



IFF Research

BIS Small Business Survey 2010 Minority Ethnic Group (MEG) led businesses boost

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1 Summary

Profile of businesses

- 1.1 MEG-led SME businesses are defined as those where at least half of the management team are from a minority ethnic group. Eight per cent of all SME employers were MEG-led according to the Small Business Survey 2010 (SBS).
- 1.2 Forty-six per cent of MEG-led employers interviewed had a majority of partners or directors of Indian origin, 18 per cent of Pakistani origin and 16 per cent of black origin.
- 1.3 In terms of size, 88 per cent of MEG-led SME employers were micro businesses (with 1-9 employees), 11 per cent were small businesses (with 10-49 employees) and one per cent were medium businesses (with 50-249 employees).
- 1.4 The two most common sectors that MEG-led SME employers worked in were wholesale/retail (35 per cent of MEG-led SME employers) and business services (28 per cent).

Business performance

- 1.5 Sixty per cent of MEG-led SME employers had retained the same amount of staff as 12 months ago, 21 per cent employed more staff, and 19 per cent employed fewer. Turnover remained at roughly the same level as 12 months ago for 41 per cent, increased for 27 per cent, and decreased for 29 per cent. Compared to all SME employers in the SBS, fewer MEG-led businesses had decreased turnover.
- 1.6 Looking ahead to the next 12 months, 56 per cent of MEG-led SME employers expected to have the same number of staff, 25 per cent expected to employ more, and 18 per cent expected to employ fewer. Compared to all SME employers, MEG-led businesses were more likely to employ fewer staff in 12 months time.
- 1.7 Forty-three per cent of MEG-led SME employers expected their turnover to increase in 12 months time, 37 per cent predicted it will be at the same level and 14 per cent predicted it will decrease.

Growth

- 1.8 Three quarters (74 per cent) of MEG-led SME employers were aiming to grow their business over the next two to three years, the same proportion as for all SME employers.
- 1.9 MEG-led SME employers intended to take a number measures that could increase growth. The most common of these measures being to increase the skills of the workforce (73 per cent), increase turnover by exploiting new markets (66 per cent), increase the leadership capacity of managers (66 per cent) and reduce costs by increasing the productivity of workers (65 per cent). MEG-led employers were more likely to implement these measures than SME employers generally.

Business capability

- 1.10 MEG-led SME employers were asked how capable their management team was at a number of aspects of business management. MEG-led SME employers most frequently felt they were strong at taking decisions on regulation and tax issues (63 per cent), people management (59 per cent) and developing and implementing a business plan and strategy (59 per cent). Twenty-five per cent of MEG-led SME employers rated their management team as being strong at accessing external finance, and 30 per cent rated their business as strong at entering new markets. Compared to SME employers generally, MEG-led employers considered themselves poorer at people management, and stronger at formalised business systems and entering new markets.
- 1.11 Fifty-four per cent of MEG-led SME employers had introduced new or significantly new products and services over the past 12 months, and 50 per cent had introduced new or significantly new processes. Both these figures were higher than for SME employers generally (47 per cent and 33 per cent respectively).
- 1.12 Eighteen per cent of MEG-led SME employers reported they exported goods or services outside the UK. This was lower than the figure for SME employers generally, due to the low number of MEG-led employers in the production sector.

Access to finance

- 1.13 Thirty per cent of MEG-led SME employers interviewed had tried to obtain business finance in the last 12 months, a similar proportion as that for SME employers generally.
- 1.14 Among those who had applied for finance the main reason was to gain working capital or cashflow (mentioned by 46 per cent of MEG-led SME employers). The next most common reasons were to acquire capital equipment or vehicles (18 per cent), and to make improvements to buildings (13 per cent).
- 1.15 Among those who had applied for finance the most frequently sought type was a bank loan (53 per cent). A bank overdraft was the next most frequent type of finance sought (26 per cent).
- 1.16 Sixty-two per cent of MEG-led employers that had applied for finance encountered difficulties with the first source they approached, with 43 per cent being unable to obtain any finance from this first source. This compares with 51 per cent of all SME employers encountering difficulties, and 35 per cent being unable to obtain finance from the first source approached. Overall, 30 per cent of MEG-led employers that applied for finance were unable to gain any finance from any source, which was significantly higher than the 21 per cent observed among all SME employers. The main given reasons for not being able to obtain finance were insufficient security and the recession/credit crunch.

Obstacles to the success of the business

- 1.17 When prompted with a list of potential obstacles to the success of their business and asked which was *the main* obstacle, the most frequently mentioned issue was the state of the economy (26 per cent), followed by obtaining finance (15 per cent); competition (13 per cent); and cashflow (11 per cent). Compared to all SME employers, MEG-led businesses were more likely to mention obtaining finance and competition as an obstacle, and less likely to mention the economy and regulations.

Usage of business support and Government services

- 1.18 Forty per cent of MEG-led SME employers had sought external advice in the 12 months prior to being interviewed. Support had been sought from a wide range of sources with the most frequently mentioned being an accountant (28 per cent), a consultant (14 per cent) and Business Link Local Services (12 per cent).
- 1.19 Fourteen per cent of MEG-led SME employers had used a business mentor in the last 12 months, and 51 per cent had done some sort of networking activities by making time to speak or meet with other businesses or entrepreneurs to get help or advice about running their business. MEG-led businesses were more likely to have done this than SME employers generally.
- 1.20 Ten per cent of MEG-led SME employers had bid for contracts advertised by the public sector in the last 12 months. Five per cent had expressed an interest in a contract but had not actually bid for it and four per cent had jointly bid for a public sector contract with another business, but not as the lead contractor.
- 1.21 Twenty-three per cent of MEG-led SME employers had worked for the public sector in the last 12 months (11 per cent as the prime contractor; nine per cent as part of the supply chain). Compared to SME employers generally, MEG-led employers were less likely to have been part of the supply chain.
- 1.22 Among the 80 per cent of MEG-led SME employers who had not bid for a public sector contract or expressed an interest in doing so over the past 12 months the most common reason given was the size of the business (22 per cent) followed by a lack of knowledge of the process (11 per cent), bureaucracy/red-tape (seven per cent), lack of funding (five per cent), no relevant opportunity (four per cent), and that the process takes too much time (four per cent).

Survey conducted and report written by IFF Research.

June 2011

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2 Background and aims

Aims of the survey

- 2.1 This report sets out the key findings from the 2010 Small Business Survey (SBS) Minority Ethnic Group (MEG) led businesses boost.
- 2.2 The SBS was a large scale telephone survey, comprising 4580 interviews, commissioned by the Department for Business, Innovation and Skills (BIS) as a follow up to the 2007/8 Annual Survey of Small Businesses (ASBS). The mainstage for this was conducted between 2nd July and 7th September 2010 by IFF Research Ltd. The findings, representative of SME employers in the UK, can be found in a separate report¹.
- 2.3 The main aims of the SBS were:
 - To monitor key enterprise indicators and how these have changed in comparison to previous surveys. In particular the survey measures characteristics of Small and Medium-sized Enterprises (SMEs²) with employees; such as the proportions which are women and MEG (minority-ethnic) led, and the proportions applying for and obtaining external finance
 - To gauge SME intentions, needs, concerns and the obstacles to fulfilling their potential
 - To act as a sounding board for possible Government interventions to assist SMEs
 - To create a database which can be used for follow-up studies among the general SME population, or sub-groups within it

Survey method

- 2.4 In addition to the main SBS, BIS commissioned an additional 1,726 interviews with boosts for MEG-led businesses. These interviews resulted in a 1,000 sample size for MEG-led businesses. This report is concerned with the MEG-led businesses.
- 2.5 MEG-led businesses were found in three separate ways:
 - (a) MEG-led SMEs that had taken part in the 07/08 and 06/07 ASBS's were recalled and asked a full questionnaire. Two hundred and one interviews were gained from this source (189 with employers).

¹ <http://www.bis.gov.uk/assets/biscore/enterprise/docs/b/11-p74-bis-small-business-survey-2010>

² SMEs are defined as having less than 250 employees.

- (b) MEG-led SMEs were free-found via screening from Dun & Bradstreet sourced sample. This sample was structured by size in a similar model to the mainstage SBS (1/6 no employees, 1/3 micro businesses, 1/3 small businesses, 1/6 medium-sized businesses), but skewed towards areas known to have higher than average proportions of residents from ethnic minority backgrounds. Six hundred and eighty one interviews were gained from this source (572 with employers).
 - (c) MEG-led SMEs that had taken part in the SBS 2010 were recalled and asked a short questionnaire consisting of new questions, not asked in the mainstage SBS. The data from this interview was then merged with the answers they had given in the mainstage SBS. One hundred and thirty-seven interviews were gained from this source (117 with employers)
- 2.6 Because of the various skews occurring through the sampling methods, a number of weighting criteria were applied to correct these and make the dataset representative of all MEG-led SME employers, according to the profile achieved in the (weighted) SBS mainstage. The SBS mainstage has itself been weighted to correct size and regional imbalances, using targets derived from the SME Statistics for the UK and Regions 2009³ published by BIS. The weighted targets applied to the MEG-led dataset were based upon size, broad sector, region and whether the business was women-led or not⁴.

