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**BIS SMALL BUSINESS SURVEY
2010**

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1 Summary

Profile of businesses

- 1.1 There are some changes in the characteristics of SME employers since the survey was last conducted in 2007/08. There were more private limited companies (up from 51 to 59 per cent), and fewer sole proprietors (down from 29 to 19 per cent) and partnerships (down from 16 to 10 per cent). Sixty-two per cent were family businesses, down from 69 per cent in 07/08.
- 1.2 The number of social enterprises has increased since the original ASBS survey in 06/07. Seven per cent of SME employers now correspond with the BIS definition of a social enterprise, up from four per cent in 06/07.
- 1.3 The proportion of SME employers that are women-led (14 per cent) or minority ethnic group led (8 per cent) has not changed since 07/08.

Business Performance

- 1.4 In terms of employment levels compared with 12 months ago, 17 per cent of SME employers stated they were employing more staff, 21 per cent were employing fewer and 61 per cent were employing about the same number.
- 1.5 Around a quarter (23 per cent) of SME employers thought they would employ more staff in the next 12 months than they currently did, 14 per cent believed they would employ fewer, and 62 per cent believed they would employ about the same number.
- 1.6 Turnover levels compared to 12 months ago were evenly split between the 28 per cent of SME employers stating their turnover was now greater, 34 per cent stating it was now lower and 34 per cent stating it had stayed level.
- 1.7 Two-fifths (41 per cent) of SME employers expect their turnover to increase in the next 12 months, 40 per cent believe it will remain at the same level and 14 per cent believe it will decrease.
- 1.8 Whilst the performance on these measures in the past 12 months was not as positive as that seen in the ASBS 07/08, they are much improved on figures seen from the Business Barometers that have occurred between December 2008 and February 2010.

Growth

- 1.9 Seventy-four per cent stated that they aim to grow their business over the next two to three years, an increase on the 67 per cent seen in 07/08.
- 1.10 In terms of realising this ambition, 66 per cent aim to upskill their workforce, 63 per cent aim to exploit new markets, 61 per cent aim to increase worker productivity thereby reducing costs, 51 per cent aim to increase the leadership skills of their management team, 50 per cent aim to employ more staff and 44 per cent develop new products.

Business capability

- 1.11 When SME employers were asked to rate the strengths and weaknesses of their business, they were more likely to rate their strengths as being in taking decisions on regulations and

tax issues (63 per cent), people management (59 per cent) and developing and implementing business plans and strategy (56 per cent); businesses were, however, less likely to feel their strengths lay in entering new markets (26 per cent) or ability to access external finance (25 per cent).

- 1.12 Regarding the implementation of measures to improve the performance of their business, 47 per cent of SME employers had implemented new or significantly new products or services over the past 12 months and 33 per cent had introduced new or significantly new processes. These proportions were similar to those seen in previous ASBS.
- 1.13 Twenty-three per cent of SME employers sold goods, services or licensed products outside the UK, a similar proportion to that seen in previous ASBS.
- 1.14 Among the 74 per cent of SME businesses who did not export and had no plans to do so the most common reasons given for this were lack of product (39 per cent), exporting not forming part of their business plan (34 per cent), and feeling they have sufficient business opportunities in the UK (16 per cent).
- 1.15 Sixty per cent of SME employers had arranged or funded training or development for staff in the past 12 months, a similar proportion to previous ASBS.

Access to finance

- 1.16 In the SBS 2010 a quarter (26 per cent) of SME employers had sought finance within the preceding 12 months, a small but statistically significant increase on the 23 per cent seen in 2007/08 ASBS.
- 1.17 Among those who had sought finance 56 per cent did so in order to gain working capital or cashflow, 21 per cent did so with the aim of investing in capital equipment or vehicles, 10 per cent aimed to invest the finance in land or buildings, and nine per cent to improve buildings. Compared to previous ASBS there was a greater demand for working capital/cashflow, and less demand for capital equipment or vehicles.
- 1.18 For those that did not seek finance, the over-riding reason was that they did not need it (82 per cent).
- 1.19 Bank loans were the most frequently sought type of finance (applied for by 40 per cent of those seeking finance); thirty five per cent of SME employers applied for a bank overdraft, nine per cent sought a grant or leasing or HP and six per cent applied for a mortgage for property purchase or improvements. Compared to previous ASBS the demand for overdrafts appears to have increased (up from 26 per cent ASBS 07/08).
- 1.20 The amount of finance sought was roughly the same as that sought in previous ASBS, although there was a greater proportion seeking very small loans of under £10,000.
- 1.21 Among those seeking finance over the past 12 months, 51 per cent of SME employers experienced difficulties in accessing this finance from the first source approached. Thirty-five per cent of those that tried to obtain finance were unable to obtain any from the first source they approached, a further seven per cent obtained some but not all of the money they required, whilst nine per cent obtained all they needed but with some problems..
- 1.22 This compares with 25 per cent of SMEs seeking finance reporting any difficulties from the first source approached in ASBS 07/08, with 14 per cent being unable to obtain any finance from this first source.
- 1.23 Some of those rejected for finance by the first source were able to get finance elsewhere. Overall therefore, 68 per cent of those that sought finance (18 per cent of all SME

employers) obtained all they needed, whilst 21 per cent of those that applied (5 per cent of all SME employers) obtained none. The remainder of those that applied (11 per cent) obtained some of what they needed, or were not sure of the final outcome.

- 1.24 The most common reasons for finance applications being rejected included lack of security (mentioned by 20 per cent of those whose applications were rejected), the particular business sector being too risky (nine per cent), the recession/current credit climate and a poor business/credit history (both six per cent). An additional 24 per cent said they had not been given a reason for their application being rejected.

Obstacles to the success of the business

- 1.25 When prompted with possible obstacles to the success of their business the main difficulty most frequently mentioned was the economy in general (33 per cent); Cash flow was felt to be the main obstacle by 11 per cent of SMEs, and ten per cent felt competition from other businesses to be their biggest obstacle. Compared to ASBS 07/08 the proportion citing the economy has risen by 17 percentage points.
- 1.26 Among those mentioning regulations as an obstacle, health and safety was the most frequently cited (mentioned by 35 per cent). Tax related regulations were mentioned by 20 per cent and employment regulations by 16 per cent.
- 1.27 Among those citing taxation issues as an obstacle to their business VAT was the most frequently mentioned (mentioned by 47 per cent).

Usage of business support and Government services

- 1.28 Within the previous 12 months 49 per cent of SME employers had sought business support or advice, with accountants (used by 37 per cent of those seeking advice) and consultants (20 per cent) being the most frequently used sources. One in ten SMEs (11 per cent) had used a business mentor over the past 12 months.
- 1.29 Twelve per cent of SME employers that had sought advice did so through Business Link local services, and six per cent had used the Business Link website to access support and advice.
- 1.30 In terms of their opinion on the accessibility of government services 37 per cent of SME employers agreed that government services were easily accessible. However, 45 per cent agreed that they would like government support but struggled to find out what is available.
- 1.31 Thirty per cent of SME employers had worked with the public sector in the past 12 months (only 12 per cent had bid for future public sector contracts). Over half (53 per cent) who had worked for the public sector had done so on behalf of a local authority, with 19 per cent having worked for the Health Service, 12 per cent for further or higher education institutions, and ten per cent directly for Departments of State.

2 Background and aims

Aims of the survey

- 2.1 This report sets out the key findings from the 2010 Small Business Survey (SBS), a large scale telephone survey 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 survey was conducted between 2nd July and 7th September 2010 by IFF Research Ltd.
- 2.2 The main aims of the survey were:
- To monitor key enterprise indicators and how these have changed in comparison to previous surveys. In particular the survey will measure characteristics of Small and Medium-sized Enterprises (SMEs¹) 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

- 2.3 BIS commissioned 4,000 CATI² interviews for the SBS 2010 mainstage in proportion to UK region. In addition to these the Welsh Assembly Government (WAG) commissioned a further 580 interviews as a boost, making a total of 4,580 interviews.
- 2.4 In addition to this an additional 1,726 interviews were conducted with a boost of women and MEG businesses. These interviews, which resulted in a 1,000 sample size for both women and MEG-led businesses form the basis of a separate report.
- 2.5 Within each of the four UK countries (England, Wales, Scotland and Northern Ireland) strata targets were set according to size of business. Approximately one sixth of interviews in each country were conducted with enterprises with no employees; one third with micro businesses (one to nine employees); one third with small businesses (10-49 employees); and one sixth with medium-sized businesses (50-249 employees). No other targets were set, e.g. by sector.
- 2.6 The sample was then randomly drawn across all commercial sectors of the UK economy, from the Dun & Bradstreet database.
- 2.7 The survey findings have been weighted to the 2009 SME stats, published by BIS and based mainly upon the Inter Department Business Register and Labour Force Survey (LFS). Targets were devised for broad sector within the 12 UK regions, within the four size categories.

¹ SMEs are defined as having less than 250 employees.

² Computer Assisted Telephone Interviews.

Note on the report

2.8 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 ASBS 07/08 reporting and reduces the overall sample size of the dataset to 3817.

