans may have something to do with the outcome as well as with the quality of the service. Similarly, small businesses may see little return to themselves in taking part in consultation or research exercises. However, other relatively low levels of satisfaction are less easily explained.

**Figure 8.2: Index of satisfaction among small business users in contact with Government during past year (England and Northern Ireland only) (Q310)**



Base: Small businesses in England and Northern Ireland with contact in cited area in past year

## 8.3 Government responsiveness to small business concerns

All businesses in England and Northern Ireland were asked how much they felt the Government takes into account the concerns of small businesses.

The distribution of responses is shown in Table 8.3, first for all businesses, including those without employees, and then just for businesses with employees.

Looking first at all businesses, in Table 8.3a, we can see that:

- businesses did not consider that the Government took a lot of account of the concerns of small businesses. Less than one per cent of all businesses said that the Government took very much concern, and just under seven per cent that it took quite a lot of concern. Micro businesses were the least likely to say that the Government took quite a lot of concern.
- responses were evenly divided between those who considered the Government took a little account (36.1 per cent) and those who said that it took no account at all (37.6 per cent)
- the larger-sized businesses with 50 to 250 employees were most likely to say that the Government took a little account, and least likely to say that it did not take account at all, of small business concerns
- a minority (17.9 per cent) said that they did not know how much account the Government took. This proportion varied with size, with the smaller businesses being most likely to give this response.

**Table 8.3a: Extent to which Government takes into account concerns of small businesses: all businesses in England and Northern Ireland (Q319)**

| Proportions who said... | All<br>% | No<br>Empl'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|-------------------------|----------|---------------------|-------------------|---------------------|-----------------------|
| Very much               | 0.7      | 0.7                 | 0.7               | 0.6                 | 0.8                   |
| Quite a lot             | 6.8      | 7.2                 | 5.6               | 6.5                 | 7.2                   |
| A little                | 36.1     | 34.7                | 38.2              | 43.2                | 52.3                  |
| Not at all              | 37.6     | 36.4                | 40.8              | 38.9                | 31.1                  |
| Don't know              | 17.9     | 20.0                | 13.6              | 10.1                | 7.6                   |
| Unwilling to answer     | 1.0      | 0.9                 | 1.0               | 0.7                 | 1.1                   |



**Table 8.3b: Extent to which Government takes into account concerns of small businesses: England and Northern Ireland, businesses with employees only (Q319)**

|                     | All with Empl'ees | Primary AB <sup>o</sup> | Pro-duction CDE | Con-struction F | Services G-O        | England       | Wales          | Scotland     | N. Ireland    |
|---------------------|-------------------|-------------------------|-----------------|-----------------|---------------------|---------------|----------------|--------------|---------------|
| Very much           | 0.7               | –                       | 0.1             | 0.5             | 0.9                 | 0.7           | –              | –            | 0.3           |
| Quite a lot         | 5.8               | 4.0                     | 2.9             | 7.5             | 6.3                 | 5.8           | –              | –            | 5.2           |
| A little            | 39.3              | 40.7                    | 38.6            | 35.0            | 40.0                | 39.4          | –              | –            | 35.5          |
| Not at all          | 40.3              | 50.0                    | 49.9            | 45.0            | 37.1                | 40.2          | –              | –            | 41.7          |
| Don't know          | 13.0              | 5.3                     | 8.4             | 11.9            | 14.4                | 12.9          | –              | –            | 16.0          |
| Unwilling to answer | 1.0               | –                       | 0.1             | 0.1             | 1.3                 | 1.0           | –              | –            | 1.3           |
|                     | T/O <£56K         | £56-£249K               | £250K-£1.49m    | £1.5m-£2.8m     | >£2.8m <sup>o</sup> | Sole Prop.    | Partnership    | Incorporated | Exporter      |
| Very much           | 1.3               | 0.3                     | 0.9             | 0.1             | 1.8                 | 0.5           | 0.4            | 0.8          | 0.6           |
| Quite a lot         | 9.5               | 5.0                     | 6.6             | 5.5             | 11.0                | 6.8           | 6.1            | 5.4          | 4.6           |
| A little            | 33.8              | 39.5                    | 42.9            | 47.4            | 40.4                | 33.6          | 35.3           | 42.4         | 43.7          |
| Not at all          | 38.7              | 40.3                    | 40.4            | 36.8            | 24.7                | 42.7          | 42.7           | 38.7         | 39.7          |
| Don't know          | 16.0              | 13.8                    | 8.9             | 9.3             | 21.2                | 15.5          | 14.8           | 11.5         | 10.3          |
| Unwilling to answer | 0.6               | 1.1                     | 0.2             | 0.9             | 0.9                 | 0.9           | 0.7            | 1.1          | 1.1           |
|                     | Prop. Growth      | Not Prop Growth         | Market Const.   | Other Const.    |                     | Sust'd Growth | Const'd Growth | New Growth   | No Growth     |
| Very much           | 0.8               | 0.7                     | 0.1             | 0.7             |                     | 0.3           | 0.4            | 1.1          | 0.7           |
| Quite a lot         | 6.6               | 5.0                     | 2.4             | 4.7             |                     | 8.5           | 5.5            | 6.6          | 5.3           |
| A little            | 42.4              | 36.3                    | 33.1            | 30.4            |                     | 43.2          | 40.6           | 43.6         | 37.7          |
| Not at all          | 37.0              | 39.5                    | 56.5            | 53.2            |                     | 33.0          | 40.4           | 37.7         | 41.6          |
| Don't know          | 12.0              | 17.8                    | 8.0             | 10.2            |                     | 14.5          | 11.7           | 10.0         | 13.7          |
| Unwilling to answer | 1.2               | 0.8                     | –               | 0.8             |                     | 0.6           | 1.5            | 1.1          | 0.9           |
|                     | Women Led         | MEG Led                 | Rural Area*     | Not Rural*      | Deprived Area*      | Not* Deprived | <=3 Years      | 4-10 Years   | 10 plus Years |
| Very much           | 0.6               | 0.8                     | 0.7             | 0.7             | 0.7                 | 0.7           | 0.9            | 0.8          | 0.6           |
| Quite a lot         | 4.9               | 8.1                     | 7.1             | 5.2             | 5.1                 | 6.1           | 8.3            | 7.0          | 4.9           |
| A little            | 34.2              | 38.1                    | 36.9            | 40.7            | 41.2                | 38.8          | 40.4           | 37.9         | 39.5          |
| Not at all          | 42.0              | 32.8                    | 42.5            | 39.1            | 38.5                | 40.8          | 30.8           | 40.4         | 42.3          |
| Don't know          | 17.4              | 19.4                    | 11.9            | 13.3            | 12.9                | 12.9          | 18.6           | 13.6         | 11.6          |
| Unwilling to answer | 0.9               | 0.9                     | 0.9             | 1.0             | 1.6                 | 0.8           | 1.0            | 0.4          | 1.1           |

Base: England and Northern Ireland only a = All businesses, N = 6,174; b = Businesses with employees, N = 5,137

\* England only <sup>o</sup> N<100 cases

Moving on to consider just those small businesses with employees, in Table 8.3b, we can see that:

- a similar distribution of responses is found amongst all employers, with a slightly higher proportion than of all businesses saying that the Government took a little account (39.3 per cent), or no account (40.3 per cent), and a slightly lower proportion that it took quite a lot (5.8 per cent)
- those who considered that the Government took quite a lot of account included businesses with a turnover of less than £56K (9.5 per cent) and those at the higher end, with over £2.8 million turnover (11 per cent). Those experiencing sustained

growth were also more likely than average to express this view (8.5 per cent), as were those young businesses established less than three years (8.3 per cent), ethnic minority-led businesses (8.1 per cent) and those in rural areas (7.1 per cent). However, in no category did the proportion reach one in ten.

- at the other end of the spectrum, amongst those who did not think the Government took any account at all of small businesses' concerns, there was a higher than average proportion in the primary sector (50.0 per cent) and the production sector (49.9 per cent). Over half the businesses constrained by market factors or other constraints also gave this response. Ethnic minority-led businesses, businesses established less than three years, were less likely than on average to hold this view, although one in three did so.

## 8.4 Public procurement

Small businesses throughout the UK 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.

### 8.4.1 Sought work from the public sector

The first question asked all businesses whether they had expressed an interest in any contract advertised by the public sector, such as the local authority or Health Service.

Looking first at all businesses, in Table 8.4a, we can see that:

- overall, 14 per cent of all businesses had expressed an interest in public sector work. This proportion varied according to size, with nearly two in five in medium-sized businesses having expressed interest (38.5 per cent) compared with 11.9 per cent of businesses with no employees.