Note on the report

- 2.7 Please note that the findings presented in this report relate to SME employers only. That is to say, those with no employees have been excluded within the dataset reported on. This is consistent with the SBS 2010 reporting and reduces the overall sample size of the MEG-led dataset to 878.
- 2.8 Also note that the first few tables reported upon in Section 3 of this report (size, sector and region) are based upon the MEG-led businesses found in the mainstage SBS 2010 (248 businesses in total), and not the full MEG-led boost. This is because the MEG-led dataset is weighted according to these strata, and therefore the data are findings from the mainstage and not the boost. Figures for age of business are also based on the mainstage MEG-led SME employers, as the sampling method for the boosts was skewed against newer businesses.
- 2.9 Comparisons are shown against all SME employers interviewed in the SBS mainstage, and against MEG-led businesses identified in the 07/08 and 06/07 ASBS surveys.

³ <http://stats.bis.gov.uk/ed/sme>. The figures are drawn from a combination of the Inter Departmental Business Register which contains all businesses operating VAT or PAYE schemes, and the survey-based Labour Force Survey (LFS) which is the main source for estimating the number of the self-employed. LFS data is based on the last quarter of 2008 and the first quarter of 2009.

⁴ This stratum was required because the women-led and MEG-led fieldwork occurred concurrently.

Statistical confidence

2.10 The overall sample size is sufficiently large to mean that overall findings for all MEG-led SME employers in the UK can be reported upon with a relatively high degree of statistical reliability. At the overall level, the statistical error for a finding of 50 per cent (the most statistically sensitive or unreliable level of finding) is +/- 3.3 per cent. Sample sizes and standard errors for sub-groups are shown below. Unless stated otherwise, all findings reported are statistically significant.

Table 2.1: Statistical confidence in survey findings⁵		
Base = all MEG-led SME employers in SBS 2010 boost	Sample Size	Standard Error
All UK	878	+/- 3.3%
London	370	+/- 5.1%
East Midlands	105	+/- 9.6%
West Midlands	107	+/- 9.5%
Rest of UK	296	+/- 5.7%
Micro (1-9 employees)	590	+/- 4.0%
Small (10-49 employees)	236	+/- 6.4%
Medium (50-249 employees)	52	+/- 13.6%
Primary/production/construction (ABCDEF)	55	+/- 13.2%
Wholesale and retail (G)	365	+/- 5.1%
Hotels and restaurants (H)	118	+/- 9.0%
Transport and communications (I)	49	+/- 14.0%
Business services (JK)	95	+/- 10.1%
Other services (LMNO)	196	+/- 7.0%
MEG-led employers in mainstage SBS 2010	248	+/- 6.2%
MEG-led employers in ASBS 07/08	427	+/- 4.7%
MEG-led employers in ASBS 06/07	521	+/- 4.3%

⁵ The table presents the standard error, at the 95% confidence level, associated with findings of 50 per cent.

3 Profile of businesses

3.1 Please note that Tables 3.1-3.4 are based on data from the mainstage 2010 SBS for reasons discussed in the previous chapter.

Overall number and size

- 3.2 Based on the SME Statistics for the UK and Regions 2009⁶ published by BIS there are 4.8 million enterprises in the UK. Of these, 25 per cent (1.2 million) are employers.
- 3.3 Eight per cent of SME employers were minority ethnic group (MEG) led, defined as being led by a member of a minority ethnic group or a management team with at least half of its members from minority ethnic groups. This proportion was highest in London, where 28 per cent of SME employers are MEG-led, and lowest in Northern Ireland (0 per cent). For other regions the proportion was between four and 10 per cent.
- 3.4 The proportion of SME employers in the UK that were MEG-led is the same as that seen in the ASBS 07/08, and only one percent higher than in the ASBS 06/07.
- 3.5 Eighty-eight per cent of MEG-led SME employers were micro businesses with 1-9 employees, 11 per cent had between 10-49 employees (small businesses), and one per cent had between 50 and 249 employees (medium sized businesses). MEG-led businesses appear slightly smaller on average than SMEs generally, but the finding is not statistically significant.

Table 3.1: Size				
Base = all MEG-led SME employers/all SME employers – (SBS mainstage)	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	248	427	521	3817
	%	%	%	%
Micro (1-9 employees)	88	91	90	84
Small (10-49 employees)	11	8	9	14
Medium (50-249 employees)	1	1	1	2
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010				

⁶ <http://stats.bis.gov.uk/ed/sme>. The figures are drawn from a combination of the Inter Departmental Business Register which contains all businesses operating VAT or PAYE schemes, and the survey-based Labour Force Survey (LFS) which is the main source for estimating the number of the self-employed. LFS data is based on the last quarter of 2008 and the first quarter of 2009.

Sector⁷

3.6 The table below provides a more detailed breakdown of MEG-led SME employers in the SBS 2010 by sector.

Table 3.2: Sector				
Base = all MEG-led SME employers/all SME employers – (SBS mainstage)	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	248	427	521	3817
	%	%	%	%
Primary (AB)	*	*	1	3
Production (CDE)	4	6	10	11
Construction (F)	4	5	3	12
Wholesale and retail trade, repair of motor vehicles and motorcycles (G)	35	38	36	23
Hotels and restaurants (H)	9	12	17	5
Transport, storage and communication (I)	7	10	8	4
Financial intermediation (J)	*	2	2	2
Real estate, renting and business service activities (K)	28	20	15	25
Public administration and defence, compulsory social security/Education (LM)	2	1	2	2
Health and social work (N)	7	3	1	4
Other community, social and personal activities (O)	4	5	6	7
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010 * = a figure of less than 0.5% but higher than zero				

3.7 Thirty-five per cent of all MEG-led employers were to be found in the wholesale and retail trade sector (which includes motor repair). This compares to just 23 per cent of all SME employers. MEG-led employers were also more likely than average to work in the hotel/restaurant sector (nine per cent compared to five per cent of all SME employers), in transport, storage and communication (seven per cent compared to four per cent of all SME employers), and in health/social work (seven per cent compared to four per cent of all SME employers).

⁷ The dataset is weighted according to size, broad sector and region

3.8 Compared to the ASBS 07/08 the proportion of MEG-led employers in health and social work increased significantly from three to seven per cent.

Region

3.9 Nearly half of all MEG-led employers (46 per cent) were based in London. This is a significant increase of 13 percentage points on the ASBS 07/08. By contrast, the proportion based in the South East decreased from 15 per cent to 6 per cent.

Table 3.3: Region				
Base = all MEG-led SME employers/all SME employers – (SBS mainstage)	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	248	427	521	3817
	%	%	%	%
East Midlands	4	6	8	7
East of England	8	12	14	10
London	46	33	31	14
North East	4	1	4	3
North West	10	7	9	11
South East	6	15	10	15
South West	4	3	4	10
West Midlands	7	7	8	9
Yorkshire and Humber	5	8	5	8
Scotland	3	5	5	5
Wales	2	3	2	4
Northern Ireland	*	0	1	3
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010 * = a figure of less than 0.5% but higher than zero				

Age of business

3.10 MEG-led employers tended to have younger businesses than SME employers generally. Three per cent of MEG-led SME employers were less than one year old, compared to one per cent among SME employers. Whereas 40 per cent of all SME employers had businesses aged over 20 years, this only applied to 24 per cent of MEG-led employers.

Table 3.4: Age of businessⁱ				
Base = all MEG-led SME employers/all SME employers – (SBS mainstage)	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	248	427	521	3817
	%	%	%	%
Less than one	3	5	2	1
1 year	2	2	2	1
2 years	4	2	4	2
3 years	1	3	4	3
4 years	8	4	5	4
5 years	4	6	3	4
6-10 years	22	23	17	18
11-20 years	31	29	30	26
More than 20 years	24	27	33	40
Don't know	1	0	1	*
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010 * = a figure of less than 0.5% but higher than zero				

3.11 The survey defines start-ups as those trading for less than four years or those which have changed ownership in the last three years. Based on this definition, 39 per cent of MEG-led businesses were start-ups, which was a much higher proportion than the 14 per cent of all SME employers.

Legal status⁸

3.12 Compared to all SME employers, MEG-led businesses were less likely to be private limited companies (49 per cent, compared to 59 per cent of all SME employers), and were more likely to be sole proprietorships (28 per cent, compared to 19 per cent of all SME employers). However, in this respect the trend was for MEG-led employers to be less likely to be sole proprietors than was the case in ASBS 07/08 (down seven percentage points).

Table 3.5: Legal statusⁱⁱ				
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	878	427	521	3817
	%	%	%	%
Private limited company (LTD)	49	44	42	59
Sole Proprietorship	28	35	38	19
Partnership	12	16	19	10
Private company limited by guarantee	3	2	*	3
Limited liability partnership	2	1	*	2
Charity/Not-for-profit organisation	1	0	0	1
Public Ltd Company (PLC)	1	1	1	2
Other (e.g. unincorporated associations/ Friendly Society/ Private Unlimited Company/ CIC / trust / charity)	5	*	1	3
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010 * = a figure of less than 0.5% but higher than zero				

3.13 Among start-up MEG-led employers and those formed in the last 10 years 57 per cent were limited companies compared to 42 per cent of those aged more than 10 years. Conversely, only 19 per cent of start-ups were sole proprietorships, compared to 31 per cent of those formed more than 10 years ago.

3.14 Among MEG-led employers, limited companies were most likely to be found in the production sector (77 per cent) and were least likely to be found in the other service sector (38 per cent), where there were a higher than average proportion of companies limited by guarantee (CLGs – nine per cent), and community interest companies (CICs – six per cent). Partnerships were most likely to be found in the transport, retail and distribution sector (19 per cent).

⁸ From this point onwards, all 2010 data is based upon the Small Business Survey MEG-led boost

Turnover

3.15 MEG-led employers had lower annual turnovers than SME employers generally. Sixteen per cent had a turnover below the VAT threshold of £67,000, compared to 12 per cent of all SME employers. The mean average turnover was below £750,000, compared to more than a million pounds for all SME employers.