Statistical confidence

2.9 The overall sample size is still sufficiently large to mean that overall findings for 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 +/- 1.6 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 findings³		
Base = all SME employers	Sample Size	Standard Error
All UK	3817	+/- 1.6%
East Midlands	281	+/- 5.8%
East of England	332	+/- 5.4%
London	375	+/- 5.1%
North East	115	+/- 9.1%
North West	338	+/- 5.3%
South East	511	+/- 4.3%
South West	379	+/- 5.0%
West Midlands	277	+/- 5.9%
Yorkshire and Humberside	271	+/- 6.0%
Scotland	230	+/- 6.5%
Wales	623	+/- 3.9%
Northern Ireland	85	+/- 10.6%
Micro (1-9 employees)	1528	+/- 2.5%
Small (10-49 employees)	1530	+/- 2.5%
Medium (50-249 employees)	759	+/- 3.6%
Primary (AB)	64	+/- 12.3%
Production (CDE)	527	+/- 4.3%
Construction (F)	315	+/- 5.5%
Transport, retail and distribution (GHI)	1157	+/- 2.9%
Business services (JK)	793	+/- 3.5%
Other services (LMNO)	961	+/- 3.2%

³ The table presents the standard error, at the 95% confidence level, associated with findings of 50 per cent.

3 Profile of businesses

Size (Based on 2009 'SME Stats')

- 3.1 Based on the SME Statistics for the UK and Regions 2009⁴ published by BIS there are 4.8 million enterprises in the UK, an increase of 51,000 on the 2008 figures. This increase has come about because of the rise in number of those with no employees.
- 3.2 Seventy-five per cent of these enterprises have no employees and therefore fall out of the scope of this report. Of the remaining 1.2 million employers, 84 per cent have between one and nine employees and are classified as micro businesses; 14 per cent have between 10 and 49 employees and are classified as small businesses; 2.2 per cent have between 50 and 249 employees and are classified as medium sized businesses; and 0.5 per cent have more than 250 employees and are classified as large businesses. This latter group also falls outside of the scope of this report as SMEs are defined as enterprises with fewer than 250 employees.
- 3.3 The micro businesses therefore dominate the overall findings in terms of all enterprises. In terms of employment, however, the micro businesses employ 39 per cent of all that work for SME employers, the small businesses 34 per cent, and the medium sized businesses 27 per cent. Hence although comparatively low in numbers against the micros, the small and mediums are significant in terms of the employment and turnover that they generate.

Sector⁵

- 3.4 From this point forward, all results shown are based upon the Small Business Survey 2010, with comparisons against previous Annual Small Business Surveys (ASBS) and waves of the Business Barometer.
- 3.5 Thirty-three per cent of all SME employers fall in the transport, retail & distribution (TRAD) sector which combines wholesale and retail trade, motor repair, hotels and restaurants, and transport, storage and communication. The service sector makes up 41 per cent of all SME employers, with 27 per cent in business services (financial intermediation, real estate, renting and business service activity) and 13 per cent in other services (public administration, education, health and social work, other community, social and personal activities). Business services employers are more likely to be micro employers (29 per cent) than small or medium sized employers (22 per cent and 23 per cent respectively).

⁴ <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.

⁵ The dataset is weighted according to size, broad sector and region. See technical appendix.

- 3.6 Eleven per cent of SME employers fall in the production sector (manufacturing, mining and utilities). Small employers (15 per cent) and medium employers (24 per cent) have higher than average proportions in the production sector. The construction sector makes up 12 per cent of all SME employers, whilst the primary sector (agriculture, hunting, forestry and fishing) accounts for just three per cent of all SME employers.
- 3.7 The table below provides a more detailed breakdown of SME employers in the 2010 SBS by sector.

Table 3.1: Sector				
Base = all SME employers	All SME Employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	3817	1528	1530	759
	%	%	%	%
Primary (AB)	3	3	1	1
Production (CDE)	11	10	15	24
Construction (F)	12	13	10	8
Wholesale and retail trade, repair of motor vehicles and motorcycles (G)	23	24	20	18
Hotels and restaurants (H)	5	5	8	5
Transport, storage and communication (I)	4	4	6	7
Financial intermediation (J)	2	2	2	4
Real estate, renting and business service activities (K)	25	26	20	19
Public administration and defence, compulsory social security/Education (LM)	2	2	2	4
Health and social work (N)	4	3	11	8
Other community, social and personal activities (O)	7	8	5	3
Figures in bold are statistically significant at the 95% confidence level against the overall finding				

- 3.8 Certain sectors are more likely than average to be in certain regions. London has a higher than average proportion of business services (40 per cent compared to 27 per cent average), and a lower proportion of production (six per cent) and construction (8 per cent) businesses. The South East also has a high proportion of business services (33 per cent), and has a lower than average proportion of transport, retail and distribution businesses (29 per cent). The South West has a relatively high proportion of production businesses (15 per cent), and Northern Ireland has a high proportion in the primary sector (17 per cent).

Number of sites

3.9 Eighty-six per cent of SME employers operate from one site only. Eleven per cent from between two and three sites, and only three per cent operate from four or more sites. These figures are consistent with the 2006/07 and 2007/08 ASBS.

Table 3.2: Number of sitesⁱ			
Base = all SME employers	SBS 2010	2007/08	2006/07
Un-weighted (n) =	3817	7783	8949
	%	%	%
1	86	86	86
2-3	11	12	12
4+	3	2	2
Figures in bold are statistically significant changes between the 07/08 ASBS and the 2010 SBS			

3.10 Eighty-six per cent of micro employers operate from one site only compared to 73 per cent of small employers, and 44 per cent of medium sized employers.

3.11 Those in the production sector are the most likely to operate from one site (90 per cent), whilst those in other services are the least likely (82 per cent).

Legal status

3.12 Fifty-nine per cent of SME employers are private limited companies, limited by shares. Larger SME employers are more likely than average to be private limited companies.

Table 3.3: Legal status - Trendsⁱⁱ				
Base = all SME employers	All SME Employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	3817	1528	1530	759
	%	%	%	%
Private limited company, limited by shares (LTD)	59	56	73	72
Sole Proprietorship	19	22	5	1
Partnership	10	11	8	5
Private company limited by guarantee	3	2	5	6
Charity/Not-for-profit organisation	1	1	2	3
Public Ltd Company (PLC)	2	2	3	4
Limited liability partnership	2	1	2	5
A trust	*	*	*	1
Community Interest Company (CIC, limited by guarantee or shares)	*	*	*	1
Other (e.g. unincorporated associations/ Friendly Society/ Private Unlimited Company)	1	*	*	*

Figures in bold are statistically significant at the 95% confidence level against the overall finding
 * = a figure of less than 0.5% but higher than zero

3.13 Private limited companies are more likely than average to occur in the production (73 per cent), construction (76 per cent) and business services (69 per cent) sectors. London has a high proportion of private limited companies among its SME employers at 65 per cent, whilst Scotland (45 per cent), Wales (51 per cent) and Northern Ireland (40 per cent) have the lowest proportions. This is in spite of the fact that the size of business profiles between the UK regions are very similar.

3.14 Nineteen per cent of SME employers are sole proprietorships, and 10 per cent are partnerships (excluding limited liability partnerships). The TRAD sector is made up of a higher proportion of sole proprietorships (27 per cent) and partnerships (14 per cent) than is the case elsewhere. Conversely, there are fewer sole proprietorships and partnerships in the production sector (13 per cent and eight per cent respectively), and in the business service sector (13 per cent and seven per cent respectively)

3.15 The table below illustrates the change in the legal status since ASBS 06/07. Private limited companies have risen significantly from 51 per cent in ASBS 07/08 to 59 per cent in SBS 2010. Conversely, sole proprietorships (29 per cent to 19 per cent) and partnerships (16 per cent to 10 per cent) have fallen significantly over the same time period.

Table 3.4: Legal statusⁱⁱⁱ			
Base = all SME employers	SBS 2010	2007/08	2006/07
Un-weighted (n) =	3817	7783	8949
	%	%	%
Private limited company, limited by shares (LTD)	59	51	53
Sole Proprietorship	19	29	26
Partnership	10	16	17
Private company limited by guarantee	3	2	1
Charity/Not-for-profit organisation	1	0	0
Public Ltd Company (PLC)	2	1	0
Limited liability partnership	2	1	1
A trust	*	0	0
Community Interest Company (CIC, limited by guarantee or shares)	*	*	0
Other (e.g. unincorporated associations/ Friendly Society/ Private Unlimited Company)	1	*	1
Figures in bold are statistically significant changes between the 07/08 ASBS and the 2010 SBS * = a figure of less than 0.5% but higher than zero			

- 3.16 There is also a statistically significant increase in the proportion of organisations under 'other' legal statuses, rising from four per cent in ASBS 07/08 to 10 per cent in SBS 2010. Within this grouping there has been a significant increase in private companies limited by guarantee (one per cent to three per cent), public limited companies (one per cent to two per cent) and limited liability partnerships (one per cent to three per cent).
- 3.17 Eleven per cent of the 'other' services are companies limited by guarantee (CLG's), with a further nine per cent describing themselves as charities or not for profit organisations (although this is not strictly a legal status).

VAT registration

3.18 Eighty-three per cent of SME employers are VAT registered, a decrease from the 85 per cent in ASBS 2007/08 and 89 per cent in ASBS 2006/07.