Moving on to consider just those small businesses with employees, in Table 8.4b, we can see that:

- nearly one in five of all employers (18.8 per cent) had expressed an interest in public sector work
- the proportion in the construction sector was notably higher than in other sectors, with 35.8 per cent having expressed an interest, compared with 10.2 per cent in the primary sector, 16.2 per cent in services and 20.9 per cent in production

- a larger proportion of employers in Wales (29.7 per cent) had expressed an interest compared with the other countries. In England and Northern Ireland the proportions were over ten per cent less than in Wales.
- businesses with a larger financial turnover were more likely to have expressed an interest than the average. One in three businesses with sustained growth had expressed an interest — double the proportion of those that had experienced no growth.
- women-led businesses had a smaller proportion than average who had expressed interest in public sector work — 13.7 per cent.

## 8.4.2 Work done for public sector

**Table 8.4a: Expressed interest in public sector work: all businesses (Q320)**

| Proportions who said... | All<br>% | No<br>Empl'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|-------------------------|----------|---------------------|-------------------|---------------------|-----------------------|
| Yes                     | 14.0     | 11.9                | 16.9              | 26.3                | 38.5                  |
| No                      | 85.7     | 87.9                | 82.5              | 73.2                | 60.2                  |
| DK                      | 0.2      | 0.2                 | 0.4               | 0.3                 | 1.0                   |
| Unwilling to answer     | 0.2      | 0.1                 | 0.3               | 0.2                 | 0.3                   |

**Table 8.4b: Expressed interest in public sector work: businesses with employees only (Q320)**

|                     | All<br>with<br>Empl'ees | Primary<br>AB      | Pro-<br>duction<br>CDE | Con-<br>struction<br>F | Services<br>G-O     | England          | Wales             | Scotland      | N.<br>Ireland    |
|---------------------|-------------------------|--------------------|------------------------|------------------------|---------------------|------------------|-------------------|---------------|------------------|
| Yes                 | 18.8                    | 10.2               | 20.9                   | 35.8                   | 16.2                | 17.9             | 29.7              | 23.4          | 17.1             |
| No                  | 80.6                    | 89.8               | 78.3                   | 63.2                   | 83.2                | 81.5             | 69.7              | 76.3          | 80.3             |
| Don't know          | 0.4                     | –                  | 0.6                    | 1.0                    | 0.2                 | 0.3              | 0.7               | –             | 1.3              |
| Unwilling to answer | 0.3                     | –                  | 0.2                    | –                      | 0.3                 | 0.3              | –                 | 0.3           | 1.3              |
|                     | T/O<br><£56K            | £56-<br>£249K      | £250K-<br>£1.49m       | £1.5m-<br>£2.8m        | >£2.8m <sup>o</sup> | Sole<br>Prop.    | Partnership       | Incorporated  | Exporter         |
| Yes                 | 14.8                    | 16.9               | 22.4                   | 23.2                   | 22.7                | 11.9             | 15.3              | 22.4          | 21.1             |
| No                  | 85.2                    | 82.7               | 77.3                   | 76.4                   | 76.5                | 87.7             | 84.3              | 76.8          | 78.1             |
| DK                  | –                       | 0.2                | 0.2                    | 0.2                    | 0.9                 | 0.1              | 0.1               | 0.5           | 0.5              |
| Unwilling to answer | –                       | 0.1                | 0.1                    | 0.1                    | –                   | 0.2              | 0.3               | 0.3           | 0.3              |
|                     | Prop.<br>Growth         | Not Prop<br>Growth | Market<br>Const.       | Other<br>Const.        |                     | Sust'd<br>Growth | Const'd<br>Growth | New<br>Growth | No<br>Growth     |
| Yes                 | 21.3                    | 13.8               | 12.8                   | 18.3                   |                     | 32.3             | 20.1              | 23.9          | 15.5             |
| No                  | 77.8                    | 85.9               | 86.8                   | 81.6                   |                     | 66.7             | 79.4              | 75.7          | 83.9             |
| DK                  | 0.5                     | 0.2                | 0.4                    | –                      |                     | 0.5              | –                 | 0.3           | 0.4              |
| Unwilling to answer | 0.4                     | –                  | –                      | –                      |                     | 0.5              | 0.5               | 0.1           | 0.2              |
|                     | Women<br>Led            | MEG<br>Led         | Rural<br>Area*         | Not<br>Rural*          | Deprived<br>Area*   | Not*<br>Deprived | <=3<br>Years      | 4-10<br>Years | 10 plus<br>Years |
| Yes                 | 13.7                    | 17.5               | 15.7                   | 19.0                   | 19.4                | 17.4             | 19.6              | 21.8          | 17.7             |
| No                  | 85.6                    | 81.8               | 83.9                   | 80.3                   | 80.3                | 81.9             | 80.0              | 77.4          | 81.6             |
| DK                  | 0.6                     | 0.4                | 0.2                    | 0.4                    | 0.2                 | 0.4              | 0.1               | 0.5           | 0.4              |
| Unwilling to answer | 0.1                     | 0.2                | 0.3                    | 0.2                    | 0.1                 | 0.3              | 0.3               | 0.3           | 0.3              |

Base: a = All businesses, N = 8,069; b = Businesses with employees, N = 6,718 \* England only <sup>o</sup> N<100 cases

These businesses, who had expressed an interest in working for public authorities, were then asked whether they had done any work for the public sector in the past 12 months.

Looking first at all businesses, in Table 8.5a, we can see that:

- more than three-quarters of all businesses had done public sector work in the past 12 months. This proportion was lower in those businesses with no employees and highest in the small and medium-sized businesses.

It should be remembered that the base for this question is businesses who had expressed an interest in working for public authorities. Businesses who had not expressed such an interest were not asked this question.

**Table 8.5a: Work done for public sector in past 12 months: all businesses who had previously expressed an interest in public sector work (Q321)**

| Proportions who said... | All<br>% | No<br>Empl'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|-------------------------|----------|---------------------|-------------------|---------------------|-----------------------|
| Yes                     | 77.9     | 73.5                | 83.2              | 87.2                | 88.4                  |
| No                      | 21.3     | 25.5                | 16.2              | 12.3                | 11.1                  |
| DK                      | 0.8      | 1.0                 | 0.6               | 0.5                 | 0.5                   |

**Table 8.5b: Work done for public sector in past 12 months: businesses with employees only who had previously expressed an interest in public sector work (Q321)**

|            | All<br>with<br>Empl'ees   | Primary<br>AB <sup>o</sup> | Pro-<br>duction<br>CDE        | Con-<br>struction<br>F | Services<br>G-O     | England          | Wales             | Scotland          | N.<br>Ireland <sup>o</sup> |
|------------|---------------------------|----------------------------|-------------------------------|------------------------|---------------------|------------------|-------------------|-------------------|----------------------------|
| Yes        | 84.3                      | 67.5                       | 86.2                          | 92.9                   | 81.4                | 83.3             | 89.4              | 90.9              | 78.3                       |
| No         | 15.2                      | 18.4                       | 13.4                          | 7.0                    | 18.1                | 16.0             | 10.5              | 9.1               | 21.7                       |
| Don't know | 0.6                       | 14.1                       | 0.4                           | –                      | 0.5                 | 0.7              | 0.1               | –                 | –                          |
|            | T/O<br><£56K <sup>o</sup> | £56-<br>£249K              | £250K-<br>£1.49m              | £1.5m-<br>£2.8m        | >£2.8m <sup>o</sup> | Sole<br>Prop.    | Partner-<br>ship  | Incor-<br>porated | Exporter                   |
| Yes        | 85.4                      | 85.3                       | 81.4                          | 87.4                   | 90.6                | 90.7             | 84.1              | 83.1              | 77.0                       |
| No         | 14.6                      | 14.7                       | 18.5                          | 12.0                   | 9.4                 | 9.3              | 14.5              | 16.4              | 23.0                       |
| DK         | –                         | –                          | 0.1                           | 0.6                    | –                   | –                | 1.4               | 0.5               | 0.1                        |
|            | Prop.<br>Growth           | Not Prop<br>Growth         | Market<br>Const. <sup>o</sup> | Other<br>Const.        |                     | Sust'd<br>Growth | Const'd<br>Growth | New<br>Growth     | No<br>Growth               |
| Yes        | 82.8                      | 89.0                       | 64.9                          | 93.8                   |                     | 80.0             | 88.1              | 82.7              | 85.4                       |
| No         | 16.7                      | 11.0                       | 35.1                          | 3.9                    |                     | 20.0             | 11.9              | 17.1              | 13.6                       |
| DK         | 0.5                       | –                          | –                             | 2.3                    |                     | –                | –                 | 0.2               | 1.0                        |
|            | Women<br>Led              | MEG<br>Led                 | Rural<br>Area*                | Not<br>Rural*          | Deprived<br>Area*   | Not*<br>Deprived | <=3<br>Years      | 4-10<br>Years     | 10 plus<br>Years           |
| Yes        | 74.8                      | 83.8                       | 84.0                          | 83.1                   | 87.0                | 81.9             | 71.7              | 86.6              | 86.4                       |
| No         | 22.7                      | 16.1                       | 14.0                          | 16.8                   | 12.8                | 17.2             | 28.3              | 13.4              | 12.7                       |
| DK         | 2.5                       | 0.1                        | 2.0                           | 0.2                    | 0.2                 | 0.9              | –                 | –                 | 0.9                        |