Table 3.6: Turnoverⁱⁱⁱ				
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	878	427	521	3817
	%	%	%	%
Less than £67,000 ⁹	16	20	13	12
£67,000-£99,999	9	8	7	6
£100,000-£249,999	21	16	16	17
£250,000-£499,999	13	16	20	17
£500,000-£999,999	11	11	8	13
£1,000,000-£1,499,999	4	4	6	7
£1,500,000-£2,800,000	3	2	5	5
£2,800,001-£4,999,999 ¹⁰	2	3	4	4
£5,000,000 or more	1			3
Don't know	9	11	11	7
Refused	11	8	11	10
Mean average ¹¹	£744,000	£731,000	£906,000	£1,168,000
Median average	£207,000	£220,000	£287,000	£345,000
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010				

3.16 Thirty per cent of start-up MEG-led employers had a turnover of less than £67,000.

⁹ In the 07/08 ASBS this was £64,000, in 06/07 it was £61,000

¹⁰ In the 07/08 and 06/07 ASBSs the code here was 'over £2.8 million'

¹¹ Because of the changes to the precodes the mean and median averages for 07/08 and 06/07 are based on slightly different assumptions from 2010

Number of sites

3.17 Eighty-seven per cent of MEG-led employers operated from one site only, 11 per cent from between two and three sites, and only two per cent operate from four or more sites. These figures are consistent with the 2006/07 and 2007/08 ASBS and with the figures for all SME employers in 2010.

Table 3.7: Number of sites^{iv}				
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	878	427	521	3817
	%	%	%	%
1	87	85	89	86
2-3	11	12	10	11
4+	2	2	*	3
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010; * = a figure of less than 0.5% but higher than zero				

Number of partners/directors

3.18 Forty-seven per cent of MEG-led SME employers only had one director, 38 per cent had two, and the remaining 15 per cent had more than two. Compared with all SME employers, MEG-led SMEs had fewer directors or partners.

Table 3.8 : Number of partners/directors^v				
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	878	427	521	3817
	%	%	%	%
1	47	50	52	41
2	38	40	40	39
3	9	6	5	11
4	2	3	3	4
5 to 8	2	1	1	4
9 to 12	1	1	0	1
13+	*	*	*	1
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers				

in SBS 2010; * = a figure of less than 0.5% but higher than zero

Ethnicity of Partners/Directors

3.19 Nearly half of all MEG-led employers (46 per cent) had partners or directors of Indian origin, 18 per cent had partners/directors of Pakistani origin, and 16 per cent had partners/directors of Black origin. Compared to the ASBS 07/08 there were more partners/directors of Black African and Bangladeshi origin, and fewer of Black Caribbean origin.

Table 3.9: Ethnicity of Partners/Directors^{vi 12}				
Base = all MEG-led SME employers/SME employers giving details of ethnicity	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	788	305	361	3612
	%	%	%	%
Indian	46	44	45	3
Pakistani	18	19	15	2
Black African	9	5	4	1
Bangladeshi	9	3	2	*
Black Caribbean	6	10	2	1
Chinese	4	6	7	*
Other Asian	4	6	11	1
Mixed White and Black Caribbean	4	4	3	*
Mixed White and Asian	2	3	5	*
Mixed White and Black African	2	2	3	*
Other Mixed Background	1	2	3	*
Other Black Background	*	*	1	*
ANY ASIAN	80	77	80	6
ANY BLACK	16	15	7	2
ANY MIXED	9	11	14	1
* = a figure of less than 0.5% but higher than zero				

¹² Figures are based only on those giving their own ethnicity (for sole proprietorships), or that of the owners, partners and directors (for multiple management). Those saying 'other ethnic group' are excluded, as are those that refuse or do not know the ethnicity. White owners, directors and partners not shown.

Family businesses

3.20 Fifty-eight per cent of MEG-led employer SMEs were family businesses, where the majority of the business was owned by members of the same family. This was significantly lower than for all SME employers, and the proportion of MEG-led family businesses has declined since ASBS 07/08 by 13 percentage points.

Table 3.10: Family businesses^{vii}				
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	878	427	521	3817
	%	%	%	%
Family owned business	58	71	74	62
Not family owned	42	29	26	38
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010				

3.21 MEG-led family businesses were most common in the production (79 per cent) and transport, retail and distribution (76 per cent) sectors, and were least common in other services (43 per cent) and business services (47 per cent). Fifty-one per cent of start-ups were family owned, compared to 67 per cent of those started up over ten years ago.

Table 3.11: Family businesses – by predominant ethnic group^{viii}					
Base = all MEG-led SME employers	MEG-led SME Employers SBS 10	Indian	Pakistani/Bangladeshi	Black	Other
Un-weighted (n) =	878	364	203	131	180
	%	%	%	%	%
Family owned business	58	67	57	45	56
Not family owned	42	33	43	55	44
Figures in bold are statistically significant at the 95% confidence level between the total and the sub-groups					

3.22 By the predominant ethnic group within a MEG-led business, family businesses were more common where partners/directors were of Indian origin (67 per cent).

VAT registration

3.23 Seventy-two per cent of MEG-led employers were VAT registered. This was below the proportion for all SME employers (83 per cent), and mainly explained by the lower turnover of MEG-led businesses. Compared to ASBS 07/08 the proportion of MEG-led SME employers that were VAT registered has decreased significantly by seven percentage points.

Table 3.12: VAT registration^{ix}				
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	878	427	521	3817
	%	%	%	%
Business is VAT registered	72	79	84	83
Business is not VAT registered	28	21	16	17
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010				

3.24 Only 40 per cent of MEG-led employer businesses in the other services sector were VAT registered, and the increase in numbers of MEG-led employers in this sector helps to explain the decline in overall MEG-led employer VAT registrations.

Social enterprises

3.25 Thirty per cent of MEG-led employers thought of their business as a social enterprise: a business that has mainly social or environmental aims¹³. This was significantly more than the equivalent figure for all SME employers. However, only seven per cent corresponded to the BIS definition of a social enterprise¹⁴, which was no different than the figure for all SME employers.

Table 3.13: Social Enterprises*				
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	878	427	521	3817
	%	%	%	%
Perceive themselves as a social enterprise	30	34	30	26
Conform to BIS definition of a social enterprise	7	6	4	7
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010				

¹³ This question was not asked to those businesses that pay more than 50% of profits to shareholders. Twenty-four per cent (weighted) were not asked this question but are still included in the base population.

¹⁴ Defined as considering themselves to be a social enterprise, not paying more than 50% of profit or surplus to owners or shareholders, generating more than 25% of income from trading, and having less than 75% of turnover from grants or donations.

4 Business Performance

Numbers employed compared to 12 months ago

4.1 Twenty-one per cent of MEG-led SME employers employed more people when surveyed than they did one year ago. This was significantly higher than the 17 per cent of all SME employers that reported an increase, and also significantly higher than the MEG-led figure in the ASBS 07/08. This represents a difference from all SME employers where the proportion employing more staff declined by two percentage points between the ASBS 07/08 and the SBS 2010.

Table 4.1: Numbers Employed Compared to 12 Months Ago^{xi}				
Base = all MEG-led SME employers/all SME employers trading for at least one year	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	873	413	510	3779
	%	%	%	%
More than 12m Ago	21	16	15	17
Same as 12m Ago	60	70	68	61
Fewer than 12m Ago	19	14	14	21
Don't know	1	*	3	*
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010 * = a figure of less than 0.5% but higher than zero				

4.2 Nineteen per cent of MEG-led micro businesses employed more staff when surveyed than 12 months ago, as well as 31 per cent of small MEG-led businesses, and 34 per cent of medium-sized ones. The higher proportion of MEG-led employers employing more staff than was the case for all SME employers is partly explained by the relatively high number of MEG-led start ups¹⁵, 33 per cent of which employ more people now than a year ago.

¹⁵ Start-ups are defined as those trading for less than four years, or those that have changed ownership in the last three years. In the case of Table 4.1 those trading for less than one year are excluded.

Number of people SME employers expect to employ in 12 months time

- 4.3 Twenty-five per cent of MEG-led SME employers expected to employ more staff in 12 months time. Fifty-six per cent expected to employ roughly the same numbers, and 18 per cent expected to employ fewer.
- 4.4 Compared to all SME employers the proportion of MEG-led employers that thought they would employ fewer staff in 12 months time is higher (18 per cent compared to 14 per cent).

Table 4.2: Number of people expecting to employ in 12 months time^{xii}				
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	878	427	521	3779
	%	%	%	%
More in 12m Time	25	26	28	23
Same in 12m Time	56	58	58	62
Fewer in 12m Time	18	15	13	14
Don't know	2	1	1	1
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010				

- 4.5 Forty-one per cent of medium-sized MEG-led SMEs thought they would employ more, compared to 32 per cent of small businesses, and 24 per cent of micros. Thirty-seven per cent of start-ups thought they will employ more, compared to just 21 per cent of those aged 10 years or more.

Turnover now compared to 12 months previously

- 4.6 Twenty-seven per cent of MEG-led SME employers reported that turnover was greater when surveyed than it was a year ago, 41 per cent said it was about the same, and a further 29 per cent said it was less.