Table 3.5: VAT registration^{iv} – Trends by size				
Base = all SME employers	All SME Employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	3817	1528	1530	759
	%	%	%	%
Business is VAT registered	83	82	88	90
Business is not VAT registered	17	18	11	10
ASBS 2007/08. Un-weighted (n) =	7783	3529	2950	1304
Business is VAT registered	85	84	95	95
Business is not VAT registered	14	16	5	5
ASBS 2006/07. Un-weighted (n) =	8949	3721	3666	1562
Business is VAT registered	89	87	96	97
Business is not VAT registered	11	13	3	3
Figures in bold are statistically significant at the 95% confidence level against the overall finding for the wave of research				

3.19 The likelihood of employers being VAT registered was higher in the production (94 per cent), construction (92 per cent), transport, retail and distribution (89 per cent) and business services (86 per cent) sectors, and lower in the other services sector (45 per cent).

3.20 Older businesses were more likely to be VAT registered than average (85 per cent of those 10 years or older), while only 73 per cent of SME employers that had been trading for less than four years were VAT registered.

3.21 Sixty-three per cent of SME employers registered for VAT did so at the time of start up (53 per cent), or prior to start up (10 per cent). This was more likely to be the case in the transport, retail and distribution sector (71 per cent), and least likely in the 'other services' sector (40 per cent).

Age of business

3.22 The number of years that businesses have been trading has remained consistent with the previous ASBS, though the proportion of SMEs that have been trading for more than 20 years has fallen significantly from 42 per cent to 40 per cent.

Table 3.6: Age of business^v			
Base = all SME employers	SBS 2010	2007/08	2006/07
Un-weighted (n) =	3817	7783	8949
	%	%	%
Less than one	1	1	1
1 year	1	1	1
2 years	2	2	2
3 years	3	2	4
4 years	4	4	3
5 years	4	4	3
6-10 years	18	17	16
11-20 years	26	26	26
More than 20 years	40	42	43
Figures in bold are statistically significant changes between the 07/08 ASBS and the 2010 SBS			

3.23 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, fourteen per cent of SME employers were new businesses in 2010, an insignificant decrease on the 15 per cent identified in ASBS 2007/08.

3.24 Out of these start-ups, 54 per cent had started from scratch in the last three years, and 46 per cent had changed ownership in the last three years.

3.25 Start-ups were more likely to exist in the TRAD sector (17 per cent), and were less likely in the business services and production sectors (both 11 per cent). There was a lower proportion of start-ups in London (nine per cent) and Northern Ireland (five per cent), and a higher proportion in the North East (34 per cent). Only 10 per cent of medium sized employers were start-ups, lower than the average of 14 per cent.

Number of partners/directors

3.26 Forty-one per cent of SME employers have only one partner/director, down four percentage points on ASBS 07/08, but a similar proportion to that seen in 06/07. Six per cent have five or more directors or partners, which is a significant rise on both previous ASBS. Businesses with five or more directors/partners are commonly within the 'other services' sector, where they account for 24 per cent.

Table 3.7 : Number of partners/directors^{vi}			
Base = all SME employers	SBS 2010	2007/08	2006/07
Un-weighted (n) =	3817	7783	7676
	%	%	%
1	41	45	42
2	39	38	41
3	11	9	10
4	4	4	4
5 to 8	4	2	2
9 to 12	1	1	*
13+	1	*	*

Figures in bold are statistically significant changes between the 07/08 ASBS and the 2010 SBS
 * = a figure of less than 0.5% but higher than zero

Family businesses

3.27 Sixty-two per cent of SME employers are family owned businesses (a business which is majority owned by members of the same family), compared to 69 per cent in ASBS 2007/08 and 68 per cent in ASBS 2006/07.

Table 3.8: Family businesses^{vii} – Trends by Sector							
Base = all SME employers	All SME Employers	Primary	Production	Construction	TRAD	Business services	Other services
SBS 2010. n=	3817	64	527	315	1157	793	961
	%	%	%	%	%		%
Family owned business	62	90	66	74	73	56	32
ASBS 2007/08. n=	7783	159	1339	742	2989	1724	830
Family owned business	69	93	71	79	77	56	44
ASBS 2006/07. n=	8949	232	1932	888	3827	1554	516
Family owned business	68	89	64	74	74	58	49

Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research

- 3.28 Consistent with ASBS 2007/08, family owned businesses were most prevalent in the primary, construction and transport, retail and distribution sectors, and less common in the service sectors. Small and medium employers were significantly less likely to be family owned at 53 per cent of small businesses and 47 per cent of medium sized businesses, compared to 64 per cent of micro businesses.
- 3.29 Family owned businesses were most common in Yorkshire/Humberside (71 per cent) and the East Midlands (69 per cent), and were least common in London (54 per cent).
- 3.30 Compared to ASBS 07/08 the decrease in family owned businesses is significant in the production, transport, retail and distribution and 'other service' sectors.

Women led businesses

- 3.31 Fourteen per cent of SME employers are women-led (defined as led by a woman or having a management team made up mostly of women). A further 25 per cent were equally led by men and women. This makes a total of 39 per cent of SME employers equally or majority led by women.
- 3.32 Overall, the proportion of women-led businesses among SME employers has remained constant since ASBS 06/07.

Table 3.9^{viii}: Leadership by gender – Trends			
Base = all SME employers	SBS 2010	ASBS 2007/08	ASBS 2006/07
Un-weighted (n) =	3817	7783	8949
	%	%	%
Majority-led by women	14	14	14
Equally-led	25	24	26
At least 50 per cent female leadership (majority-led by women & equally led)	39	39	40
Women in a minority	9	8	7
Entirely male-led	52	53	52
Figures in bold are statistically significant changes between the 07/08 ASBS and the 2010 SBS			

- 3.33 There was a higher proportion of women led employers in the 'other services' sector (32 per cent), and a lower proportion in production (six per cent) and construction (four per cent). Only eight per cent of medium-sized employers were women-led, with no significant differences between the overall average and micro (15 per cent) or small employers (13 per cent).
- 3.34 Women-led businesses were more common among micro and small businesses (15 and 13 per cent respectively) than medium-sized businesses (10 per cent). By region there was a higher proportion of women led businesses in the North West (19 per cent), and a lower proportion in London (10 per cent). Twenty-one per cent of those classified as start-ups were women-led, higher than the overall average, and the same as that in ASBS 07/08.

3.35 Seventeen per cent of SME employers were majority *owned* by women, which is different from being women-led. Nine per cent were both women-led and women-owned; five per cent were women-led but not women-owned; and eight per cent were women-owned but not women-led.

Minority Ethnic Group (MEG) led businesses

3.36 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.

3.37 Thirteen per cent of employers in the transport, retail and distribution sector were MEG led, higher than the overall average of nine per cent, whilst only three per cent of employers in the construction and production sectors were MEG-led. There was also a lower proportion of MEG led businesses amongst small (seven per cent) and medium-sized SMEs (four per cent), than was the case for micro businesses (nine per cent). Eleven per cent of start-ups are MEG-led, which is significantly higher than the average.

3.38 The proportion of SME employers in the UK that are MEG-led is the same as that seen in ASBS 07/08, and only one percent higher than in ASBS 06/07.

Social enterprises

3.39 Twenty-six per cent of all SME employers thought of their business as a social enterprise: a business that has mainly social or environmental aims⁶. This is significantly less than the 29 per cent claiming this in ASBS 07/08, but the same figure as in 06/07.

Table 3.10: Social Enterprises^{ix} – Trends			
Base = all SME employers	SBS 2010	ASBS 2007/08	ASBS 2006/07
Un-weighted (n) =	3817	7783	8949
	%	%	%
Perceive themselves as a social enterprise	26	29	26
Conform to BIS definition of a social enterprise	7	6	4
Figures in bold are statistically significant changes between the 07/08 ASBS and the 2010 SBS			

3.40 These self-defined social enterprises were more likely than average to be found in the North East of England (37 per cent), Scotland (34 per cent) and Wales (32 per cent).

3.41 Thirty-four per cent of businesses founded in the last three years defined themselves as social enterprises, compared to 25 per cent of those founded 10 years ago or before.

⁶ This question was not asked to those businesses that pay more than 50% of profits to shareholders. 19 per cent (weighted) were not asked this question but are still included in the base population.

- 3.42 Nearly a third of those agreeing with this statement were found in the 'other services' sector. Indeed, 55 per cent of all in 'other services' thought of their business as one with mainly social or environmental aims.
- 3.43 The Department for Business Innovation and Skills has a further defined definition of a social enterprise. This requires the enterprise to consider itself a social enterprise as above, but not pay more than 50% of profit or surplus to owners or shareholders, generate more than 25% of income from trading, and therefore having less than 75% of turnover from grants or donation. In addition, they have to think themselves a very good fit with the statement 'a business with primarily social or environmental objectives, whose surpluses are principally reinvested for that purpose in the business or community, rather than mainly being paid to shareholders and owners.'
- 3.44 Under this definition seven per cent of SME employers could be considered to be social enterprises. This is one percentage point higher than in ASBS 07/08, and three percentage point more than that seen in ASBS 06/07.⁷
- 3.45 Under this definition 22 per cent of 'other services' are classified as social enterprises, six per cent of transport, retail and distribution, four per cent of construction, four per cent of business services, three per cent of production, and two per cent of primary SME employers. There were no significant differences according to the size or age of the enterprise.