Base: businesses who had previously expressed an interest in public sector work a = All businesses; N = 1,874; b = Businesses with employees, N = 1,706 \* England only <sup>o</sup> N<100 cases

Moving on to consider just those small businesses with employees, in Table 8.5b, we can see that:

- the majority of employers (84.3 per cent) who had previously expressed an interest in public sector work said that they had carried out public sector work in the past 12 months
- the incidence of these businesses undertaking public sector work was lower in the primary sector (67.5 per cent) and highest in the construction sector (92.9 per cent)
- by country, the lowest proportion was in Northern Ireland (78.3 per cent) and highest in Scotland (90.9 per cent), followed by Wales (89.4 per cent)
- a lower than average proportion of women-led businesses (74.8 per cent) and businesses established less than three years ago (71.7 per cent) had done public sector work during the last 12 months
- businesses constrained by market factors were much less likely than the average to have undertaken public sector work during this period — only 64.9 per cent had done so.

# 9. Other Issues

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In this chapter of the report, we look at several smaller issues which do not fit within the subjects in earlier chapters. They are:

- discrimination against minority businesses
- innovation
- crime
- business and youth
- family businesses
- disability among SME managers.

## 9.1 Discrimination against minority businesses

An issue of some interest within the Small Business Service is the extent to which some small businesses may experience, and be inhibited, by discrimination of one sort or another. In order to secure some preliminary data on this, we selected a sub-sample from within the overall sample of businesses, and asked them about their experiences in this area. The sub-sample comprised a randomly-selected 50 per cent of businesses in England and Northern Ireland, plus the 'deprived area boost', (see Chapter 2, Section 2.9 for definition, but essentially comprising the worst 15 per cent of local authority wards). This latter sub-sample was subsequently weighted down for the analysis, to avoid distorting the results, but it provides a reliable base for reviewing the experiences of businesses in these particular areas.

### 9.1.1 Incidence of discrimination

We began by asking these businesses whether or not in the course of running their business during the past two or three years they had encountered any form of discrimination. The results are shown in Table 9.1.

**Table 9.1a: Incidence of discrimination; deprived wards boost only: all businesses (Q325)**

| Proportions who said... | All<br>% | No<br>Empl'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|-------------------------|----------|---------------------|-------------------|---------------------|-----------------------|
| Yes                     | 11.7     | 11.6                | 11.8              | 11.8                | 11.2                  |

**Table 9.1b: Incidence of discrimination; deprived wards boost only: with employees only (Q325)**

|     | All<br>with<br>Empl'ees | Primary<br>AB° | Pro-<br>duction<br>CDE | Con-<br>struction<br>F | Services<br>G-O |
|-----|-------------------------|----------------|------------------------|------------------------|-----------------|
| Yes | 11.8                    | 8.0            | 8.1                    | 12.2                   | 12.7            |

|     | Women<br>Led | MEG<br>Led | Rural<br>Area* | Not<br>Rural* | Deprived<br>Area* | Not*<br>Deprived | <=3<br>Years | 4-10<br>Years | 10 plus<br>Years |
|-----|--------------|------------|----------------|---------------|-------------------|------------------|--------------|---------------|------------------|
| Yes | 14.6         | 14.0       | 12.5           | 11.7          | 10.8              | 12.3             | 12.3         | 14.9          | 10.9             |

Base: Businesses in England and NI only plus deprived wards boost areas; N = 3,017

\* England only ° N<100 cases

Here we can see that:

- about 12 per cent of these businesses reported that they had been discriminated against in some respect during the past two or three years in the course of running their business
- there is no significant variation in this level according to the size of the business, but the incidence of discrimination seems slightly lower for businesses engaged in the primary and production sectors
- the incidence of recalled discrimination rises slightly among both women-led and ethnic minority-led businesses, but again not by much, to 14.6 and 14.0 per cent respectively.

### 9.1.2 Source of discrimination

Turning now to the source of the reported discrimination, we asked businesses who had experienced it who had discriminated against them.

The results are shown in Table 9.2. Here we can see that:

- the biggest single source of discrimination is the customers of the small businesses, although as the size of the business expands, so the likelihood of their citing customer discrimination declines, presumably as the individual concerned becomes more removed from day-to-day interactions with customers
- there is a fairly high level of 'other sources' cited, and these varied greatly among businesses, suggesting a fairly widely spread incidence of such occasions of discrimination

- other business owners, and suppliers are also quite frequently cited (at 12.4 and 4.5 per cent respectively). Both tend to decline as the scale of the business in question rises
- banks/finance providers are perceived to be an important corporate source of discrimination, at 12.5 per cent, but this is much more marked among women-led businesses (34.8 per cent).

### 9.1.3 Basis of discrimination

Those who had one or more experience(s) of discrimination to report, were asked what had been the basis of the (most serious)

**Table 9.2a: Source of discrimination; deprived wards boost only: all businesses experiencing discrimination (Q326)**

| Proportions who said... | All % | No Employees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % |
|-------------------------|-------|----------------|-------------|---------------|-----------------|
| Bank/finance provider   | 5.2   | 2.0            | 13.6        | 7.5           | 4.3             |
| Employer                | 0.4   | 0.3            | 0.2         | 2.1           | 4.2             |
| Employee                | 0.8   | 0.2            | 2.2         | 1.1           | 6.5             |
| Customer                | 43.8  | 50.8           | 27.5        | 27.7          | 29.0            |
| Supplier                | 11.4  | 14.4           | 4.9         | 2.0           | 4.0             |
| Landlord                | 0.4   | –              | 1.1         | 1.9           | –               |
| Adviser                 | 1.9   | 2.6            | 0.2         | 2.0           | 0.8             |
| Other business owners   | 11.4  | 11.0           | 12.0        | 15.7          | 6.5             |
| Other                   | 30.2  | 22.7           | 48.4        | 42.2          | 47.1            |

**Table 9.2b: Source of discrimination; deprived wards boost only — with employees only: those experiencing discrimination only (Q326)**

|                       | All with Employees | Primary AB° | Production CDE° | Construction F° | Services G-O | Women Led° | MEG Led | Rural Area*° | Not Rural* | Deprived Area* | Not* Deprived | <=3 Years ° | 4-10 Years | 10 plus Years |
|-----------------------|--------------------|-------------|-----------------|-----------------|--------------|------------|---------|--------------|------------|----------------|---------------|-------------|------------|---------------|
| Bank/finance provider | 12.5               | –           | 18.6            | 8.1             | 12.5         | 34.8       | 6.9     | 8.1          | 15.2       | 5.4            | 15.2          | 25.0        | 13.1       | 9.1           |
| Employer              | 0.5                | –           | 0.7             | –               | 0.6          | –          | 1.5     | 0.4          | 0.6        | 0.7            | 0.5           | 0.1         | 0.6        | 0.6           |
| Employee              | 2.2                | –           | 2.3             | –               | 2.5          | 6.4        | 2.9     | 0.4          | 3.1        | 4.1            | 1.5           | 0.8         | 7.7        | 0.4           |
| Customer              | 27.5               | –           | 50.8            | 54.7            | 21.5         | 9.2        | 48.2    | 23.5         | 30.5       | 30.9           | 27.3          | 33.1        | 26.2       | 26.7          |
| Supplier              | 4.5                | –           | 1.8             | –               | 5.5          | 2.0        | 9.0     | 3.4          | 5.2        | 8.9            | 3.1           | 1.7         | 0.9        | 6.5           |
| Landlord              | 1.2                | –           | 0               | –               | 1.5          | –          | 1.3     | 0.4          | 1.6        | 3.3            | 0.5           | –           | –          | 1.9           |
| Adviser               | 0.4                | –           | 1.4             | –               | 0.4          | 0.8        | 1.5     | –            | 0.7        | 1.3            | 0.2           | –           | –          | 0.7           |
| Other business owners | 12.4               | –           | 15.6            | 9.9             | 12.6         | 10.7       | 4.4     | 14.6         | 11.7       | 11.2           | 13.2          | 5.4         | 13.8       | 13.7          |
| Other                 | 47.5               | 100.0       | 34.0            | 27.4            | 50.6         | 43.0       | 35.6    | 52.4         | 43.3       | 40.2           | 48.3          | 35.5        | 45.7       | 51.1          |

Base: Businesses in England and NI only plus deprived wards boost areas; those experiencing discrimination only; N = 366 \* England only ° N<100 cases



case which they had experienced.