Table 4.3: Turnover Now Compared to 12 Months Previously^{xiii}				
Base = all MEG-led SME employers/all SME employers trading for at least one year	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	873	413	510	3779
	%	%	%	%
Turnover Greater Now	27	29	34	28
Same as 12m Ago	41	41	35	34
Turnover Lower Now	29	27	26	34
Don't know	4	3	5	4
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010				

- 4.7 Compared to all SME employers MEG-led businesses were more likely to have had stable turnover over the past 12 months, and were less likely to have had lower turnover.

Expectations of turnover in 12 months time

- 4.8 Forty-three per cent of MEG-led SME employers expected to have higher turnover in 12 months time, 37 per cent thought it will be about the same and 14 per cent thought it will be lower. These figures were similar to those for all SME employers.

Table 4.4: Expectations of Turnover in 12 Months Time^{xiv}				
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	878	427	521	3817
	%	%	%	%
More than now	43	47	53	41
Same as now	37	30	27	40
Less than now	14	17	14	14
Don't know	6	6	6	4
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010				

4.9 By sector MEG-led businesses in business services were the most likely to expect an increase (52 per cent) in turnover over the next 12 months. Those in transport, retail and distribution (38 per cent) and other services (33 per cent) were the least likely to expect an increase. Fifty-eight per cent of start-ups expected an their turnover to increase over the next 12 months, compared to 37 per cent of those trading for 10 years or longer.

Profit

4.10 Sixty-seven per cent of SME employers generated a profit or surplus in their last financial year. This was significantly less than the 71 per cent who made a profit among all SME employers.

Table 4.5: Whether generated a profit or surplus in the last financial year^{xv}				
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	878	427	521	3817
	%	%	%	%
Yes	67	75	71	71
No	28	18	23	24
Don't know	4	6	5	1
Unwilling to answer	2	1	2	4
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010				

4.11 Unlike for SME employers as a whole where medium-sized businesses were more likely to make a profit, there were no significant differences for MEG-led employers by size or sector.

4.12 Twenty-four per cent of MEG-led employers paid more than 50% of profit or surplus to owners or shareholders, significantly higher than the 19 per cent who did this among all SME employers. This is in spite of the relatively high numbers of other service businesses among MEG-led employers, only 13 per cent of which paid more than 50% of profit or surplus to owners or shareholders. However, 28 per cent of MEG-led transport, retail and distribution businesses paid more than 50% of profit to owners or shareholders, which compares with only 16 per cent in this sector for all SME employers.

Table 4.6: Whether pay more than 50% of profit or surplus to owners or shareholders^{xvi}				
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	878	427	521	3817
	%	%	%	%
Yes	24	21	27	19
No	67	69	64	72
Have never generated a profit or surplus	1	2	4	2
Don't know	8	7	5	7
Unwilling to answer	*	1	*	1
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010 * = a figure of less than 0.5% but higher than zero				

5 Growth

Plans for growth

- 5.1 Seventy four per cent of MEG-led SME employers were aim to grow their business over the next two to three years, the same proportion as for all SME employers. Compared to the ASBS 07/08 this is a significant increase of six percentage points.

Table 5.1: Whether aim to grow business over the next two or three years^{xvii}				
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	878	427	521	3817
	%	%	%	%
Yes	74	68	69	74
No	26	32	31	26
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010				

- 5.2 Least likely to be aiming to grow were those in transport, retail and distribution (68 per cent). No other sector was more likely than average to want to grow. Eighty-nine per cent of medium-sized businesses were aiming to grow, compared to 78 per cent of small ones, and 73 per cent of micros. Eighty-six per cent of start-ups wanted to grow compared to 66 per cent of those trading for over 10 years.

Extent of plans for achieving future business growth

Table 5.2: Extent of plans for achieving future growth ^{xviii}		
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	All SME Employers SBS 10
Un-weighted (n) =	878	3817
	%	%
Increase the skills of the workforce	73	66
Increase turnover by exploiting new markets	66	63
Increase the leadership capability of managers	66	51
Reduce costs by increasing the productivity of workers	65	61
Employ more staff	62	50
Develop new products	50	44
None of these	8	8
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010		

- 5.3 Seventy-three per cent of MEG-led SME employers intended to increase the skills of their workforce in the next two to three years, 65 per cent intended to reduce costs by increasing the productivity of their workers, and 66 per cent intended to increase the leadership capability of their managers. Sixty-six per cent of SME employers intended to increase their turnover by exploiting new markets, and 50 per cent intended to develop new products.
- 5.4 With the exception of exploiting new markets, these proportions were all significantly higher than the equivalent figures for all SME employers. Yet the proportion not intending to implement any of these strategies is the same for both groups, indicating that MEG-led employers were more likely than SME employers generally to intend to do a multiple of these actions.
- 5.5 As was the case for all SME employers, larger MEG-led SME employers were much more likely to want to implement these strategies than the smaller ones.
- 5.6 MEG-led businesses in the production sector were more likely than average to want to exploit new markets (89 per cent), employ more staff (79 per cent) and develop new products (74 per cent). Business and other services were more likely than average to want to increase leadership capability (76 per cent), and other services were more likely than average to want to increase workforce skills (85 per cent). Transport, retail and distribution businesses were more likely than average to be doing none of these things (12 per cent).

6 Business capability

Perceptions of business capability

6.1 Respondents were asked how capable they felt their business was at a number of tasks which have been linked to running a successful business. Respondents answered on a five point numeric scale, with a score of one to two indicating they were poor at the task, and a score of four to five indicating they thought they were strong.

Table 6.1: Perception of whether the business is strong or poor at business activities^{xix}			
Base = all MEG-led SME employers/all SME employers		MEG-led SME Employers SBS 10	All SME Employers SBS 10
Un-weighted (n) =		878	3817
	%	%	%
Taking decisions on regulation and tax issues	Strong	63	63
	Poor	10	9
People management, such as recruitment and delegation	Strong	59	59
	Poor	13	10
Developing and implementing a business plan and strategy	Strong	59	56
	Poor	10	14
Operational improvement	Strong	50	53
	Poor	13	11
Developing and introducing new products or services	Strong	40	42
	Poor	24	21
Using formalised business systems such as customer information records	Strong	46	41
	Poor	19	26
Entering new markets	Strong	30	26
	Poor	30	34
Accessing external finance	Strong	25	25
	Poor	38	38
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010			

6.2 Areas of strength for MEG-led employers in comparison to all SME employers were using formalised business systems (46 per cent) and entering new markets (30 per cent). On the other hand they were more likely to consider themselves poor at people management (13 per cent).

Business capability: Innovation

6.3 Fifty-four per cent of MEG-led SME employers had introduced new or significantly improved products or services in the past 12 months, 50 per cent had introduced significantly improved processes. Both these proportions were significantly higher than the equivalent figures among all SME employers.

Table 6.2: Whether SMEs have introduced new or significantly improved products, services or processes in the past twelve months^{xx}				
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	428 ¹⁶	427	521	1904
	%	%	%	%
Significantly improved products or services	54	46	54	47
Significantly improved processes	50	34	38	33
Neither	37	45	37	44
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010				

6.4 The proportions were also significantly higher than they were in the ASBS 07/08.

6.5 Larger MEG-led employers were more likely to have introduced new or improved products or services than smaller businesses (67 per cent of mediums, 65 per cent of small, 52 per cent of micros). However, there were no significant differences according to sector or age of the business.

6.6 For processes, the larger MEG-led employers were more likely to have made these changes (75 per cent of mediums, 61 per cent of small, 48 per cent of micros). The other services sector was the most likely to have made these changes (60 per cent) and transport, retail and distribution the least likely (39 per cent).

¹⁶ This question and selected others were only asked of half the sample.

Business capability: Exporting

- 6.7 Eighteen per cent of MEG-led employers exported outside of the UK. This was significantly lower than the 23 per cent that did this among all SME employers.

Table 6.3: Whether sell goods or services or licence products outside the UK^{xxi}				
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	878	427	521	3817
	%	%	%	%
Yes	18	22	23	23
No	82	78	77	77
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010				

- 6.8 The reason for this is largely related to the fact that there were relatively few MEG-led employers in the production sector compared to all SME employers, as this was the sector most likely to export (48 per cent for MEG-led, 42 per cent for all SME employers). Twenty-two per cent of MEG-led businesses in the business services sector exported (compared to 29 per cent for all SME employers), 14 per cent of transport, retail and distribution (compared with 18 per cent) and 7 per cent of other services (compared with 14 per cent).
- 6.9 Unlike all SME employers where older businesses aged 10+ years were more likely to export, there were no differences with MEG-led employers according to the age of the business, or even by the size of the business.
- 6.10 The proportion of MEG-led employers exporting has not changed significantly since ASBS 07/08.
- 6.11 Seven per cent of MEG-led employers that did not currently export plan to do so in the next 12 months, which was significantly higher than the 4 per cent seen for all SME employers. This proportion was highest for those businesses aged 4-10 years (12 per cent).

Business capability: Training

- 6.12 Fifty-six per cent of MEG-led SME employers had arranged or funded training or development for staff in the past 12 months, a similar proportion to all SME employers, but a nine point significant increase on the ASBS 07/08.

Table 6.4: Whether businesses have arranged or funded training or development for staff in the past 12 months^{xxii}				
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	445	427	521	1937
	%	%	%	%
Yes	56	47	49	60
No	44	53	51	40
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010				

- 6.13 As was also the case for all SME employers, this was most likely to have occurred in the business services (67 per cent) and other services sectors (79 per cent) and least likely in the transport, retail and distribution (33 per cent) sector. Small (87 per cent) and medium sized (85 per cent) MEG-led SME employers were much more likely to have done this than micros (52 per cent).