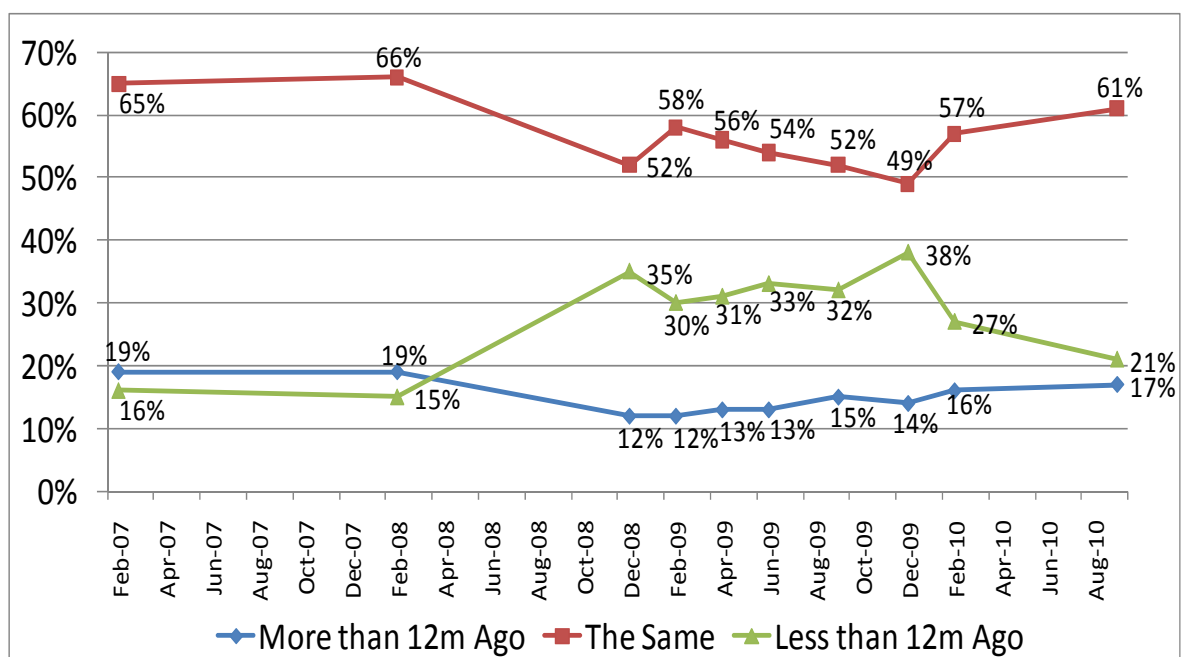
⁷ BIS produces an estimate of the total number of social enterprise employers separately using a three survey point estimate. This will be published on the BIS website alongside the SBS 2010 report.

4 Business Performance

Numbers employed compared to 12 months ago

4.1 Seventeen per cent of SME employers employed more people than was the case 12 months ago. Twenty-one per cent were employing fewer than before, and 61 per cent approximately the same number.

Figure 4.1: Numbers Employed Now Compared to 12 Months Previously (Employers in Firms trading at least one year)



Base: All SME Employers trading 1 year + (8856/7783/500/503/501/500/501/500/501/3736)



4.2 Figure 4.1 above shows the trends in this measure from the two previous ASBSs, but also for the Business Barometer⁸ series between December 2008 and February 2010.

⁸ A regular BIS survey, each wave of which consists of interviews with 500 SME employers

- 4.3 Between the ASBS 07/08⁹ and the December 08 Barometer the proportion claiming fewer employees rose sharply from 15 to 35 per cent, due to the onset of the credit crunch and recession. This high proportion continued at similar levels until December 09, after which there was a decline in the proportion in February 10. SBS 2010 continues this trend, and the figures here are similar to those seen in the two ASBSs.
- 4.4 By sector, those in production were more likely to be employing more people than 12 months ago than was the case in other sectors (22 per cent). However, they were also more likely than average to be employing fewer workers (28 per cent), as was also the case in the construction sector.
- 4.5 In comparison with the 2007/08 ASBS all sectors except primary and 'other services' were likely to be employing fewer people than 12 months ago. This is particularly the case with the construction and production sectors.

Table 4.1: Numbers Employed Compared to 12 Months Ago^x – Trends by Sector							
Base = all SME employers trading for at least 1 year	All SME Employers	Primary	Production	Construction	TRAD	Business Services	Other Services
SBS 2010. n=	3779	64	522	312	1136	824	921
	%	%	%	%	%	%	%
More than 12m Ago	17	11	22	19	16	18	16
Same as 12m Ago	61	82	50	47	64	61	71
Fewer than 12m Ago	21	7	28	34	19	20	13
ASBS 2007/08. n=	7700	158	1325	737	2936	1719	825
More than 12m Ago	19	17	21	21	16	22	18
Same as 12m Ago	66	74	64	65	69	64	61
Fewer than 12m Ago	15	9	16	15	15	14	21
ASBS 2006/07. n=	8856	232	1927	883	3752	1552	510
More than 12m Ago	19	9	20	19	16	24	26
Same as 12m Ago	65	76	60	58	68	63	64
Fewer than 12m Ago	16	15	19	23	15	13	10
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research							

⁹ Fieldwork dates 5th November 2007 to 20th February 2008.

- 4.6 It was the largest SMEs that were the most likely to employ more compared to a year ago: this being the case for 29 per cent of medium-sized businesses, compared to 26 per cent of small businesses and 16 per cent of micro businesses. One of the reasons for this is that the size of business changes over time, and it could be that some of the now micro businesses used to be classified as small businesses.

Table 4.2: Numbers Employed Compared to 12 Months Ago^{xi} – Trends by Size				
Base = all SME employers trading for at least 1 year	All SME Employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	3779	1502	1520	757
	%	%	%	%
More than 12m Ago	17	16	26	29
Same as 12m Ago	61	64	48	45
Fewer than 12m Ago	21	20	26	26
ASBS 2007/08. Un-weighted (n) =	7700	3477	2925	1298
More than 12m Ago	19	16	30	38
Same as 12m Ago	66	68	55	49
Fewer than 12m Ago	15	15	16	13
ASBS 2006/07. Un-weighted (n) =	8856	3660	3635	1561
More than 12m Ago	19	17	29	42
Same as 12m Ago	65	67	55	45
Fewer than 12m Ago	16	16	16	13
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research				

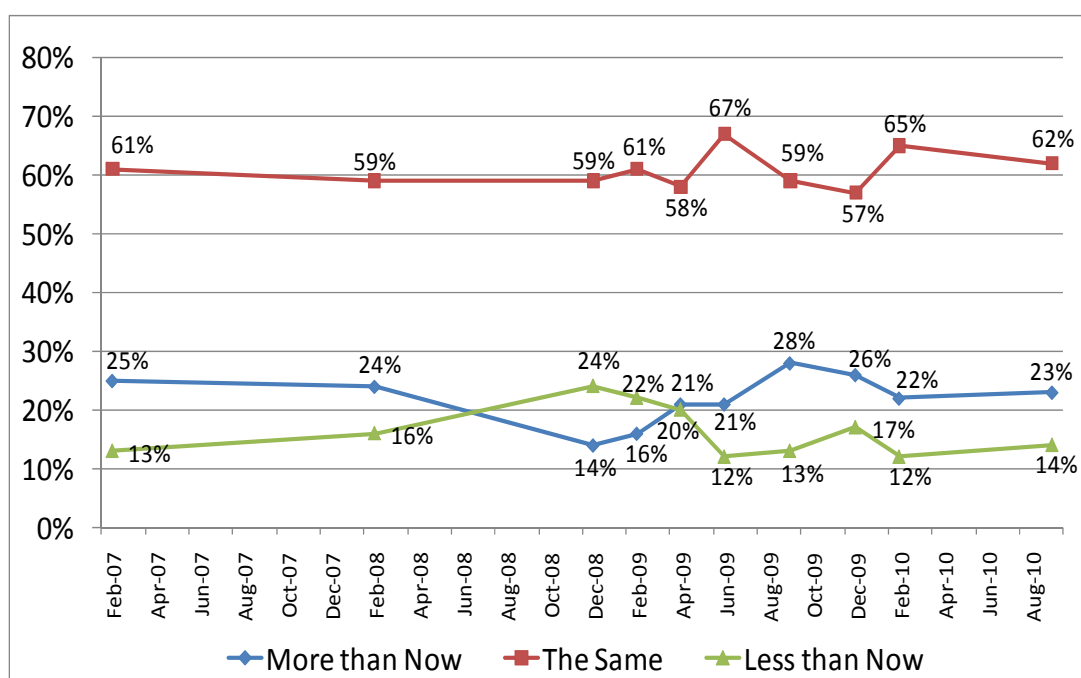
- 4.7 By region, those in Northern Ireland were the most likely to be now employing fewer people (30 per cent), and those in the South West were the most likely to be employing more (21 per cent).
- 4.8 There was also a correlation with employment levels and whether the SME was seeking finance. Twenty-eight per cent of those who sought finance in the last 12 months were employing fewer people than a year ago, seven percentage points above the average.

4.9 Compared with 07/08 the credit crunch and recession has affected SME employers of all sizes. All sizes of SME employers were more likely to be employing fewer people, and less likely to be employing more people. However, as noted in Figure 4.1 the long term trend in this respect is getting more positive.

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

4.10 Twenty-three per cent of SME employers expected to be employing more staff in 12 months time. Sixty-two per cent expected to employ roughly the same numbers, and 14 per cent expected to employ fewer.