The results are shown in Table 9.3. Here we can see that:

- the most common kind of discrimination cited by those businesses who felt that they had been discriminated against was on grounds of size, with over half (54.2 per cent) of these small employers citing this source. As we might expect, the likelihood of it being cited declines with size, but not by much. Even among businesses with over 50 employees, fully a third (36.6 per cent) cited it.
- similarly, the likelihood of citing size declines also as the age of the business rises
- racial discrimination was much less often cited, at 10.3 per cent overall, but rising sharply to 57.3 per cent of these ethnic

**Table 9.3a: Basis for discrimination; deprived wards boost only: all businesses experiencing discrimination (Q327)**

| Proportions who said... | All<br>% | No<br>Emp'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|-------------------------|----------|--------------------|-------------------|---------------------|-----------------------|
| Race                    | 11.4     | 11.8               | 10.9              | 6.2                 | 12.4                  |
| Gender                  | 6.2      | 6.1                | 6.7               | 4.8                 | 6.1                   |
| Disability              | 0.3      | –                  | 0.9               | –                   | 2.1                   |
| Age (too old)           | 4.5      | 6.1                | 0.9               | –                   | –                     |
| Age (too young)         | 0.1      | –                  | 0.3               | 0.2                 | –                     |
| Size of business        | 55.0     | 55.3               | 54.8              | 53.8                | 36.6                  |
| Other                   | 29.5     | 27.5               | 33.2              | 36.3                | 55.3                  |

**Table 9.3b: Basis for discrimination; deprived wards boost only; with employees only: those experiencing discrimination only (Q327)**

|                  | All<br>with<br>Emp'ees | Primary<br>AB° | Pro-<br>duction<br>CDE° | Con-<br>struction<br>F° | Services<br>G-O   |                  |               |                |                  |
|------------------|------------------------|----------------|-------------------------|-------------------------|-------------------|------------------|---------------|----------------|------------------|
| Race             | 10.3                   | –              | 15.3                    | 8.0                     | 10.1              |                  |               |                |                  |
| Gender           | 6.5                    | –              | –                       | 8.1                     | 7.3               |                  |               |                |                  |
| Disability       | 0.8                    | –              | –                       | –                       | 1.1               |                  |               |                |                  |
| Age (too old)    | 0.8                    | –              | –                       | –                       | 1.0               |                  |               |                |                  |
| Age (too young)  | 0.2                    | –              | –                       | 0.8                     | 0.2               |                  |               |                |                  |
| Size of business | 54.2                   | 8.2            | 68.5                    | 64.1                    | 52.2              |                  |               |                |                  |
| Other            | 34.2                   | 91.8           | 27.2                    | 27.1                    | 34.6              |                  |               |                |                  |
|                  | Women<br>Led°          | MEG<br>Led     | Rural<br>Area*°         | Not<br>Rural*           | Deprived<br>Area* | Not*<br>Deprived | <=3<br>Years° | 4-10<br>Years° | 10 plus<br>Years |
| Race             | 5.1                    | 57.3           | 1.8                     | 14.9                    | 28.4              | 4.7              | 12.9          | 11.2           | 9.2              |
| Gender           | 28.6                   | 0.2            | 10.6                    | 4.6                     | 6.8               | 6.5              | 1.8           | 14.7           | 4.6              |
| Disability       | –                      | –              | 2.4                     | 0.1                     | 3.3               | 0.1              | –             | –              | 1.3              |
| Age (too old)    | –                      | –              | 2.4                     | –                       | 3.3               | –                | –             | –              | 1.3              |
| Age (too young)  | –                      | 2.4            | –                       | 0.4                     | 0.4               | 0.2              | 0.5           | 0.7            | –                |
| Size of business | 49.6                   | 34.9           | 51.2                    | 55.6                    | 36.1              | 59.9             | 63.6          | 49.3           | 53.8             |
| Other            | 25.3                   | 23.0           | 37.4                    | 32.4                    | 26.2              | 36.5             | 28.1          | 36.1           | 35.0             |

Base: Businesses in England and NI only plus deprived wards boost areas; those experiencing discrimination only; N = 366 \* England only ° N<100 cases

minority-led businesses

- a similar pattern can be observed for gender discrimination, with a relatively low overall incidence (6.5 per cent), but rising to 28.6 per cent among women-led businesses
- age and disability were only rarely cited as bases for discrimination
- 'other' bases for discrimination were quite frequently cited (34.2 per cent among employers), and this seems to increase with the size of the business.

#### 9.1.4 Impact on business

Finally, those who had one or more experience(s) of discrimination to report, were asked whether or not this discrimination had acted as an obstacle to their business.

The results are shown in Table 9.4.

Here we can see that:

- in only about one in ten cases (10.9 per cent for all small businesses, and 12.3 per cent for those with employees) was this discrimination adjudged to be sufficiently serious to have constrained the business
- the only case where this is much different is for ethnic minority-led businesses, where it doubles to 20.5 per cent.

**Table 9.4a: Impact of discrimination; deprived wards boost only: all businesses experiencing discrimination (Q328)**

| Proportions who said... | All % | No Employees % | Micro 1-9 % | Small 10-49 % | Medium 50-250 % |
|-------------------------|-------|----------------|-------------|---------------|-----------------|
| Yes, affected business  | 10.9  | 10.3           | 12.2        | 12.5          | 13.3            |

**Table 9.4b: Impact of discrimination; deprived wards boost only; with employees only: those experiencing discrimination only (Q328)**

|                        | All with Employees | Primary AB° | Production CDE° | Construction F° | Services G-O |
|------------------------|--------------------|-------------|-----------------|-----------------|--------------|
| Yes, affected business | 12.3               | 8.0         | 7.9             | 12.5            | 13.4         |

|                        | Women Led° | MEG Led | Rural Area**° | Not Rural* | Deprived Area* | Not* Deprived | <=3 Years° | 4-10 Years° | 10 plus Years |
|------------------------|------------|---------|---------------|------------|----------------|---------------|------------|-------------|---------------|
| Yes, affected business | 12.8       | 20.5    | 12.1          | 12.5       | 15.5           | 11.2          | 12.4       | 14.9        | 11.6          |

Base: Businesses in England and NI only plus deprived wards boost areas; those experiencing discrimination only; N = 366 \* England only ° N<100 cases

## 9.2 Crime

A further aspect of the research was to assess the extent and strength of small business concerns about crime. In order to contain the length of the interview, this series of questions was not asked of all businesses. Rather, it was asked of all the Scottish

businesses, just half of the English and Northern Irish ones, and none of the Welsh.

These businesses were asked:

- How big a problem is crime in relation to your premises and the area around you?
- Has your business been a victim of crime in the last 12 months?
- What type of crime was this/were these?
- How has this affected your business?

### **9.2.1 Perceptions of the crime problem**

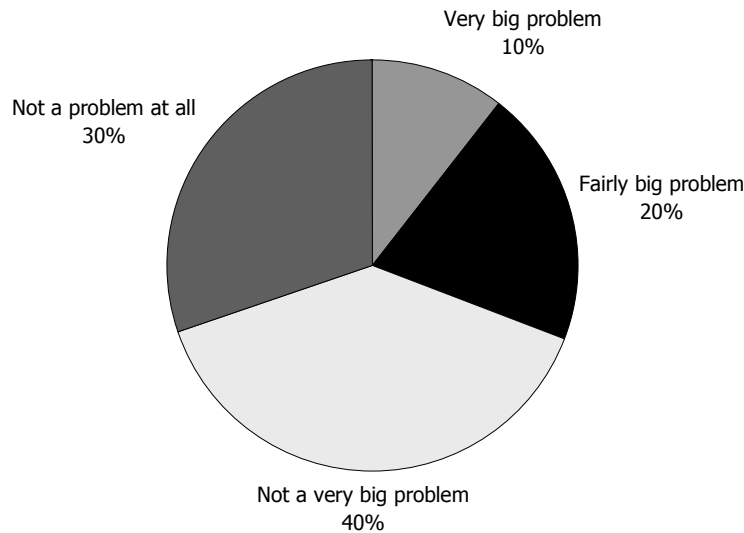
In Chapter 5 above, we discuss the incidence of various problems, and obstacles to their business goals which small businesses faced. This was asked 'open-ended', without the various response categories shown in Chapter 5 being prompted. Crime was mentioned by only a handful of businesses.