Business Capability: Technology

- 6.14 MEG-led SME employers were asked whether they used the internet for a range of business purposes. The larger the business the greater likelihood of the internet being used, the exception being for paying taxes online and seeking advice online.

Table 6.5: Uses for the internet^{xxiii}		
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	All SME Employers SBS 10
Un-weighted (n) =	463	1901
	%	%
Paying taxes online	59	70
Promoting your goods and services through a website	53	67
Seeking general business advice	47	51
Advice on regulation	46	57
Selling goods and services through a website	31	39
None of these	15	8
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers		

6.15 Compared to all SME employers, MEG-led businesses were less likely to use the internet except for seeking general business advice. This is explained by the high numbers of transport, retail and distribution businesses among MEG-led employers, 23 per cent of whom do not use the internet for any of these purposes.

Encouragement to set up new business

6.16 MEG-led employers were asked what would encourage more people from ethnic minorities to start up in business.

6.17 The main answer was more financial assistance or funding to start a business. Twelve per cent cited better education and training, a further 12 per cent more information and advice on how to start a business, and 11 per cent more Government help.

Table 6.6: What would encourage more people from ethnic minorities to set up in business – by predominant ethnic group^{xxiv}					
Base = all MEG-led SME employers	MEG-led SME Employers SBS 10	Indian	Pakistani /Bangla-deshi	Black	Other
Un-weighted (n) =	878	364	203	131	180
	%	%	%	%	%
Financial assistance/funding to start a business	26	23	27	31	25
Better education/training	12	6	18	14	14
More information and advice on how to start a business	12	11	14	15	11
More Government help (generally)	11	8	11	15	14
Better business networks	6	4	7	4	11
More lending from banks	6	10	4	2	3
The same as for non-minorities	5	9	1	2	6
More ethnic minority business people role models	4	2	1	10	5
More support generally	4	4	6	6	2
Increased confidence	4	3	2	9	2
Tax breaks/lower taxes	3	1	3	4	7
Less red tape/regulations	2	3	3	2	1
Improved advice on employment law	1	2	1	*	1
Other	10	11	8	9	11
Nothing	6	8	3	2	8
Don't know/can't think of anything	25	32	25	19	20
Figures in bold are statistically significant at the 95% confidence level between the total and the sub-groups					

- 6.18 There were some differences according to the predominant ethnic group among business partners and directors. Indian-led businesses were more likely than average to mention bank lending (10 per cent) and also to say that MEG-led businesses do not need special treatment (nine per cent). Pakistani and Bangladeshi-led businesses were more likely to mention better education and training (18 per cent). Black-led businesses were more likely to mention having more business people as role models (10 per cent), and increased confidence (nine per cent).
- 6.19 Better education and training was more likely than average to be mentioned by medium sized MEG-led businesses (21 per cent), as was less red tape/regulations (seven per cent). Businesses in the business services sector were more likely than average to mention more advice on how to set up in business (17 per cent). Other services businesses were more likely than average to mention better education and training (17 per cent) and financial assistance (33 per cent).

Attitudes to risk

- 6.20 MEG-led employers were asked to agree or disagree with a number of questions concerning their attitudes to risk. These question were not asked in the mainstage SBS of all SME employers, but were asked of individuals in the 2005 Household Survey of Entrepreneurship (HSE) – Ethnic research Supplement¹⁷.

Table 6.7: Attitudes to risk – by predominant ethnic group^{xxv}						
Base = all MEG-led SME employers		All MEG-led SME Employers	Indian	Pakistani /Bangla-deshi	Black	Other
Un-weighted (n) =		878	364	203	131	180
	%	%	%	%	%	%
People who start and fail at business deserve a second chance (except in the cases of fraud or malpractice)	Agree	86	87	82	90	84
	Disagree	9	9	9	8	8
I enjoy the challenge of situations that many consider risky	Agree	75	76	76	75	72
	Disagree	14	11	17	15	16
I am scared of being in debt	Agree	73	70	77	75	75
	Disagree	19	19	20	17	20
I would rather work for a small than a large business	Agree	63	62	66	58	66
	Disagree	17	19	15	14	18
I fear failure in business	Agree	50	47	53	53	49

¹⁷ www.bis.gov.uk/files/file46963.doc

	Disagree	40	44	37	35	40
Figures in bold are statistically significant at the 95% confidence level between the total and the sub-groups						

- 6.21 Eighty-six per cent of MEG-led employers agreed that people who start and fail at business deserve a second chance (except in the cases of fraud or malpractice), whilst nine per cent disagreed. Start-up businesses (13 per cent) and those businesses working in the other services sector (15 per cent) were significantly more likely to disagree.
- 6.22 Seventy-five per cent of MEG-led employers agreed that they enjoy the challenge of situations that many find risky, whilst 14 per cent disagreed. Medium and small businesses were more likely to agree than micros (83 per cent of mediums, 81 per cent of smalls, 74 per cent of micros).
- 6.23 Seventy-three per cent agreed that they are scared of being in debt, whilst 19 per cent disagreed. Micro businesses were more likely to agree with this than small or medium-sized ones (74 per cent of micros, 66 per cent of small and medium). Start-ups (25 per cent) and those in transport, retail and distribution (23 per cent) were significantly more likely than average to disagree.
- 6.24 Sixty-three per cent agreed that they would rather work for a small than a large business, while 17 per cent disagreed. Interestingly, those working for medium sized businesses were more likely to agree than those working for micros (72 per cent compared with 64 per cent).
- 6.25 Fifty per cent feared failure in business, whilst 40 per cent disagreed with the sentiment. There were no trends in responses according to size or sector.

In Table 6.8: Attitude to risk on investment – by predominant ethnic group^{xxvi}					
Base = all MEG-led SME employers	MEG-led SME Employers SBS 10	Indian	Pakistani /Bangla- deshi	Black	Other
Un-weighted (n) =	878	364	203	131	180
	%	%	%	%	%
Prefer high risk/high returns	7	6	8	10	5
Prefer medium risk/medium returns	73	74	67	73	75
Prefer no risk/low returns	19	19	24	16	18
Don't know/refused	1	*	2	1	3
Figures in bold are statistically significant at the 95% confidence level between the total and the sub-groups					

- 6.26 Respondents were asked whether they would prefer to make high, medium or low risk investments should they receive a windfall of £50,000. This is another question that has not been asked in the SBS or previous ASBs, but was asked in the Household Survey of Entrepreneurship.
- 6.27 Most MEG-led employers had a preference for medium risk investments (73 per cent), with only seven per cent preferring high risk (and potentially high return) investments.

6.28 There were few trends according to size or sector, but those in the transport, retail and distribution sector were the most likely to prefer a low risk (24 per cent) investment.

7 Access to finance

Whether sought finance in the last 12 months

- 7.1 Thirty per cent of MEG-led SME employers tried to obtain finance for their business in the 12 months preceding interview: 20 per cent having sought it once, and ten per cent more than once. These proportions were similar to those seen for all SME employers, but were significantly higher than those seen for MEG-led employers in the ASBS 07/08.

Table 7.1: Whether Sought Finance in the Last 12 Months^{xxvii}				
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	878	427	521	3817
	%	%	%	%
YES – ANY	30	22	26	26
- Once	20	15	15	17
- More	10	6	11	9
NO	69	77	73	72
Don't know	1	1	1	2
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010				

- 7.2 As was the case for all SME employers, finance was more likely to be sought by the larger MEG-led SME employers. Forty-two per cent of small businesses, and 36 per cent of medium sized businesses sought finance, compared to 28 per cent of micros.
- 7.3 By sector finance was less likely to be sought by those in the transport, retail and distribution sector (26 per cent). There was no difference according to the age of the business.

Preparations for applying for finance

- 7.4 Forty-seven per cent of those that applied for finance were very confident of success before they applied, with a further 32 per cent being fairly confident. There were no significant differences in the levels of confidence by sub-group.
- 7.5 This question was not asked in the mainstage SBS, but has been asked in the Business Barometer series of surveys¹⁸. Overall there were no significant differences in the confidence levels of MEG-led businesses compared to SME employers generally.

Table 7.2: Confidence in success before applying for finance^{xxviii}		
Base = all MEG-led SME employers that applied for finance/all SME employers that applied for finance	MEG-led Employers SBS 10	All SME Employers (Feb 2011 Business Barometer)
Un-weighted (n) =	264	128
	%	%
Very confident	47	40
Fairly confident	32	40
Not very confident	12	9
Not at all confident	7	8
Don't know	2	3
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers in the SBS 2010 boost and all SME employers in the February Business Barometer * = a figure of less than 0.5% but higher than zero		

- 7.6 MEG-led businesses were asked whether they had taken any of a number of steps to ensure success in obtaining finance, prior to application.

Table 7.3: Steps taken in order to ensure success in obtaining finance^{xxix}		
Base = all MEG-led SME employers that applied for finance/all SME employers that applied for finance	MEG-led SME Employers SBS 10	All SME Employers (Feb 2011 Business Barometer)
Un-weighted (n) =	264	128
	%	%
Up to date business plan	70	44
Received advice from bank	67	49
Business plan looked over by a professional adviser	45	26
Spoke to other businesses to get their advice	38	17
Read business websites	32	20
Took a course in business finance	22	6
None of these	7	33
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers in the SBS 2010 boost and all SME employers in the February Business Barometer; * = a figure of less than 0.5% but higher than zero		

¹⁸ A regular survey of 500 SME employers, occurring approximately every 2-3 months from December 2008 onwards.