Figure 4.2: Number of People Expecting to Employ in 12 Months



Base: All SME Employers (8949/7783/500/503/501/500/501/500/501/3817)

BIS Department for Business Innovation & Skills

4.11 The long term trends in this measure are fairly static. The proportion expecting to employ fewer staff dipped to its lowest level in December 2008, but since April 2009 there has been little change in this proportion. The SBS 2010 figures were similar to those seen in the two previous ASBSs.

- 4.12 The primary sector was the most positive with regards to increasing employment levels, with 34 per cent saying they would employ more in 12 months time. The 'other services' were the least likely to say this (18 per cent), and were more likely than average to say they would employ the same numbers (64 per cent) or fewer (17 per cent).
- 4.13 Compared to the ASBS 07/08 those in the primary sector were more likely to think employment levels will increase, and those in business and other services were less likely to think this.

Table 4.3: Number of people expecting to employ in 12 months time^{xii} – trends by sector							
Base = all SME employers	All SME Employers	Primary	Production	Construction	TRAD	Business Services	Other Services
SBS 2010. n=	3817	64	527	315	1157	827	927
	%	%	%	%	%	%	%
More in 12m Time	23	34	26	19	23	24	18
Same in 12m Time	62	50	57	62	62	62	64
Fewer in 12m Time	14	14	14	16	13	13	17
ASBS 2007/08. n=	7783	159	1339	742	2989	1724	830
More in 12m Time	24	12	25	24	21	29	29
Same in 12m Time	59	65	60	58	61	55	57
Fewer in 12m Time	16	22	15	18	17	16	14
ASBS 2006/07. n=	8949	232	1932	888	3827	1554	516
More in 12m Time	25	12	30	26	21	30	32
Same in 12m Time	61	66	56	61	64	58	56
Fewer in 12m Time	13	23	13	12	14	11	10
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research							

- 4.14 The larger SMEs were most likely to think they will employ more in a year's time. Thirty-four per cent of medium-sized businesses thought this, compared to 29 per cent of the small ones, and 22 per cent of the micros.
- 4.15 Compared to the ASBS 07/08 it is the medium sized businesses that were less likely to think they would employ more – the proportion decreasing by four percentage points.
- 4.16 By region, those in the East Midlands were the ones most likely to think they would employ more in 12 months time (29 per cent). Those in the North West were the ones most likely to think they would employ fewer (17 per cent).
- 4.17 Start-ups were generally positive about employing more – 40 per cent said they would have more staff in 12 months time. This was a higher figure for this group than that seen in the ASBS 07/08 (34 per cent). Those that sought finance in the last 12 months were also more likely than average to think employment levels would rise (31 per cent).

Table 4.4: Numbers Expect to Employ in 12 Months Time Compared to Now – Trends by Size^{xiii}				
Base = all SME employers	All SME Employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	3817	1528	1530	759
	%	%	%	%
More in 12m Time	23	22	29	34
Same in 12m Time	62	64	54	50
Fewer in 12m Time	14	13	16	14
ASBS 2007/08. Un-weighted (n) =	7783	3529	2950	1304
More in 12m Time	24	22	31	38
Same in 12m Time	59	60	52	47
Fewer in 12m Time	16	17	16	14
ASBS 2006/07. Un-weighted (n) =	8949	3721	3666	1562
More in 12m Time	25	23	33	41
Same in 12m Time	61	62	54	45
Fewer in 12m Time	13	13	12	14
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research				

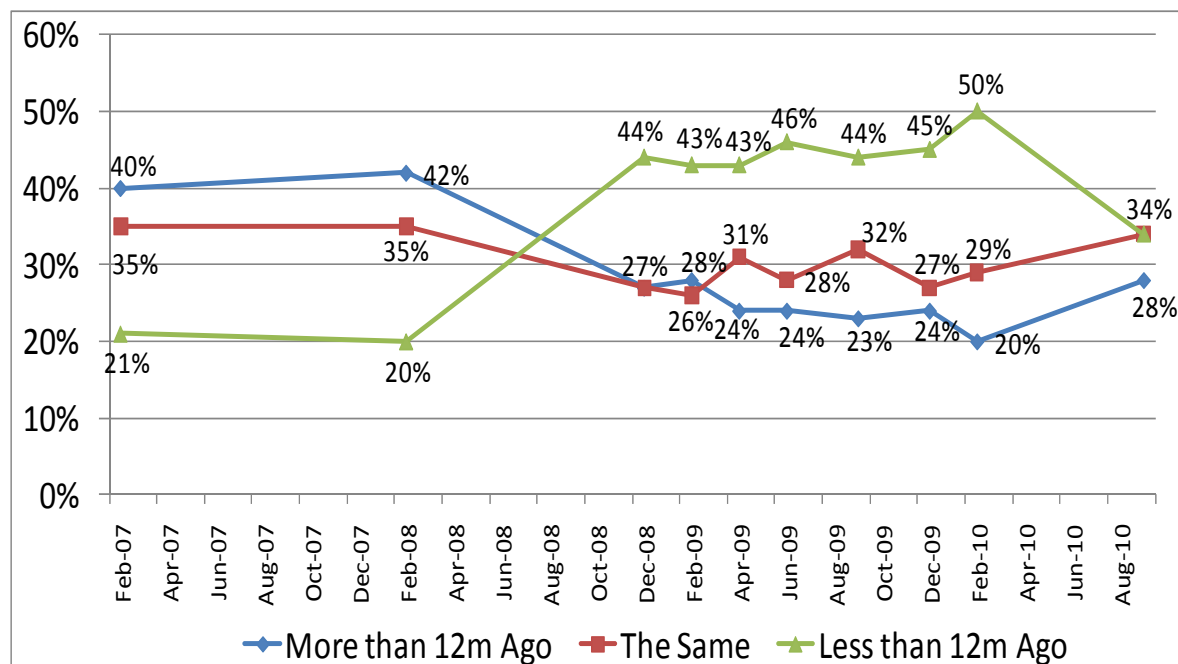
Turnover

- 4.18 The mean average turnover of an SME employer in the SBS 2010 was £1,156,000. This varied greatly according to size of SME with the mean average for micro businesses being £606,000, £2,848,000 for a small business, and £10,629,000 for a medium sized business.
- 4.19 Because mean averages are often inflated by a few high numbers we have also looked at median averages. The overall median turnover for SME employers was £442,000, £253,000 for micros businesses, £1,424,000 for small businesses, and £7,500,000 for medium-sized businesses.
- 4.20 Although it is not possible to do a mean average comparison because the scale differs on this question between ASBS 07/08 and SBS 2010, the median overall average for SME employers in ASBS 07/08 was £322,000, more than £100,000 lower than the 2010 figure.

Turnover now compared to 12 months previously

4.21 Twenty-eight per cent of SME employers in the 2010 SBS said that turnover was greater than it was a year ago. Thirty-four per cent said it was about the same, and a further 34 per cent said it was less.

Figure 4.3: Turnover Now Compared to 12 Months Previously



Base: All SME Employers trading 1 year + (8856/7783/500/503/501/500/501/500/501/3779)

BIS Department for Business Innovation & Skills

4.22 Although overall there were more SME employers claiming lower than higher turnover in the SBS 2010, the proportion saying that turnover was less has declined since the February 2010 Business Barometer – down from 50 per cent to 34 per cent.

4.23 Conversely, the overall proportion saying that turnover had increased was up to 28 per cent, from 20 per cent in the February 2010 Business Barometer, a statistically significant increase.

4.24 'Other' (31 per cent) and business services (30 per cent) are the sectors that were more likely than average to report higher turnover than a year ago. The construction industry was the sector most likely to report lower turnover (45 per cent).

4.25 Compared to ASBS 07/08 all sectors with the exception of the 'other services' were less likely to report increased turnover, and were more likely to report lower turnover.

Table 4.5: Turnover Now Compared to 12 Months Previously ^{xiv} – Trends by Sector							
Base = all SME employers trading for at least 1 year	All SME Employers	Primary	Production	Construction	TRAD	Business Services	Other Services
SBS 2010. n=	3779	64	522	312	1136	824	921
	%	%	%	%	%	%	%
Turnover Greater Now	28	36	24	24	26	30	31
Same as 12m Ago	34	38	35	26	32	33	43
Turnover Lower Now	34	24	38	45	36	34	22
ASBS 2007/08. n=	7700	158	1325	737	2936	1719	825
Turnover Greater Now	42	47	47	40	38	49	35
Same as 12m Ago	35	35	33	39	35	31	40
Turnover Lower Now	20	18	19	17	23	17	22
ASBS 2006/07. n=	8856	232	1927	883	3752	1552	510
Turnover Greater Now	40	33	41	42	37	47	38
Same as 12m Ago	35	41	34	33	35	33	43
Turnover Lower Now	21	23	23	22	23	16	15
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research							