However, this may have been because their thinking at this point was focused on business-related constraints, rather than taking into account wider considerations. In order to focus respondents more closely on the potential issue of crime and criminal behaviour for their businesses, we simply asked a sub-group of businesses (see above) how big a problem they perceived crime to be in relation to their premises and the area around them. The results, for employers only are shown in Figure 9.1.

It is evident that when the questioning is directed more specifically at crime, then the proportion citing it as a big or fairly big problem is more considerable. Fully 30 per cent of these businesses thought so; although a similar proportion did not view crime as a problem at all.

There was some variation by size of business in this respect; among the employers, with an average of 30 per cent finding crime to be a very big or fairly big problem, the proportion varied between 33 per cent for those with over 50 employees, and 29 per cent among the micro businesses (under ten employees). Among businesses with no employees, however (not shown in Figure 9.1), it fell to 23 per cent. It would seem that the bigger the business, the more likely is it to perceive crime as an important problem.

**Figure 9.1: Small business's perceptions of crime: all employers (Q330)**



*Base: Partial sample: Random 50 per cent of English and NI employers, all Scottish, none of Welsh; unweighted; N = 3,765*

Another important variation was by the ethnic composition of the business management. Among ethnic minority-led businesses the proportion viewing crime as a very big or fairly big problem increased to 38 per cent.

A third variation in response turned on the location of the business in question (although these results relate only to English businesses). In the most deprived wards in England, the proportion citing crime as a very big or fairly big problem increased to fully 45 per cent of businesses (compared with 27 per cent in the 85 per cent least deprived wards). Further, in rural wards, this proportion fell to 23 per cent (compared with 36 per cent in non-rural ones).

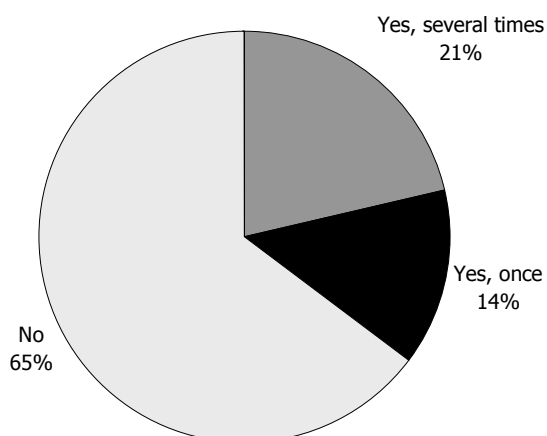
### 9.2.2 Incidence of crime

To follow up these perceptions with a question which went beyond perceptions to consider their individual experience of crime, these businesses were asked whether their businesses had been a victim of crime in the previous year. The results are shown in Figure 9.2; although here again the sample is restricted, with results just for employers located in England and Northern Ireland.

Here, we can see that about a third of these businesses had been the victim of at least one crime in the previous 12 months, and for just over a fifth of them, it had happened more than once.

Once again, there was considerable variation by size and location. Businesses without employees were the least likely to have been a victim of crime, with just 16 per cent responding that they had experienced at least one crime against their business in the past year. This rises to fully 58 per cent among businesses with 50 or more staff.

**Figure 9.2: Small business's experiences of crime: all employers (Q332)**



*Base: Partial sample: Random 50 per cent of English and NI employers, no Scottish or Welsh; unweighted N = 3,765*

Among ethnic minority-led businesses, 37 per cent had been victims of crime in the past year. There was rather more variation by location, however, with 46 per cent of businesses in the most disadvantaged wards experiencing at least one crime, and those in rural wards, just 27 per cent.

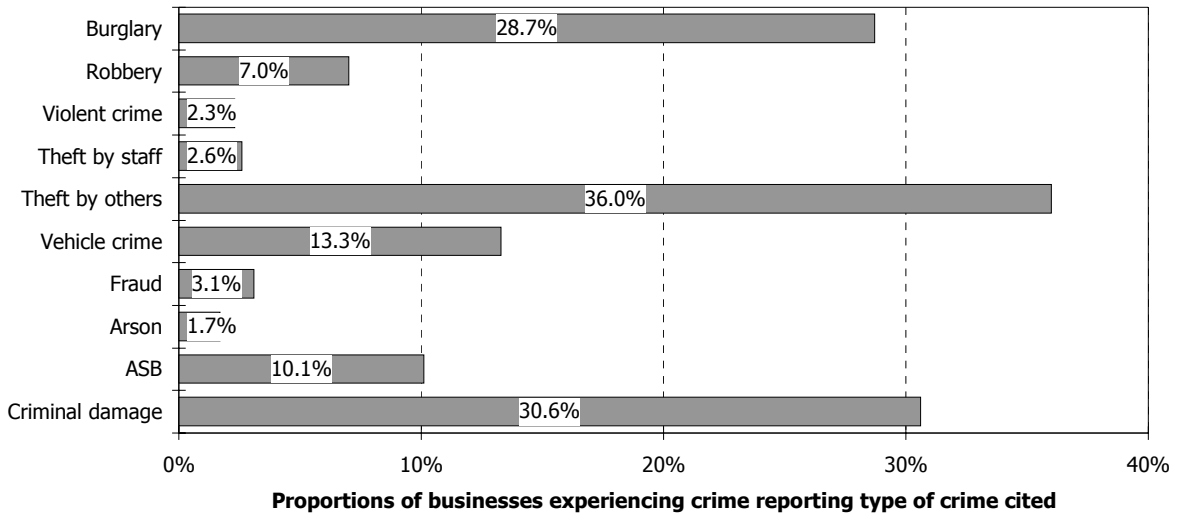
### **9.2.3 Type of crime**

We followed up those businesses who had some direct experience of crime in the past year with questions about the type of crime and its affect on the business. Looking first at the type of crime experienced, we can see in Figure 9.3 that crimes against property were dominant; theft (primarily by others rather than by staff), criminal damage and burglary were by far the most frequent kinds of crime experienced, with vehicle crime somewhat less widespread, at 13.3 per cent.

Violent crime, fraud and arson were significantly less widespread, although robbery was more widely reported, at seven per cent. Anti-social behaviour was reported by about one in ten of these crime victims.

There was not much significant variation between different types of business, or between areas in respect of the kinds of crime experienced. The most prominent variations here concern ethnic minority businesses, among whom we observe that anti-social behaviour and robbery were much more likely to be reported (among 22.8 and 15.4 per cent of victims respectively).

**Figure 9.3: Types of crime reported by small businesses: all employers (Q333)**



*Base: Partial sample: Random 50 per cent of English and NI employers, no Scottish or Welsh. Businesses reporting experience of crime in past year; multiple response; unweighted; N = 1,226*

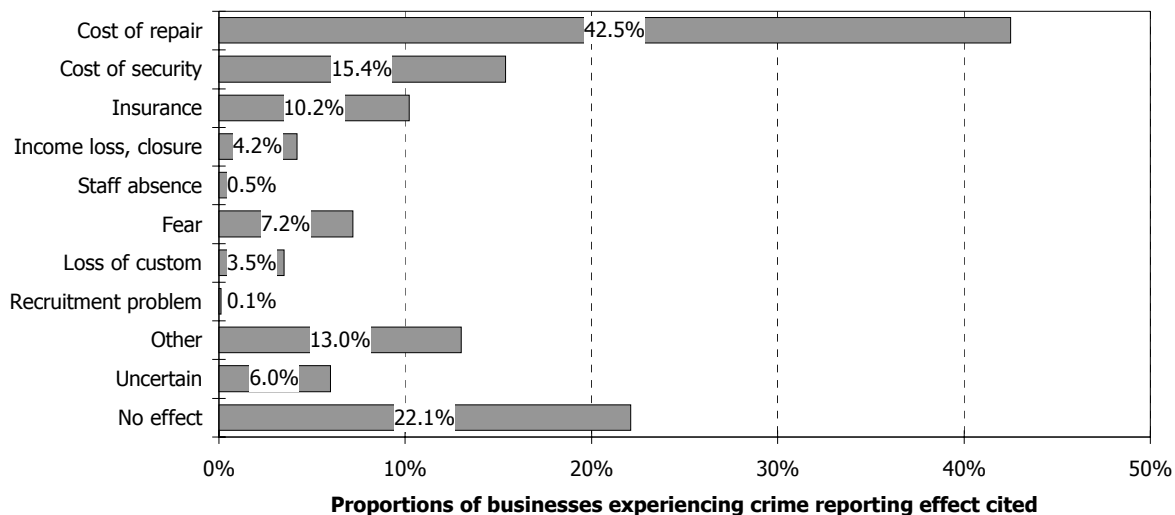
#### **9.2.4 Effect on business**

Consistent with the predominance of property-oriented crime, we can see in Figure 9.4 that the costs of repair/replacement, the costs of increased security, and the incidence of higher insurance premia are the most widely cited effects of their experience of crime. Furthermore, in over a fifth of cases the respondent felt that the crime had not really had any measurable effect on the business.