7.7 MEG-led employers were significantly more likely to undertake at least one of these actions than SME employers generally. In particular MEG-led businesses applying for finance were more likely to have had an up to date business plan (70 per cent) and to have received advice from their bank (67 per cent) before applying for finance. Start up businesses were more likely than other MEG-led employers to have had their business plan looked over by a professional adviser (58 per cent) or to have spoken to other businesses to get their advice (also 58 per cent).

Reasons for applying/not applying for finance

7.8 Forty-six per cent of MEG-led SME employers that applied for finance did so in order to gain working capital or cashflow. Although this was the main reason for applying for finance, the proportion was significantly lower than for all SME employers.

Table 7.4: Reasons for Applying for Finance^{xxx}				
Base = all MEG-led SME employers/ all SME employers who applied for finance in the last 12 months	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	264	109	160	1193
	%	%	%	%
Working capital, cashflow	46	49	39	56
Capital equipment or vehicles	18	12	21	21
Improving buildings	13	11	11	9
Buying land or buildings	9	18	12	10
Marketing	6	0	0	2
Business expansion/growth	4	4	6	1
Research & Development	2	9	4	2
Buying another business	2	*	2	2
Training/Staff Development	2	3	3	1
Management buy out	*	0	1	1
Other	6	1	5	2
Don't know/refused	1	0	4	*

Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010 ; * = a figure of less than 0.5% but higher than zero

7.9 The other main reasons for applying for finance were to buy capital equipment or vehicles (18 per cent), improving buildings (13 per cent) and buying land or buildings (nine per cent). Compared to all SME employers, MEG-led businesses are significantly more likely to apply for finance for marketing and business expansion.

7.10 Compared to the ASBS 07/08 MEG-led SME employers that applied for finance were less likely to want it to buy land/buildings or for R&D, and were more likely to want it for marketing.

7.11 Of the majority of MEG-led SME employers that did not seek finance, the predominant reason was that finance was not needed. This was the main reason given by all sizes and sectors. However, the proportion of MEG-led employers citing this reason was lower than was the case for all SME employers in the mainstage SBS.

Table 7.5: Reasons For Not Applying for Finance in the Last 12 Months^{xxxi}		
Base = all MEG-led SME employers/ all SME employers who did not apply for finance in the last 12 months	MEG-led SME Employers SBS 10	All SME Employers SBS 10
Un-weighted (n) =	614	2624
	%	%
Not needed it	77	82
Did not want to take on additional risk	8	5
Thought would be rejected	5	4
Thought it would be too expensive	4	4
Other reason	5	3
Don't know	3	2
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010		

7.12 Eight per cent of MEG-led businesses that did not apply for finance said this was because they did not want to take on additional risk. This was significantly higher than was the case for all SME employers.

7.13 Five per cent of these MEG-led employers did not apply for finance as they thought they would be rejected. This was most likely to be the case in the transport, retail and distribution sector (10 per cent).

Type of finance sought

7.14 Of those MEG-led SME employers that applied for finance, 53 per cent applied for a bank loan and 26 per cent a bank overdraft. Eight per cent sought a grant, and seven per cent sought factoring/invoice discounting.

Table 7.6: Type of Finance Sought^{xxxii}				
Base = all MEG-led SME employers/ all SME employers who applied for finance in the last 12 months	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	264	109	160	1193
	%	%	%	%
Bank loan	53	43	47	40
Bank overdraft	26	21	24	35
Grant	8	12	4	9
Factoring/invoice discounting	7	*	1	2
Leasing or hire purchase	4	1	9	9
Mortgage	4	12	9	6
Loan from family/business	1	1	3	3
Equity finance	1	3	2	1
Government guaranteed loan	*	2	2	2
Other	6	11	11	10
Don't know/refused	1	1	6	2
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010 ; * = a figure of less than 0.5% but higher than zero				

7.15 Compared with all SME employers, bank loans were more likely to be sought by MEG-led employers, and overdrafts less likely. In addition, factoring/invoice discounting was more likely to be sought, and leasing/hire purchase less likely.

7.16 Among those that sought finance, most likely to apply for bank loans were those in the transport, retail and distribution sector (62 per cent). Thirty-five per cent of SME employers in the other services sector applied for grants.

Amount of finance sought

7.17 Thirteen per cent of those seeking finance sought less than £10,000, with only two per cent seeking more than £1 million. The mean average amount of finance sought was just over £160,000, with the median £37,500. Compared with all SME employers, the sums of money sought were slightly less.

Table 7.7: Amount of Finance Sought^{xxxiii}		
Base = all MEG-led SME employers/ all SME employers who applied for finance in the last 12 months	MEG-led SME Employers SBS 10	All SME Employers SBS 10
Un-weighted (n) =	264	1193
	%	%
Less than £10,000	13	18
£10,000-£24,999	26	23
£25,000-£49,000	10	14
£50,000-£99,999	19	11
£100,000-£249,999	10	11
£250,000-£499,999	5	6
£500,000-£999,999	2	4
£1 million or more	2	5
Don't know/refused	12	9
Mean Average	£160,500	£240,450
Median Average	£37,500	£41,000
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010; * = a figure of less than 0.5% but higher than zero		

Difficulties obtaining finance

7.18 Forty-three per cent of MEG-led employers that tried to obtain finance were unable to obtain any from the first source they approached. Fourteen per cent obtained some from the first source but not all of the money they required, whilst four per cent obtained all they needed but with some problems. This equates to 62 per cent of MEG-led employers that sought finance in the last 12 months having had difficulties obtaining finance from the first source approached, which equates to 19 per cent of all MEG-led SME employers.

Table 7.8: Any Difficulty Obtaining Finance from First Source Approached^{xxxiv}				
Base = all MEG-led SME employers/ all SME employers who applied for finance in the last 12 months	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	264	109	160	1193
	%	%	%	%
ANY DIFFICULTY	62	32	37	51
- Unable to obtain any finance	43	16	22	35
- Obtained some but not all the finance required	14	6	7	7
- Obtained all the finance required but with some problems	4	9	8	9
NO DIFFICULTY	35	68	61	47
Don't know/refused	4	0	2	2
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010 * = a figure of less than 0.5% but higher than zero				

7.19 These proportions were much higher than for SME employers generally. Whilst 47 per cent of all SME employers encountered no problems with their first application, this was only the case for 35 per cent of MEG-led employers. The proportion encountering difficulties obtaining finance from the first source approached was nearly twice that seen in ASBS 07/08 for MEG-led employers.

7.20 Difficulties with the first source approached occurred among all sizes and most sectors. Businesses in the other services sector were more likely than average not to encounter any problems obtaining finance from the first source approached (46 per cent).

7.21 Difficulties with the first source approached were most likely to be encountered when applying for bank overdrafts (71 per cent) and bank loans (64 per cent). Difficulties were less common when applying for factoring/invoice discounting (55 per cent) or grants (54 per cent). With grants, applicants were more likely to be offered some but not all of the money, than to be rejected completely by the first source.

7.22 Of those that did not obtain any finance from the first source they approached, or who only got some of the money they needed, some went on to get all the finance they needed from another source. Overall therefore, the outcomes of MEG-led SME employers that sought finance are as follows:

- 53 per cent (16 per cent of all MEG-led SME employers) obtained all the finance they required
- 13 per cent (4 per cent of all MEG-led SME employers) obtained some but not all of the finance they required
- 30 per cent (9 per cent of all MEG-led SME employers) did not obtain any of the finance sought

Table 7.9: Eventual outcome of application for finance^{xxxv}				
Base = all MEG-led SME employers/ all SME employers who applied for finance in the last 12 months	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	264	109	160	1193
	%	%	%	%
OBTAINED ALL THEY NEEDED	53	90	79	68
- From first source	39	77	69	56
- From another source	14	12	10	11
OBTAINED SOME, BUT NOT ALL	13	*	4	6
OBTAINED NONE	30	10	15	21
Don't know/refused	4	0	2	5
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010; * = a figure of less than 0.5% but higher than zero				

7.23 The overall proportion of MEG-led employers that was unsuccessful in obtaining finance was significantly higher than for all SME employers, and significantly higher than that seen in the ASBS 07/08.

7.24 The table overleaf shows the reasons given for the difficulties in obtaining finance *from the first source approached*. Most commonly respondents claimed that no reason was given for this. Thereafter, insufficient security was cited as the most common reason. This was also the most common reason among all SME employers that had difficulties obtaining finance.

Table 7.10: Reasons for Difficulties Arranging Finance (Unprompted)^{xxxvi}		
Base = all MEG-led SME employers /all SME employers who had difficulties arranging finance in the last 12 months	MEG-led SME Employers SBS 10	All SME Employers SBS 10
Un-weighted (n) =	156	531
	%	%
No reason given	16	24
Insufficient security	12	20
Recession/current credit climate	10	6
Banks prefer to lend to other types of business	10	N/A ¹⁹
Lacked confidence in the meeting	6	N/A
Didn't meet criteria	5	5
No credit history/not been in business long enough	5	2
Business sector too risky	4	9
Poor personal credit history	4	1
Rejected terms of finance offered	4	5
Decision still pending	4	2
Too many applicants for grant	4	0
Poor business credit history	3	6
Too many outstanding loans/mortgages	3	1
No security	3	2
Applied for too much	1	2
Bank withdrew existing finance	1	*
Business too small/too new	*	2
Inadequate business plan	1	1
Other	11	10
Don't know/refused	4	10
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010; * = a figure of less than 0.5% but higher than zero		

¹⁹ N/A indicates that these answers did not appear as mainstage questionnaire precodes.