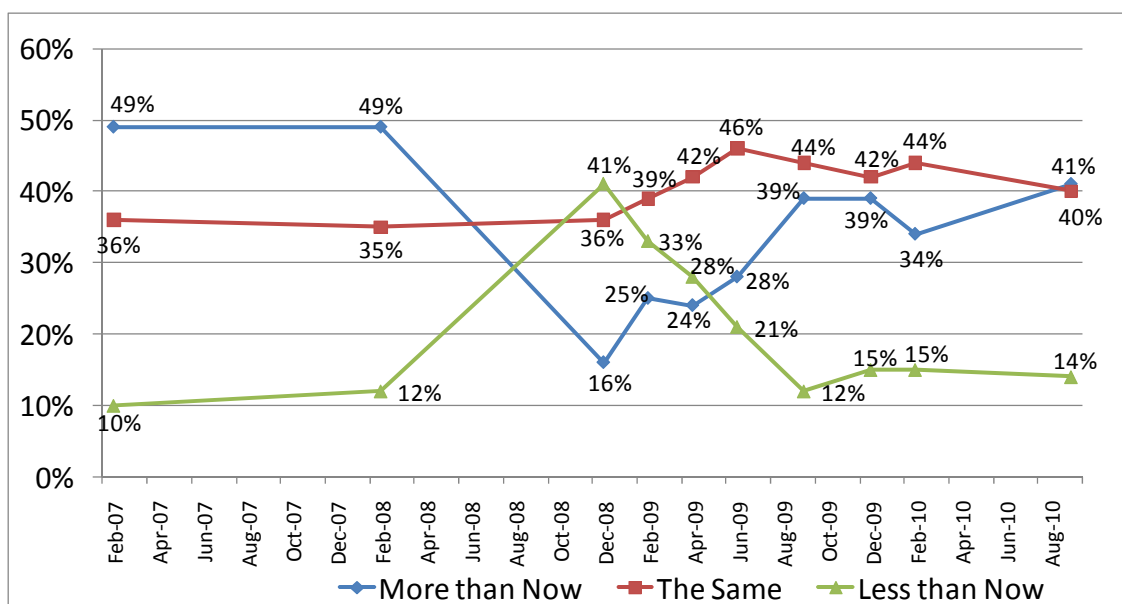
- 4.26 By size, micro businesses were the least likely to report greater turnover (26 per cent), and medium-sized SMEs the most likely (44 per cent). Even so, compared to ASBS 07/08 all sizes of SME employers were less likely to report greater turnover, and were more likely to report lower turnover.
- 4.27 Those in Yorkshire/Humberside were more likely to report decreased turnover than any other region (43 per cent).
- 4.28 Thirty-seven per cent of start-ups were able to report increased turnover, with only 22 per cent reporting lower turnover. By contrast only 25 per cent of those trading for ten years or more had increased turnover, with 37 per cent having lower turnover.

Table 4.6: Turnover Now Compared to 12 Months Previously ^{xv} – Trends by Size				
Base = all SME employers trading for at least 1 year	All SME Employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	3779	1502	1520	757
	%	%	%	%
Turnover Greater Now	28	26	33	44
Same as 12m Ago	34	34	30	30
Turnover Lower Now	33	35	33	24
ASBS 2007/08. Un-weighted (n) =	7700	3477	2925	1298
Turnover Greater Now	42	40	51	61
Same as 12m Ago	35	36	32	26
Turnover Lower Now	20	22	16	11
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave				

Expectations of turnover in 12 months time

- 4.29 Forty-one per cent of SME employers expected to have higher turnover in 12 months time, 40 per cent thought it would be the same and 14 per cent thought it would be lower.
- 4.30 Although expectations for higher turnover were not as high as those seen in the 2006/07 and 2007/08 ASBSs, the overall trend is positive. The low point was in December 2008 when only 16 per cent thought they would have higher turnover in 12 months time. This proportion has steadily risen since, and but for a blip in the February 2010 Barometer, continues to increase.
- 4.31 The proportion expecting lower turnover in 12 months time has remained steady since September 2009.

Figure 4.4: Expectations of Turnover in 12 Months Time



Base: All SME Employers (8949/7783/500/503/501/500/501/500/501/3817)

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Innovation & Skills

- 4.32 SME employers in the primary (61 per cent) and production (47 per cent) sectors were most likely to think turnover would increase; whilst the construction sector was the most likely to think it would decrease (22 per cent). Compared with the ASBS 07/08 all sectors with the exception of primary were statistically significantly less likely to say that their turnover would rise in the next year.
- 4.33 By region those in the South West (35 per cent) and Wales (37 per cent) were significantly less likely than average to think turnover would rise. Those in Wales were also more likely than average to think turnover would decrease (20 per cent).

4.34 By size, medium-sized businesses were more likely to think turnover would rise (57 per cent) than the small (45 per cent) and micro businesses (40 per cent).

Table 4.7: Expectations of Turnover in 12 Months Time ^{xvi} – Trends by Sector							
Base = all SME employers	All SME Employers	Primary	Production	Construction	TRAD	Business Services	Other Services
SBS 2010. n=	3817	64	527	315	1157	827	927
	%	%	%	%	%	%	%
More than now	41	61	47	34	40	44	39
Same as now	40	20	35	42	41	41	42
Less than now	14	11	13	22	13	13	14
ASBS 2007/08. n=	7783	159	1339	742	2989	1724	830
More than now	49	50	51	44	47	53	47
Same as now	35	40	34	40	34	32	36
Less than now	12	7	11	13	14	12	9
ASBS 2006/07. n=	8949	232	1932	888	3827	1554	516
More than now	49	38	51	43	48	56	54
Same as now	36	40	35	39	36	34	38
Less than now	10	12	10	13	12	6	6
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research							

Table 4.8: Expectations of Turnover in 12 Months Time ^{xvii} – Trends by Size				
Base = all SME employers	All SME Employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	3817	1528	1530	759
	%	%	%	%
More than now	41	40	45	57
Same as now	40	41	37	31
Less than now	14	15	13	11
ASBS 2007/08. Un-weighted (n) =	7783	3529	2950	1304
More than now	49	47	54	63
Same as now	35	35	32	26
Less than now	12	13	12	10
ASBS 2006/07. Un-weighted (n) =	8949	3721	3666	1562
More than now	49	48	58	67
Same as now	36	37	31	24
Less than now	10	10	7	6
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research				

Profit

4.35 Seventy-one per cent of SME employers generated a profit or surplus in their last financial year. Medium sized businesses were more likely to have done so (81 per cent).

Table 4.9: Whether generated a profit or surplus in the last financial year^{xviii} – Trends by Size				
Base = all SME employers	All SME employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	3817	1528	1530	759
	%	%	%	%
Yes	71	71	72	81
No	24	24	23	16
Don't know	1	1	1	*
Unwilling to answer	4	4	4	*
ASBS 2007/08. Un-weighted (n) =	7783	3529	2950	1304
Yes	78	78	82	85
No	17	17	14	13
Don't know	4	4	3	2
Unwilling to answer	1	1	1	1
ASBS 2006/07. Un-weighted (n) =	8949	3721	3666	1562
Yes	78	77	82	85
No	17	17	14	12
Don't know	4	5	2	2
Unwilling to answer	2	2	1	1
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research * = a figure of less than 0.5% but higher than zero				

4.36 In comparison to the previous ASBSs fewer businesses made a profit – seven percentage points fewer overall. This was the case for all sizes of SME employers.

4.37 By sector, the 'other services' were the least likely to have made a profit (65 per cent). This sector includes a higher than average proportion of not-for-profit enterprises.

4.38 Social enterprises, however, were as likely to have made a profit as SME employers generally (74 per cent vs. 71 per cent for all, but not a statistically significant difference).

4.39 Those in the South West (76 per cent) and Northern Ireland (83 per cent) were the ones most likely to have made a profit. Those in the West Midlands were the least likely to have done so (66 per cent).

4.40 Only 56 per cent of SME employers trading for less than four years made a profit, compared to 72 per cent of those trading for 10 years or more.

4.41 Only 64 per cent of those that sought finance in the last year made a profit, compared to 74 per cent of those that did not.

4.42 Nineteen per cent of SME employers pay more than 50 per cent of profit or surplus to owners or shareholders, a proportion that is similar to that seen in the previous ASBS's. This proportion varied by size of business. Twenty per cent of micro businesses paid more than 50 per cent profit to owners or shareholders, but only 16 per cent of small businesses and 15 per cent of medium sized ones did so.

Table 4.10: Whether pay more than 50% of profit or surplus to owners or shareholders^{xix} – Trends			
Base = all SME employers	SBS 2010	ASBS 2007/08	ASBS 2006/07
Un-weighted (n) =	3817	7783	8949
	%	%	%
Yes	19	18	20
No	72	75	72
Have never generated a profit or surplus	2	1	2
Don't know	7	4	6
Unwilling to answer	1	1	*
Figures in bold are statistically significant changes between the 07/08 ASBS and the 2010 SBS			
* = a figure of less than 0.5% but higher than zero			

4.43 This dividend was most likely to be paid in business services (31 per cent), and was less likely in production (15 per cent), construction (14 per cent), transport, retail and distribution (16 per cent) and other services (10 per cent).

Plans for closure or transfer of business

4.44 Six per cent of SME employers anticipated closing their business or transferring ownership in the next five years. Seventeen per cent anticipated the full transfer of ownership in this period. The figures were lower than in ASBS 07/08 when eight per cent anticipated closure, and 19 per cent transferral of ownership. Transferral of ownership was most likely to occur in transport, retail and distribution (19 per cent).