In addition, however, we might note that some 7.2 per cent of these businesses reported an impact on staff working patterns through the fear of (presumably further) crime, while another 3.5 per cent felt that their customers' behaviour had been similarly adversely affected. For a small proportion, just 4.2 per cent there had been some impact on income due to the need to close or restrict opening/trading due to the crime in question.

Again, there are no significant differences in this overall pattern between the different sizes and kinds of business. In ethnic minority-led businesses however, we note that the effect of fear on staff working behaviour was more widely reported, at 19.6 per cent, as was the loss of business through fear of crime among customers (at 8.5 per cent).

**Figure 9.4: Impact of crime reported by small businesses: all employers (Q334)**



*Base: Partial sample: Random 50 per cent of English and NI employers, no Scottish or Welsh. Businesses reporting experience of crime in past year; multiple response; unweighted; N = 1,225*

## 9.3 Innovation

A randomly-selected half of all the survey respondents 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.

### 9.3.1 Product innovation

Firstly, a general question sought information about the extent of any product innovation (that is, new or improved products or services) at these firms, and the results are shown in Table 9.5 (overleaf).

Here we can see that:

- about two in every five small employers had introduced some kind of new product or service in the year before the survey
- there is a clear relationship between the extent of product innovation and the size of the business — the larger it is, in terms of employment, the more likely is it to have engaged in product innovation. The effect can also be observed in terms of business turnover, but here it is less consistent.
- product innovation seems also to be positively associated with growth; thus, among businesses expecting to grow in the coming year, and among those who had grown in both of the previous two years, the likelihood of product innovation is much more marked

**Table 9.5a: Product innovation in past year: all businesses (Q95)**

| Proportions who said... | All<br>% | No<br>Empl'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|-------------------------|----------|---------------------|-------------------|---------------------|-----------------------|
| Yes                     | 29.4     | 25.0                | 38.5              | 43.1                | 55.2                  |
| No                      | 70.3     | 75.0                | 60.7              | 56.5                | 44.0                  |
| DK                      | 0.2      | –                   | 0.8               | 0.4                 | 0.8                   |

**Table 9.5b: Product innovation in past year: businesses with employees only (Q95)**

|     | All<br>with<br>Empl'ees | Primary<br>AB <sup>o</sup> | Pro-<br>duction<br>CDE | Con-<br>struction<br>F | Services<br>G-O     | England          | Wales             | Scotland          | N.<br>Ireland <sup>o</sup> |
|-----|-------------------------|----------------------------|------------------------|------------------------|---------------------|------------------|-------------------|-------------------|----------------------------|
| Yes | 39.5                    | 20.2                       | 38.7                   | 27.5                   | 42.2                | 38.9             | 44.8              | 40.6              | 47.1                       |
| No  | 59.7                    | 76.6                       | 60.8                   | 72.4                   | 57.0                | 60.2             | 54.9              | 58.8              | 52.9                       |
| DK  | 0.7                     | 3.2                        | 0.6                    | 0.1                    | 0.8                 | 0.8              | 0.3               | 0.5               | –                          |
|     | T/O<br><£56K            | £56-<br>£249K              | £250K-<br>£1.49m       | £1.5m-<br>£2.8m        | >£2.8m <sup>o</sup> | Sole<br>Prop.    | Partner-<br>ship  | Incor-<br>porated | Exporter                   |
| Yes | 37.7                    | 33.9                       | 41.8                   | 50.0                   | 45.6                | 34.6             | 36.8              | 42.1              | 51.0                       |
| No  | 62.3                    | 65.3                       | 57.4                   | 49.8                   | 54.4                | 65.0             | 61.8              | 57.2              | 47.7                       |
| DK  | –                       | 0.8                        | 0.8                    | 0.2                    | –                   | 0.4              | 1.3               | 0.6               | 1.2                        |
|     | Prop.<br>Growth         | Not Prop<br>Growth         | Market<br>Const.       | Other<br>Const.        |                     | Sust'd<br>Growth | Const'd<br>Growth | New<br>Growth     | No<br>Growth               |
| Yes | 48.2                    | 23.8                       | 31.6                   | 29.5                   |                     | 55.6             | 47.1              | 43.1              | 35.6                       |
| No  | 51.1                    | 74.6                       | 68.4                   | 70.5                   |                     | 44.2             | 52.9              | 55.9              | 63.5                       |
| DK  | 0.7                     | 1.5                        | –                      | –                      |                     | 0.3              | –                 | 1.0               | 0.9                        |
|     | Women<br>Led            | MEG<br>Led                 | Rural<br>Area*         | Not<br>Rural*          | Deprived<br>Area*   | Not*<br>Deprived | <=3<br>Years      | 4-10<br>Years     | 10 plus<br>Years           |
| Yes | 42.4                    | 38.9                       | 40.0                   | 38.6                   | 40.2                | 38.5             | 50.5              | 43.1              | 36.1                       |
| No  | 57.6                    | 60.9                       | 59.0                   | 60.7                   | 59.4                | 60.5             | 48.4              | 56.4              | 63.2                       |
| DK  | –                       | 0.2                        | 1.0                    | 0.7                    | 0.4                 | 1.0              | 1.2               | 0.6               | 0.7                        |

Base: Random 50 per cent of businesses; N = 3,924

\* England only

<sup>o</sup> N<100 cases

- there is also a positive correlation with the age of the business; the younger it is, the more likely has it been to have introduced new products or services.

In order to assess the character of this innovation, the innovators were asked this was simply new to them (that is, to their knowledge had been introduced elsewhere) or was completely new. The results are shown in Figure 9.5.

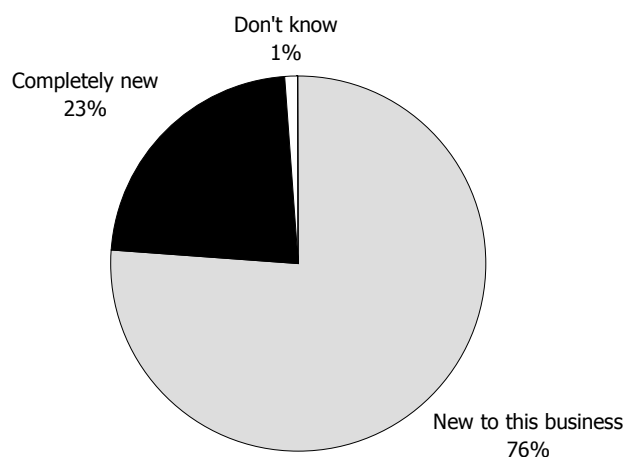
It shows that:

- in about three-quarters of cases, the innovation was recognised to be new to the business, although it was not new to the market
- some 23 per cent of those making a product innovation felt that it was completely new, that is both to themselves and to the market. This proportion tended to increase with the size of the business
- it was also higher among those who had experienced growth in the past, among both those who expected to grow in the future and those held back by market conditions from achieving such new growth



**Figure 9.5: Character of product innovation (Q96)**

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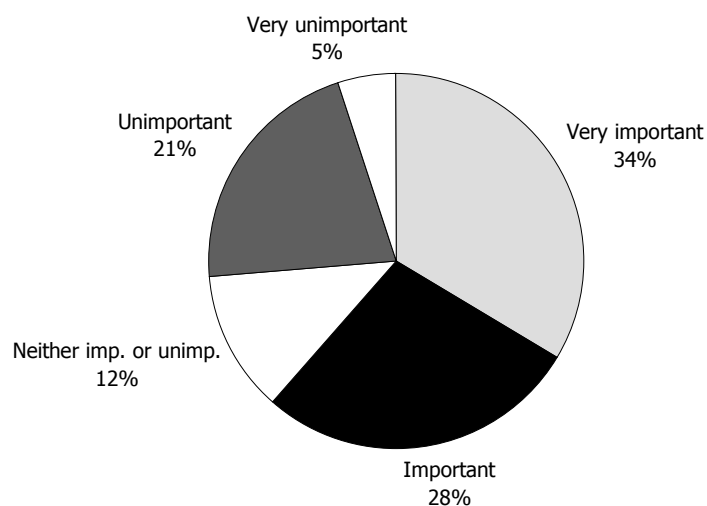
*Base: All businesses making product innovation; N = 1,752*

- finally, the proportion reporting the introduction of a wholly new product or service was higher among the younger/newer businesses.