8 Obstacles to the success of the business

Biggest obstacle to the success of the business

8.1 When prompted, around a quarter (26 per cent) of MEG-led SME employers said that the state of the economy was the *main* obstacle to the success of their business, marking a significant rise on the 2007/08 and 2006/2007 ASBSs (17 per cent and 8 per cent respectively). However, compared to all SME employers, MEG-led employers were less likely to mention this.

Table 8.1: Main Obstacle to the Success of the Business^{xxxvii}				
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	878	427	521	3817
	%	%	%	%
The Economy	26	17	8	33
Obtaining finance	15	4	6	8
Competition	13	18	20	10
Cashflow	11	11	10	11
Taxation, VAT, PAYE, NI, rates	9	11	10	8
Regulations	5	11	9	7
Recruiting staff	3	6	6	2
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010 * = a figure of less than 0.5% but higher than zero				

8.2 MEG-led employers were more likely than SME employers generally to mention obtaining finance (15 per cent) and competition (13 per cent) as the main obstacle to their businesses' success. Compared to the ASBS 07/08 obtaining finance was significantly more likely to be cited as the main obstacle to business success, and competition and regulations were significantly less likely to be so.

8.3 Obtaining finance was most likely to be the main obstacle for those in the business service sector (20 per cent), and competition was most likely to be the main obstacle in the transport, retail and distribution sector (18 per cent).

Overall incidence of obstacles to the success of the business

8.4 Many MEG-led SME employers reported additional obstacles to success (either spontaneously or on a prompted basis). When results for all obstacles are combined, the most frequently reported obstacles in 2010 were:

- the economy (80 per cent, compared with 81 per cent for all SME employers)
- competition (62 per cent, compared with 58 per cent for all SME employers)
- obtaining finance (60 per cent, compared with 39 per cent for all SME employers)
- cash flow (62 per cent, compared with 49 per cent for all SME employers)
- taxation, VAT, PAYE, national insurance, business rates (55 per cent, compared with 50 per cent for all SME employers)
- regulations (51 per cent, compared with 47 per cent for all SME employers)

8.5 For MEG-led employers taxation was most likely to be an obstacle for the transport, retail and distribution sector (62 per cent).

Regulations as an obstacle to the success of the business

8.6 Where employers reported regulations as an obstacle to business success, they were asked which specific regulations they considered to be obstacles, and in what ways.

Table 8.2: Regulations considered to be obstacles to business success^{xxxviii}				
Base = all MEG-led SME employers/ all SME employers considering regulations an obstacle to business success	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	451	247	308	1917
	%	%	%	%
Tax-related	28	24	17	20
Health and safety	19	24	25	35
Sector specific	19	14	11	16
Employment	14	13	16	14
Planning, development, etc.	3	6	8	7
Environmental	4	7	5	7
No specific regulations or all regulations	11	8	14	11
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010 * = a figure of less than 0.5% but higher than zero				

- 8.7 Most likely to be mentioned by MEG-led employers was tax-related regulations (28 per cent), followed by health and safety (19 per cent) and sector specific regulations (19 per cent). This is in contrast to all SME employers for whom health and safety was the regulation most likely to be mentioned as an obstacle to business success (35 per cent).
- 8.8 Tax was most likely to be cited as an obstacle by business services (36 per cent), sector specific regulations by those in other services (29 per cent).
- 8.9 Those in production were more likely than average to mention environmental regulations (13 per cent, compared to three per cent average), minimum wage regulations (11 per cent, compared to three per cent average), and pensions (seven per cent, compared to one per cent average).

9 Usage of business support and Government services

Sources of business advice sought

9.1 Over the year prior to the survey, 40 per cent of MEG-led SME employers had sought external advice or information on matters affecting their business. This was significantly lower than the 49 per cent that had sought advice among all SME employers.

Table 9.1: Sources of external advice consulted in last 12 months^{xxxix 20}		
Base = all MEG-led SME employers / all SME employers who had sought advice	MEG-led SME Employers SBS 10	All SME Employers SBS 10
Un-weighted (n) =	321	2129
	%	%
Accountant	28	37
Consultant	14	20
Business Link local services	12	12
Trade/business association	8	7
Solicitor/lawyer	7	10
Business networks	7	2
Local Authority	7	3
A friend/family member	7	3
Other businesses in industry	4	4
Other specialists, e.g. HR/Marketing	4	4
Websites (general)	4	3
Surveyors/Estate Agents	4	3
Bank	3	6
Businesslink.gov.uk website	3	6
BIS	2	3
HMRC	2	3
Chamber of Commerce	1	3
An Enterprise Agency	1	3
Health and Safety Executive	1	2
<small>Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010; * = a figure of less than 0.5% but higher than zero</small>		

²⁰ This question differs from that used in the ASBS surveys, hence comparisons are not possible.

- 9.2 Thirty-nine per cent of MEG-led micro businesses had sought such advice, 49 per cent of small businesses, and 66 per cent of medium sized ones.
- 9.3 By sector, SME employers operating in business services (50 per cent) and other services (47 per cent) were particularly likely to have sought advice, with transport, retail and distribution the least likely (28 per cent). The same pattern was also observed among all SME employers.
- 9.4 Fifty-one per cent of start-ups had sought advice compared with 37 per cent of those aged 10 years or more.
- 9.5 Of those who had sought advice, accountants were the most commonly mentioned source (28 per cent of all MEG-led employers). These were followed by consultants (14 per cent). For both of these, MEG-led employers were less likely to consult them than all SME employers that sought advice.
- 9.6 Consultants were more likely to be used by medium sized businesses (42 per cent).
- 9.7 Compared with all SME employers, MEG-led businesses were more likely to have gone to business networks (seven per cent, compared to two per cent of all SME employers), local authorities (seven per cent compared to three per cent) and friends/family members (seven per cent compared to three per cent).

Business mentors

- 9.8 During the course of the 12 months prior to the survey, fourteen per cent of MEG-led SME employers had used a business mentor, a higher proportion than for all SME employers (11 per cent). This was most common for MEG-led business services (19 per cent), and least common in transport, retail and distribution (nine per cent). There were no significant differences by size.

Table 9.2: Whether used business mentor in last 12 months^{xi}		
Base = all MEG-led SME employers / all SME employers	MEG-led SME Employers SBS 10	All SME Employers SBS 10
Un-weighted (n) =	878	3817
	%	%
Yes	14	11
No/don't know	86	89
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010		

Networking with other entrepreneurs

9.9 Fifty-one per cent of MEG-led SME employers had made time to speak or meet with other businesses or entrepreneurs to get help and advice about running their businesses. In comparison with the February 2011 Business Barometer (the question was not asked in the SBS mainstage), this was a higher proportion than for all SME employers.

Table 9.3: Whether make time to speak or meet with other businesses/entrepreneurs^{xii}		
Base = all MEG-led SME employers / all SME employers	MEG-led SME Employers SBS 10	All SME Employers (Feb 2011 Business Barometer)
Un-weighted (n) =	878	500
	%	%
Yes	51	41
No	49	59
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010		

9.10 Among MEG-led SME employers, those in business services were most likely to do this (63 per cent), with those in transport, retail and distribution the least likely (42 per cent). There were no differences according to size of business.

Working for the public sector

9.11 In the 12 months preceding interview, ten per cent of MEG-led SME employers had bid for contracts advertised by the public sector. A further five per cent had expressed an interest but not bid, and four per cent had joined forces with another business to bid for this type of work, but not as the lead contractor.

Table 9.4: Whether bid for public sector contracts^{xlii}				
Base = all MEG-led SME employers	MEG-led SME Employers SBS 10	Micro (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
Un-weighted (n) =	878	590	236	52
	%	%	%	%
Bid in the last 12 months	10	9	16	28
Expressed an interest in the last 12 months but not bid	5	4	8	18
Have ever joined forces with another business to bid for public sector work (not as lead bidder)	4	4	6	1
None of these	80	82	70	53
Figures in bold are statistically significant changes between the 2010 SBS (all employers) and 2010 SBS MEG-led boost * = a figure of less than 0.5% but more than zero				

9.12 Larger MEG-led SMEs were more likely to have bid or expressed an interest but not bid (among mediums, 28 per cent had bid, and a further 18 per cent had expressed an interest but not bid).

9.13 By sector, 17 per cent of business services had made a bid, but only two per cent of MEG-led employers in the transport, retail and distribution sector.

9.14 Twenty-three per cent of MEG-led employers had worked for the public sector in the 12 months preceding interview. This is lower than the 30 per cent of all SME employers who reported this.

Table 9.5: Worked for the public sector in past 12 months^{xliii}				
Base = all MEG-led SME employers/all SME employers	MEG-led SME Employers SBS 10	MEG-led SME Employers ASBS 07/08	MEG-led SME Employers ASBS 06/07	All SME Employers SBS 10
Un-weighted (n) =	878	427	521	3817
	%	%	%	%
YES ANY	23	19	16	30
- As prime contractor	11	N/A	N/A	12
- Part of the supply chain only	9			19
- Don't know if prime contractor or supply chain	2			2
NONE	77	80	83	69
Don't know/refused	*	*	*	1
Figures in bold are statistically significant at the 95% confidence level between MEG-led employers and all SME employers in SBS 2010 * = a figure of less than 0.5% but higher than zero				

9.15 Eleven per cent of MEG-led SME employers had worked for the public sector as a prime contractor, about the same proportion as for all SMEs. The difference between the two groups comes when working for the public sector as part of the supply chain. Whereas 19 per cent of all SME employers had done this in the 12 months preceding interview, this was only the case among 9 per cent of MEG-led employers.