Table 4.11: Whether anticipate the closure or full transfer of their business in the next five years^{xx} - by Size				
Base = all SME employers	All SME Employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	3817	1528	1530	759
	%	%	%	%
Yes, anticipate the closure of the business	6	6	3	1
Yes, anticipate the full transfer of ownership of the business	17	16	18	11
No	71	70	72	81
Don't know	7	7	7	7
Figures in bold are statistically significant at the 95% confidence level against the overall finding				

- 4.45 Those intending to close or transfer do appear to have fared worse in the previous 12 months in terms of employment. Twenty-seven per cent were employing fewer people than 12 months previously, compared to 19 per cent of those who do not anticipate closure or transfer; whilst 21 per cent think they will have fewer staff in 12 months time, compared to 11 per cent of those who will not close/transfer.
- 4.46 Similarly, forty-seven per cent of those who might close or transfer reported lower turnover compared with 12 months previously, with compares with 30 per cent of those not anticipating closure or transfer. Twenty-two per cent think turnover will decrease in the next 12 months, compared to 12 per cent of those not anticipating closure or transfer.
- 4.47 Of those anticipating closure or transfer, 73 per cent were businesses aged 10 years or more, which compares with 64 per cent of those not anticipating transfer/closure.

5 Growth

Plans for growth

- 5.1 Seventy four per cent of SME employers aim to grow their business over the next two to three years. Medium sized SMEs were more likely to want to do this than small and micro ones.

Base = all SME employers	All SME employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	3817	1528	1530	759
	%	%	%	%
Yes	74	72	80	89
No	26	28	20	11
ASBS 2007/08. Un-weighted (n) =	7783	3529	2950	1304
Yes	67	65	77	88
No	33	35	23	12
ASBS 2006/07. Un-weighted (n) =	8949	3721	3666	1562
Yes	65	62	76	88
No	35	38	24	12

Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research

- 5.2 Compared to previous years the ambition to grow in SBS 2010 is greater. In ASBS 07/08 about two-thirds of SME employers aimed to grow their business: the proportion now being just under three-quarters.
- 5.3 Both those who have more employees than they had 12 months ago, and those that have fewer, are more likely than average to want to grow. Eighty-seven per cent of the former group aim to grow, and 77 per cent of the latter (indicating that they want to grow back at least to their previous levels). It is those with consistent employment levels that are less likely than average to want to grow (69 per cent).
- 5.4 The increase in growth ambition comes mainly from micro businesses. Medium-sized businesses were as likely to want to grow in SBS 2010 as was the case a few years ago.
- 5.5 The sectors most likely to want to grow are production (81 per cent) and business services (78 per cent). Less likely than average to want to grow are transport, retail and distribution (69 per cent), 'other services' (69 per cent) and primary (62 per cent).
- 5.6 The East Midlands was the region with the highest proportion of SME employers wanting to grow (80 per cent). The lowest proportions were in the South West (68 per cent) and Scotland (65 per cent).
- 5.7 Ninety-one per cent of businesses founded in the last three years aimed to grow, compared to 69 per cent of those aged 10 years or more.

- 5.8 Eighty-five per cent of those who sought finance in the last 12 months aimed to grow, compared to just 69 per cent of those that did not.
- 5.9 Sixty-three per cent of those anticipating closure or transfer in the next five years intend to grow their business over the next two to three, compared to 77 per cent of those not anticipating closure or transfer.
- 5.10 Of those intending to grow, 66 per cent intended to do so through internal finance only, 12 per cent through external finance only, and 20 per cent through a combination of both. Therefore, 32 per cent of this group want to grow using external finance. The increase in this proportion on ASBS 07/08 is significant, but the proportion only returns to the level seen in ASBS 06/07.
- 5.11 Whereas the proportion that would *only* use external finance was similar according to company size, the proportion that would use both internal *and* external finance increases accordingly. Thus, 41 per cent of medium sized businesses would use any external finance, compared to 38 per cent of small businesses, and 30 per cent of micro businesses.

Table 5.2: Whether SMEs aim to grow their business through internal or external finance^{xxii} – Trends			
Base = all SME employers that aim to grow their business over the next two to three years	SBS 2010	ASBS 2007/08	ASBS 2006/07
Un-weighted (n) =	2922	5678	6476
	%	%	%
Internal finance	66	69	64
External finance	12	11	13
Both	20	17	20
Don't know	2	2	3
ANY INTERNAL	86	86	84
ANY EXTERNAL	32	28	33
Figures in bold are statistically significant changes between the 07/08 ASBS and the 2010 SBS			

- 5.12 By sector it is the 'other services' that were most likely to want to make use of external finance (45 per cent), and those in the construction sector that want to grow were the least likely to want to use external finance (23 per cent).

Extent of plans for achieving future business growth

5.13 Sixty-six per cent of all SME employers intended to increase the skills of their workforce in the next two to three years, 61 per cent intended to reduce costs by increasing the productivity of their workers, and 51 per cent intended to increase the leadership capability of their managers. Sixty-three per cent of SME employers intended to increase their turnover by exploiting new markets, and 44 per cent intended to develop new products.

Table 5.3: Extent of plans for achieving future growth^{xxiii} – Trends¹⁰				
Base = all SME employers	SBS 2010			ASBS 07/08
	All	Aim to Grow	Do not Aim to Grow	Aim to Grow
Un-weighted (n) =	3817	2922	895	5678
	%	%	%	%
Increase the skills of the workforce	66	75	43	61
Increase turnover by exploiting new markets	63	75	31	68
Reduce costs by increasing the productivity of workers	61	67	44	57
Increase the leadership capability of managers	51	60	28	52
Employ more staff	50	64	11	N/A
Develop new products	44	52	25	47
None of these	8	3	25	N/A
Figures in bold are statistically significant changes between the 07/08 ASBS and the 2010 SBS, based on those aiming to grow				

5.14 In the 07/08 ASBS this question was only asked of those aiming to grow. For comparative purposes therefore we need to compare the ASBS results with those in the 2010 survey aiming to grow. From this we can see increases in every category, most notably in 'increasing the skills of the workplace' which has risen by 14 percentage points.

5.15 Of those not aiming to grow, reducing costs is the action most likely to be taken (44 per cent).

5.16 For all these measures medium-sized businesses are much more likely to intend to do them than small ones, and small ones are much more likely to do them than micro businesses. Start-ups were more likely to want to do all of these actions than those aged 10 years or more.

¹⁰ Please note that in the ASBS 07/08 this question was only asked of those intending to grow.

Table 5.4: Extent of plans for achieving future growth ^{xxiv} – by Sector							
Base = all SME employers	All SMEs	Primary	Production	Construction	TRAD	Business services	Other services
SBS 2010. Un-weighted (n) =	3817	64	527	315	1157	793	961
	%	%	%	%	%	%	%
Increase skills of the workforce	66	56	72	68	61	66	77
Increase turnover by exploiting new markets	63	61	74	65	62	67	50
Reduce costs by increasing the productivity of workers	61	68	70	71	59	60	48
Increase the leadership capability of managers	51	32	50	52	49	49	64
Employ more staff	50	47	61	53	45	52	45
Develop new products	44	42	65	32	44	45	38
None of these	8	12	3	7	10	8	10
Figures in bold are statistically significant at the 95% confidence level against the overall finding							

5.17 There are some key differences by sector, however. The production sector was more likely than average to be planning to do all of these actions, with the exception of increasing the leadership capability of its management. The construction industry was keen to cut costs by increasing productivity, but not to develop new products. Both business services and production were the sectors most likely to want to exploit new markets, whilst 'other services' were the most keen to increase workforce skills and increase leadership capability (perhaps because the education sector falls within this category).

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.
- 6.2 For most tasks medium sized businesses considered themselves more capable than the small and micros.
- 6.3 Overall, SME employers were most likely to consider themselves capable of taking decisions on *regulation and tax issues*. Sixty-three considered themselves strong at this, and only nine per cent thought they were poor. Most likely to consider themselves poor at this were those in the North East (19 per cent poor), West Midlands (16 per cent) and Yorkshire (14 per cent).
- 6.4 Seven per cent of those that considered themselves strong at taking decisions on regulation and tax issues considered regulations their main obstacle to success, and eight per cent considered tax their main obstacle. This compares with nine per cent and fourteen per cent respectively among those considering themselves as poor at these aspects
- 6.5 Fifty-nine per cent considered themselves strong at *people management*, and 10 per cent considered themselves poor. Micro businesses were much more likely to think of themselves as poor than medium sized ones, as were those in transport, retail and distribution (14 per cent), the North East (22 per cent) and West Midlands (14 per cent).
- 6.6 Fifty-six per cent considered themselves strong at *developing and implementing a business plan and strategy*, with 14 per cent thinking themselves poor. This was most likely to be the case for those in production (17 per cent), construction (19 per cent), transport, retail and distribution (17 per cent) and the West Midlands (21 per cent).