Lastly, we sought information about how important this product innovation (that is, new or improved products or services) had been to the success of these firms, and the results are shown in Figure 9.6.

**Figure 9.6: Importance of product innovation (Q97)**

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*Base: All businesses making product innovation; N = 1,752*

Here we can see that:

- the innovation was very important to just over a third of these businesses, and quite important to just over another quarter
- for a large proportion, however, the innovation was of little or no particular importance, with over a quarter saying that it was of no importance.

### 9.3.2 Process innovation

In exactly the same manner as we adopted with our inquiry into product/service innovation, we went on to ask about any innovations in business processes. Initially, a general question sought information about the extent of any process innovation (that is, new or improved processes or ways of working) at these firms, and the results are shown in Table 9.6.

**Table 9.6a: Process innovation in past year: all businesses (Q98)**

| Proportions who said... | All<br>% | No<br>Emp'ees<br>% | Micro<br>1-9<br>% | Small<br>10-49<br>% | Medium<br>50-250<br>% |
|-------------------------|----------|--------------------|-------------------|---------------------|-----------------------|
| Yes                     | 24.8     | 21.1               | 30.8              | 45.1                | 54.7                  |
| No                      | 74.9     | 78.9               | 68.6              | 54.3                | 44.2                  |
| DK                      | 0.3      | 0.1                | 0.7               | 0.6                 | 1.1                   |

**Table 9.6b: Process innovation in past year: businesses with employees only (Q98)**

|     | All<br>with<br>Emp'ees | Primary<br>AB <sup>o</sup> | Pro-<br>duction<br>CDE | Con-<br>struction<br>F | Services<br>G-O     | England          | Wales             | Scotland          | N.<br>Ireland <sup>o</sup> |
|-----|------------------------|----------------------------|------------------------|------------------------|---------------------|------------------|-------------------|-------------------|----------------------------|
| Yes | 33.5                   | 38.2                       | 33.5                   | 28.5                   | 34.0                | 33.1             | 38.0              | 41.8              | 15.3                       |
| No  | 65.9                   | 61.8                       | 66.5                   | 40.6                   | 65.2                | 66.2             | 31.5              | 57.4              | 84.7                       |
| DK  | 0.7                    | –                          | –                      | 0.9                    | 0.8                 | 0.7              | 0.5               | 0.8               | –                          |
|     | T/O<br><£56K           | £56-<br>£249K              | £250K-<br>£1.49m       | £1.5m-<br>£2.8m        | >£2.8m <sup>o</sup> | Sole<br>Prop.    | Partner-<br>ship  | Incor-<br>porated | Exporter                   |
| Yes | 28.8                   | 32.0                       | 35.6                   | 44.2                   | 38.0                | 29.4             | 30.8              | 35.7              | 44.6                       |
| No  | 70.0                   | 68.0                       | 63.7                   | 55.4                   | 62.0                | 69.7             | 68.4              | 63.8              | 54.2                       |
| DK  | 0.2                    | –                          | 0.9                    | 0.4                    | –                   | 0.9              | 0.8               | 0.5               | 1.2                        |
|     | Prop.<br>Growth        | Not Prop<br>Growth         | Market<br>Const.       | Other<br>Const.        |                     | Sust'd<br>Growth | Const'd<br>Growth | New<br>Growth     | No<br>Growth               |
| Yes | 40.4                   | 20.0                       | 26.8                   | 27.3                   |                     | 61.7             | 40.5              | 41.9              | 26.7                       |
| No  | 58.8                   | 79.1                       | 73.2                   | 72.7                   |                     | 38.0             | 58.6              | 57.4              | 72.6                       |
| DK  | 0.8                    | 0.9                        | –                      | –                      |                     | 0.2              | 0.9               | 0.7               | 0.7                        |
|     | Women<br>Led           | MEG<br>Led                 | Rural<br>Area*         | Not<br>Rural*          | Deprived<br>Area*   | Not*<br>Deprived | <=3<br>Years      | 4-10<br>Years     | 10 plus<br>Years           |
| Yes | 32.4                   | 42.3                       | 31.8                   | 33.8                   | 31.4                | 33.8             | 41.8              | 38.6              | 30.1                       |
| No  | 67.3                   | 56.3                       | 65.7                   | 67.6                   | 68.2                | 65.4             | 56.9              | 60.5              | 69.4                       |
| DK  | 0.2                    | 1.5                        | 0.6                    | 0.6                    | 0.3                 | 0.8              | 1.3               | 1.0               | 0.5                        |

Base: Random 50 per cent of businesses; N = 3,924

\* England only

<sup>o</sup> N<100 cases

Here we can see that:

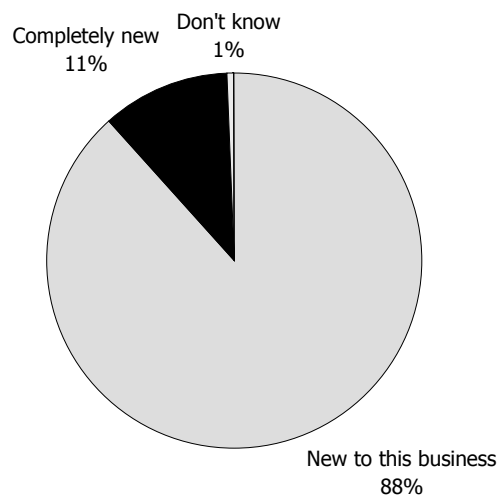
- about a third of small employers had introduced some kind of new process or way of working in the year before the survey
- again, as with product innovation, there is a clear relationship between the extent of process innovation and the size of the business — the larger it is, in terms of employment, the more likely is it to have engaged in process innovation. The effect can also be observed in terms of business turnover, but here it is less consistent.
- process innovation is also positively associated with growth; among businesses expecting to grow in the coming year, the incidence of process innovation was double that among those not expecting to. Among those who had grown in both of the previous two years, the likelihood of process innovation is similarly almost twice the average level.
- there is also a positive correlation with the age of the business — the younger it is, the more likely has it been to have introduced new processes or ways of working.

In order to assess the character of this innovation, the process innovators were asked if their innovation was simply new to them (that is, to their knowledge had been introduced elsewhere) or was completely new. The results are shown in Figure 9.7.

It shows that:

- in almost nine out of every ten cases, the innovation was recognised to be new to the business, although it was not new to the market

**Figure 9.7: Character of process innovation (Q99)**



Base: All businesses making process innovation; N = 1,704

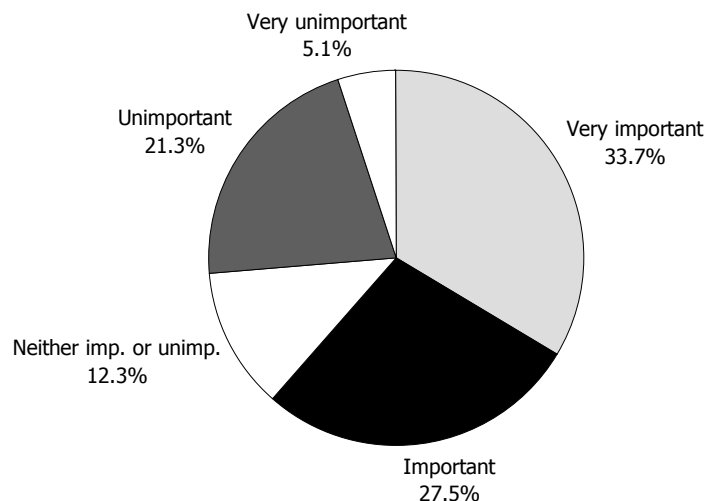
- only 11 per cent of those making a process innovation felt that it was completely new, that is both to themselves and to the market. This proportion tended to increase with the size of the business, but only slightly; even among the largest this proportion did not exceed 16 per cent.
- it was also higher among those who had experienced growth in the past two years
- finally, the proportion reporting the introduction of a wholly new process or way of working was somewhat higher among the younger/newer businesses, but again only 19.6 per cent of the youngest businesses felt that the new process was completely so.

Finally, we sought information about how important this process innovation (that is, new or improved processes or ways of working) had been to the success of these firms, and the results are shown in Figure 9.8.

Here we can see that their assessments are very similar to those given for product/service innovation. Thus:

- the innovation was very important to just over a third of these businesses, and quite important to just over another quarter
- for a large proportion, however, the innovation was of little or no particular importance, with over a quarter saying that it was of no importance.