9.16 Forty-seven per cent of MEG-led medium sized businesses had worked for the public sector in the 12 months preceding interview, compared to 34 per cent of small ones, and 21 per cent of the micros. Businesses in other services were the most likely to have done so (38 per cent), those in transport, retail and distribution the least likely (11 per cent).

Barriers to bidding for public sector contracts

9.17 Among those MEG-led employers that had not bid or expressed interest in public sector contracts in the 12 months before interview, 27 per cent considered public sector contracts relevant. These were asked whether there was anything that prevented them from bidding for public sector contracts as part of a supply chain.

Table 9.6: Barriers to bidding for public sector contracts as part of the supply chain^{xliv}			
Base = all MEG-led SME employers for whom public sector business is relevant, but who have not bid for contracts, either as lead or part of the supply chain	MEG-led SME Employers SBS 10	Micro (1-9 employees)	Small/Medium (10-249 employees)
Un-weighted (n) =	173	111	62
	%	%	%
Size of the business	22	23	10
Lack of knowledge of the process	11	12	8
Bureaucracy/red-tape	7	7	6
Lack of funding	5	5	0
No relevant opportunity has arisen	4	5	0
Takes too much time	4	3	10
Other	5	4	14
No barriers	14	15	8
Don't know/can't think of a reason	33	31	44
Figures in bold are statistically significant at the 95% confidence level between the total and the sub-groups			

9.18 The most common reason given was the size of the business. This was particularly the case among micros (23 per cent), with ten per cent of small and medium-sized businesses not bidding for public sector contracts for this reason²¹. Most likely to say this were those in business services (38 per cent).

9.19 Other reasons for not bidding concerned lack of knowledge of the process (11 per cent), bureaucracy (seven per cent) and lack of funding (five per cent). Fourteen per cent conceded that there were no real barriers, and a third could not think of a reason.

9.20 All MEG-led SME employers who had already bid for or expressed interest in public sector contracts, and the remainder for whom public sector contracts are relevant, were then asked whether any of a number of possible barriers prevented them selling more to the public sector (see table overleaf).

²¹ The reason could relate to contracts being too small to bother with, or too large to handle.

Table 9.7: Barriers to selling more to the public sector^{xlv}			
Base = all MEG-led SME employers for whom public sector business is relevant	MEG-led SME Employers SBS 10	Micro (1-9 employees)	Small/Medium (10-249 emps.)
Un-weighted (n) =	361	208	153
	%	%	%
Lack of information about public sector opportunities	64	65	55
Effort involved in bidding or pre-qualifying for public sector contracts	62	62	59
Lack of understanding of the public sector procurement process	60	61	56
Exclusion from framework agreements and approved supplier lists	56	57	54
Difficulties engaging with prime contractors	48	48	48
Lack of consistency in the tendering process	43	42	49
Post tender debriefing not being helpful	42	41	43
Perceived risk of the public sector dealing with SMEs	40	42	31
Public sector specifications exclude type of business	37	37	37
Difficulties selling an innovative product	29	29	28
Other	3	2	3
None of these	13	14	8
Don't know/refused	3	3	0
Figures in bold are statistically significant at the 95% confidence level between the total and the sub-groups			

- 9.21 Lack of information about public sector opportunities was the main barrier to selling for 64 per cent of MEG-led employers for whom public sector businesses is relevant, followed by reluctance or inability to spare the time and effort to bid or pre-qualify for contracts (62 per cent), and a lack of understanding of procurement processes (60 per cent). There were no significant differences according to the size of the organisation.
- 9.22 Business services were more likely than average to cite the effort involved in bidding (70 per cent) and exclusion from frameworks (65 per cent) as barriers to bidding, whilst transport, retail and distribution were more likely to cite the difficulties they have selling an innovative product (37 per cent).

ENDNOTES: QUESTIONNAIRE REFERENCES

- ⁱ Q5: **And how many years has this firm been trading? This includes under all ownerships and all legal statuses.**
- ⁱⁱ Q4: **What is the legal status of your organisation?**
- ⁱⁱⁱ Q148: **Can you please tell me the approximate turnover of your business in the past 12 months?**
- ^{iv} Q1: **How many sites in the UK does your business operate from, including your head office?**
- ^v Q164: **How many partners or directors are there in day-to-day control of the business now, including yourself?**
- ^{vi} Q172: **Which ethnic groups do the owners, partners or directors belong to?**
- ^{vii} Q158: **Is your business a family owned business? (A family business is majority owned by members of the same family)**
- ^{viii} Q158: **Is your business a family owned business? (A family business is majority owned by members of the same family)**
- ^{ix} Q153: **Is your business VAT registered?**
- ^x Q37: **Do you think of your business as a social enterprise, by which I mean a business that has mainly social or environmental aims?**
- ^{xi} Q1a: **How many employees does your business currently employ across all sites, excluding owners and partners?; Q11: You said earlier that your business currently employs [INSERT Q1A RESPONSE] people, excluding owners and partners. How many people did the business employ 12 months ago across all sites (still excluding owners and partners)?**
- ^{xii} Q1a: **How many employees does your business currently employ across all sites, excluding owners and partners?; Q17: How many people do you expect the business to employ in twelve months time (excluding owners and partners)?**
- ^{xiii} Q149: **Compared with the previous 12 months, has your turnover in the past 12 months increased, decreased or stayed roughly the same?**
- ^{xiv} Q151: **In the next 12 months do you expect your turnover to increase, decrease, or stay roughly the same?**
- ^{xv} Q35: **Taking into account all sources of income in the last financial year, did you generate a profit or surplus?**
- ^{xvi} Q36: **Do you pay more than 50% of your trading profit or surplus [IF DID NOT/DON'T KNOW/ UNWILLING TO SAY GENERATED A PROFIT IN THE LAST FINANCIAL YEAR when you generate one] to owners/shareholders?**
- ^{xvii} Q49: **I'd now like to turn to the future that you foresee for your business. Over the next two to three years, do you aim to grow your business?**

^{xviii} Q50: Does your business plan to do any of the following over the next two to three years?

^{xix} Q53a: I'd now like to turn to the range of tasks that you need to do when running a business, and *for you to tell me* how capable you think your business *is* at doing them. I'm going to read out a list of business activities and I'd like you to rate your business from 1 to 5, where 1 is rated as very poor and 5 as very strong. You can include in your assessment any external expertise you use to achieve the task.

^{xx} Q86: I'd now like you to think about innovation within your business i.e. new products and processes. Have you introduced new or significantly improved products or services in the past twelve months?

^{xxi} Q27: I'd now like to ask you a few questions about the nature of your trading activity. So, first of all, does your business sell goods or services or licence your product outside the UK?

^{xxii} Q137: Over the past 12 months, has your business funded or arranged any training and development for staff in the organisation, including any informal on the job training?

^{xxiii} Q143: Does your business use the Internet for any of the following?

^{xxiv} Q53e: What do you think would encourage more people from ethnic minority backgrounds to think about setting up their own businesses?

^{xxv} Q53a: I am now going to read out some statements that have been made about running a business. For each that I read out please tell me the extent to which you agree or disagree

^{xxvi} Q53g: On a different theme, suppose you received an unexpected windfall of £50,000 that you were required to reinvest. Which of these options best describes the type of investment you might make?

^{xxvii} Q66: Now I'd like to ask you some questions about financing your business. Have you tried to obtain finance for your business in the past 12 months?

^{xxviii} Q77a: Before you applied for finance, how confident were you that you would be successful?

^{xxix} Q77b: Before you applied for finance, did you take any of the following steps to try and ensure you were successful in obtaining finance?

^{xxx} Q67: I'd like to ask you about this... what did you try to obtain finance for. IF MORE THAN ONCE (Q66/2): I'd like to ask you about the most important of these occasions. What did you try to obtain finance for?

^{xxxi} Q79: Why have you not applied for finance in the last 12 months?

^{xxxii} Q69: What type of finance did you seek? Please include all types of finance including where you failed to obtain it.

^{xxxiii} Q70: How much finance did you seek?

^{xxxiv} Q72: Did you have any difficulties in obtaining this finance from the first source you approached?

^{xxxv} Q72: Did you have any difficulties in obtaining this finance from the first source you approached?/Q75: Did you eventually go on to obtain the finance you needed for your business, for example, from another external source?

^{xxxvi} Q74: What reasons were given for your application for finance being turned down/for receiving less finance than you sought/having problems raising all the finance?

^{xxxvii} Q56: So, overall, which is the biggest obstacle to the success of your business?

^{xxxviii} Q62: Which regulations do you consider to be an obstacle to the success of the business?

^{xxxix} Q90a: Where have you been for external advice or information on matters affecting your business the last 12 months?

^{xl} Q95: In the last 12 months have you used a business mentor – that is somebody with business expertise who supports you through the development and running of your business on a continuous basis?

^{xli} Q97: Do you make time to speak or meet with other businesses or entrepreneurs to get help and advice about running your business?

^{xlii} Q131: In the past 12 months have you expressed an interest in or bid for any contract advertised by the public sector?/Q131i: Have you ever joined forces with another business to bid for public sector work rather than as a lead bidder?

^{xliii} Q131a: In the past 12 months have you actually done any business for the public sector?/ Q132c: Has any of this work for the public sector in the last 12 months been as the prime contractor or has it only been as part of the supply chain?

^{xliv} Q131ii: Is there anything that prevents you from bidding for public sector contracts as part of a supply chain?

^{xlv} Q132a2: Which of these, if any, would you say are barriers to you selling more to the public sector?