**Figure 9.8: Importance of process innovation (Q100)**



*Base: All businesses making process innovation; N = 1,704*

## 9.4 Small businesses and youth

Respondents to the survey were asked about their awareness of, and involvement with, organisations which are active in helping young people learn about business.

Businesses were asked about their awareness of certain organisations which help young people to learn about business. As their names are rather different between the different countries, and because the Scottish businesses were asked the question in a slightly different way (to be consistent with earlier Scottish research), it is not possible to provide full UK results at this point. Nevertheless, in Table 9.7 we can see the broad patterns of awareness of the different organisations.

We can see that most of these organisations are quite widely recognised among small businesses, with the Prince's Trust in particular recognised by some 87 per cent of these employers overall, and rather more in Wales.

**Table 9.7: Awareness of organisations working with young people: all employers (Q278)**

| Proportions who said they had heard of... | All Employers % | England % | Wales % | N. Ireland % | Scotland % |
|---|-----------------|-----------|---------|--------------|------------|
| Young Enterprise                          | 52.8            | 52.8      | 40.6    | 50.0         | 61.6       |
| Prince's Trust                            | 86.5            | 87.9      | 93.7    | 86.1         | 66.5       |
| Business Dynamics                         | 7.7             | 7.5       | 10.1    | 9.2          | 8.0        |
| Business in the Community                 | 36.1            | 37.2      | 30.9    | 31.2         | 28.0       |
| Shell Livewire                            | 7.1             | 5.9       | 6.6     | 19.6         | 17.1       |
| Academy of Enterprise                     | 4.8             | 4.7       | 4.1     | 3.0          | 6.4        |
| Education Business Partnerships           | 24.3            | 24.9      | 21.2    | 16.9         | 21.2       |
| None of the above                         | 8.4             | 8.1       | 4.5     | 8.0          | 15.3       |

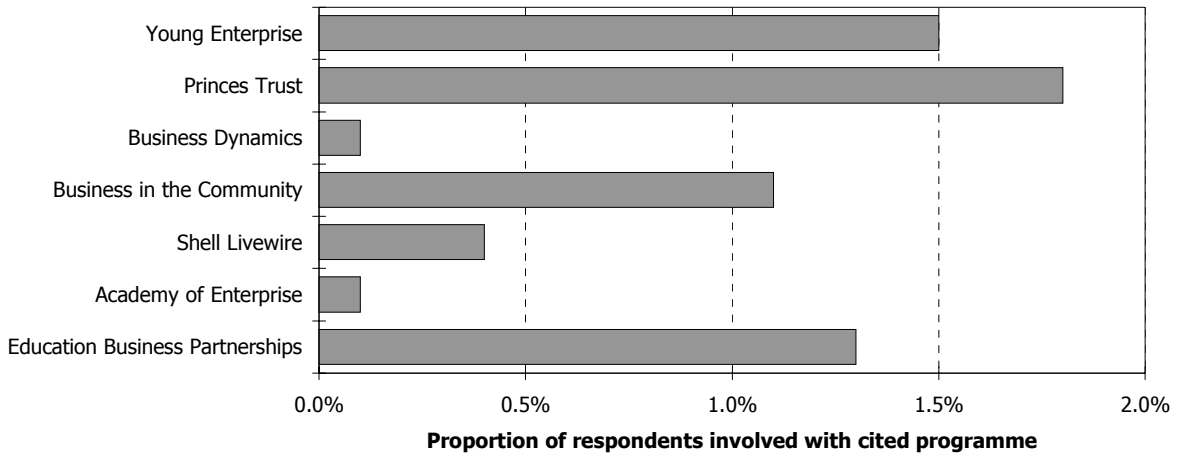
*Base: All employer businesses; N = 6,804*

Overall, less than one in ten of these employers had not heard of any of the organisations, although the proportion was somewhat higher in Scotland.

However, when attention is turned to these organisations' actual involvement with these organisations, then a radically different picture emerges, as shown in Figure 9.9. No organisation had secured the involvement of more than two per cent of these small employers. This picture did not differ to any significant degree between any of our sub-groups of employer.

Although as a result the numbers of employers involved are quite small, we can nevertheless go on to show what kinds of involvement they had with the various organisations.

**Figure 9.9: Involvement with youth organisations: all employers (Q277)**



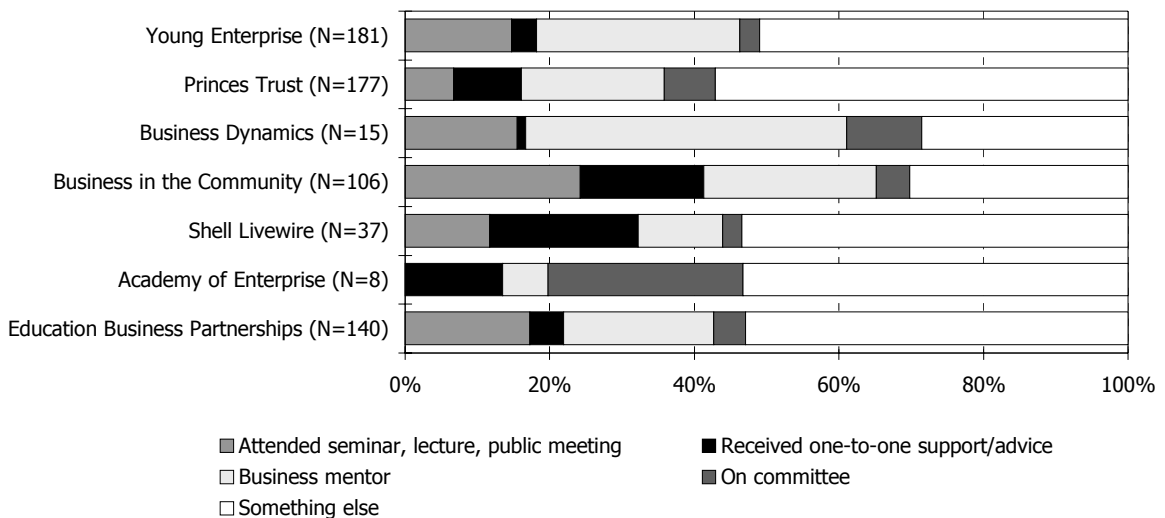
Base: All employer businesses; N = 6,804

This is shown in Figure 9.10, where we can see that the most common form of involvement for almost all the organisations cited was ‘something else’; these varied forms of involvement were often very vaguely described and were not readily susceptible to grouping. Otherwise, the most common form of involvement was acting as a business mentor to the young people taking part in the organisations’ activities.

Some of the respondents were actually beneficiaries of the organisations, as shown by the darkest block in the chart, and for others their involvement had been limited to attending a public meeting or seminar organised by the organisation in question.

The small number of employers involved here precludes any more detailed investigation of these results.

**Figure 9.10: Type of involvement with youth organisations: all employers (Q277)**



Base: All employer businesses taking part; unweighted; numbers as shown per organisation

## 9.5 Family businesses

Just over two-thirds (67.3 per cent) of respondents reported that their business was a family-owned one, and this proportion did not vary with the financial size of the business. Among ethnic minority-led businesses, the corresponding proportion was 63.4 per cent, and indeed the only significant variation was that younger businesses tended to be less family-owned (50.6 per cent among those trading for three years or less, compared with 73.3 per cent among those trading for over a decade).

For the most part, these were controlled by the first generation (57.5 per cent) or the second (20.9 per cent). There were only three marked differences from this pattern of control:

- Among ethnic minority businesses, three-quarters of the family-run firms were controlled by the first generation.
- The older the business was, the more likely the second generation was to be in control, but even among those trading for more than a decade, only 15 per cent were controlled by the third and older generations.
- The bigger the business was, the less likely it was to be controlled by the first generation; but even among those with the largest turnover (more than £2.8), only eight per cent were controlled by the third and older generations.

The most common expectation about the future of these businesses, was that they would remain in the families' hands (47.7 per cent), although about a fifth said that they would probably sell the business at some point in the future.

## 9.6 Disability among SME managers

In order to establish the broad incidence of disability among small business owners and managers, we asked sole proprietors whether they had any long-standing illness, disability or infirmity, which had troubled them over a period of time, or that was likely to affect them over a period of time? Where the respondent was part of a team, the question was extended to cover all the managers in the business.

We found that nine per cent of sole proprietors had a disability of some kind, and this proportion fell somewhat (to 8.5 per cent) for all the small business employers as a whole. Apart from the fact that this proportion rose slightly in the construction sector (to 12 per cent), there were no other marked variations.

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