Table 6.1: Perception of whether the business is strong or poor at business activities^{xxv} – by Size					
Base = all SME employers		All SME Employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =		3817	1528	1530	759
		%	%	%	%
Taking decisions on regulation and tax issues	Strong	63	61	69	74
	Poor	9	10	7	5
People management, such as recruitment and delegation	Strong	59	58	66	69
	Poor	10	11	5	3
Developing and implementing a business plan and strategy	Strong	56	54	62	73
	Poor	14	15	12	6
Operational improvement	Strong	53	52	61	69
	Poor	11	12	8	5
Developing and introducing new products or services	Strong	42	41	45	45
	Poor	21	22	19	19
Using formalised business systems such as customer information records	Strong	41	40	50	54
	Poor	26	27	20	15
Entering new markets	Strong	26	26	29	33
	Poor	34	35	29	23
Accessing external finance	Strong	25	22	36	45
	Poor	38	40	29	23
Figures in bold are statistically significant at the 95% confidence level against the overall finding					

- 6.7 Fifty-three per cent considered themselves strong at *operational improvement* e.g. adopting industry best practice, while 11 per cent considered themselves poor at this. This was most likely to be the case for production (15 per cent), transport, retail and distribution (15 per cent), and those in the North East (27 per cent)
- 6.8 Fifty-eight per cent of those who have introduced or significantly improved processes in the last 12 months consider themselves strong at this aspect, compared to 54 per cent of those that have not.
- 6.9 Forty-two per cent considered themselves strong at *developing and introducing new products and services*, 21 per cent poor. More likely to be poor were those in Northern Ireland (35 per cent) and older businesses (23 per cent of those aged 10 years plus).
- 6.10 Fifty-four per cent of those who have introduced or significantly improved products or services in the past 12 months consider themselves strong at this aspect, compared to 36 per cent of those that have not.

- 6.11 Forty-one per cent considered themselves strong at using *formalised business systems such as customer information records*, and 26 per cent thought of themselves as poor. This was most likely to be the case in transport, retail and distribution (30 per cent), the North East (39 per cent), West Midlands (34 per cent) and Scotland (33 per cent). Businesses formed in the last three years were also more likely than average to think this (32 per cent).
- 6.12 Twenty-six per cent thought themselves strong at *entering new markets*, 34 per cent poor. This was most likely to be the case in the South West (39 per cent), and for businesses aged 10 years or more (36 per cent).
- 6.13 Twenty-three per cent considered themselves strong at *accessing external finance*, 38 per cent poor. Most likely to think of themselves as poor were those in transport, retail and distribution (40 per cent) and newer businesses trading for less than four years (45 per cent).

Business Capability: Innovation

- 6.14 Forty-seven per cent of SME employers had introduced new or significantly improved products or services in the past twelve months. This proportion was not significantly different from those seen in both the previous ASBS's. Small and medium sized businesses were more likely to have done this than micro businesses.

Table 6.2: Whether SMEs have introduced new or significantly improved products or services in the past twelve months^{xxvi} - Trends by Size				
Base = all SME employers ¹¹	All SME Employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	1904	781	740	383
	%	%	%	%
Yes	47	46	53	57
No	52	53	47	42
ASBS 2007/08. Un-weighted (n) =	7783	3529	2950	1304
Yes	46	45	51	60
No	53	55	49	40
ASBS 2006/07. Un-weighted (n) =	8949	3721	3666	1562
Yes	48	47	53	59
No	52	53	47	40
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research				

- 6.15 There was no broad sector where innovative products or services were more likely to have been introduced.
- 6.16 By region this innovation was most likely to have occurred in the South East (57 per cent) and West Midlands (57 per cent), and was least likely to have occurred in Wales (40 per cent), the North East (32 per cent) and North West (33 per cent). Seventy-one per cent of businesses aged less than four years had introduced innovative products, compared to 43 per cent of those age 10 years or more.

¹¹ In the 2010 SBS because of constraints on the overall interview length, approximately half of respondents were selected (at random) for this question

- 6.17 Those that had sought finance in the last 12 months were also more likely than average to have introduced innovative products (52 per cent).
- 6.18 Of those introducing new products or services, 72 per cent said these were new to the business, and 26 per cent that the products/services were completely new. This was most likely to have been the case in production (38 per cent of those who had introduced new products/services).
- 6.19 A third of all SME employers had introduced new or significantly improved processes in the past 12 months. Again, this proportion was very similar to that seen in the previous ASBS's, and larger employers were more likely to have done this.

Table 6.3 : Whether SMEs have introduced new or significantly improved processes in the past twelve months^{xxvii} - Trends by Size				
Base = all SME employers ¹²	All SME Employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	1904	781	740	383
	%	%	%	%
Yes	33	30	48	52
No	67	69	52	48
ASBS 2007/08. Un-weighted (n) =	7783	3529	2950	1304
Yes	33	30	43	55
No	67	69	56	45
ASBS 2006/07. Un-weighted (n) =	8949	3721	3666	1562
Yes	33	31	43	55
No	66	69	56	45
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research				

- 6.20 New or improved processes were more likely to have occurred in business services (41 per cent) and other services (39 per cent) than in transport, retail and distribution (26 per cent). By region these were more likely to have occurred in the East of England (43 per cent). Those who had sought finance were more likely to have new or improved processes (39 per cent).
- 6.21 Of those introducing new or significantly improved processes, 81 per cent were new to the business, and 18 per cent were completely new (i.e. not introduced by anybody else).

¹² In the 2010 SBS because of constraints on the overall interview length, only approximately half of respondents were selected (at random) for this question

Business Capability: Exporting

6.22 Twenty-three per cent of SME employers sold goods or services or licence products outside of the UK. This proportion has not changed since the previous ASBSs. The larger the business, the more likely they were to export.

Table 6.4: Whether sell goods or services or licence products outside the UK^{xxviii} - Trends by Size				
Base = all SME employers	All SME Employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	3817	1528	1530	759
	%	%	%	%
Yes	23	21	29	40
No	77	79	71	60
ASBS 2007/08. Un-weighted (n) =	7783	3529	2950	1304
Yes	24	22	33	43
No	76	78	67	57
ASBS 2006/07. Un-weighted (n) =n=	8949	3721	3666	1562
Yes	24	22	33	46
No	75	78	67	54

Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research

6.23 Production was the sector most likely to export (42 per cent), with business services second (29 per cent). Transport, retail and distribution (18 per cent), other services (14 per cent), construction (13 per cent) and primary (eight per cent) were less likely to export.

6.24 Exporters are more likely to be based in London (30 per cent of SMEs in London), the South East (28 per cent) and Northern Ireland (37 per cent). They were less common in Wales (16 per cent) and the North West (17 per cent).

6.25 Older businesses (aged 10 years +) were more likely to export (24 per cent) than those which were less than four years old (16 per cent).

6.26 Four per cent of those not currently exporting planned to do so in the next 12 months. This was a similar proportion to the three per cent seen in ASBS 07/08, and five per cent in ASBS 06/07.

6.27 For those exporting, the major markets were the EU (74 per cent), North America (27 per cent), the Middle East and Africa (25 per cent), Asia Pacific (25 per cent) non-EU Europe (22 per cent) and the South/Latin America (eight per cent).

6.28 Exporters in the transport, retail and distribution sector had a higher than average propensity to export to the EU (80 per cent), but were less likely than average to export to North America (21 per cent) or Asia Pacific (17 per cent).

6.29 Business services (30 per cent) and ‘other services’ (40 per cent) exporters had a higher than average propensity to export to Asia Pacific. ‘Other services’ were also more likely to export to North America (44 per cent) and South/Latin America (19 per cent).

Table 6.5: Barriers to exporting^{xxix} – by Size				
Base = all SME employers not currently exporting	All SME Employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	2766	1182	1096	488
	%	%	%	%
Do not have a product	39	39	43	41
Not part of business plan	34	34	36	32
Have sufficient business in the UK already	16	16	16	16
Financial issues	4	5	3	7
Choose to be local business only	3	4	3	2
Difficulty finding overseas customers	3	3	4	2
Business too small/new	2	3	1	*
Figures in bold are statistically significant at the 95% confidence level against the overall finding				

6.30 Of those not exporting and with no plans to do so (74 per cent of all SME employers), 39 per cent said that this was because they did not have a product, 34 per cent that it was not part of their business plan, and 16 per cent that they had sufficient business in the UK already.

6.31 SME employers in the production sector were the most likely to export. Those SME employers within this sector that did not export were less likely than average to think they did not have an exportable product (17 per cent), and were more likely to encounter other barriers to export. Eleven per cent said they did not export because of financial issues (costs, tax, cashflow, exchange rates etc.), 10 per cent had difficulty finding overseas customers, and four per cent spontaneously claimed little knowledge of how to export. Five per cent cited too much competition in the EU, and four per cent said it was difficult to identify opportunities.

Business Capability: Training

6.32 Sixty per cent of SME employers had arranged or funded training or development for staff in the past 12 months. This was much more likely to be the case the larger the business. The overall proportions are not statistically significantly different to those seen in the previous ASBSs.

Table 6.6: Whether businesses have arranged or funded training or development for staff in the past 12 months^{xxx} - Trends by Size				
Base = all SME employers ¹³	All SME employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	1937	772	798	367
	%	%	%	%
Yes	60	56	85	94
ASBS 2007/08. Un-weighted (n) =	7783	3529	2950	1304
Yes	57	52	86	96
ASBS 2006/07. Un-weighted (n) =	8949	3721	3666	1562
Yes	60	55	84	93
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research				

6.33 Training and development was most likely to occur for business services (69 per cent), 'other services' (68 per cent) and in the construction sector (68 per cent). It was least likely to occur in transport, retail and distribution (49 per cent). The East of England was most likely to provide training (71 per cent), Yorkshire/Humberside the least (48 per cent). Those trading for less than four years were less likely to have provided training (50 per cent) than those trading for longer.

6.34 Of those providing or funding training and development, 28 per cent said most of it was designed to lead to a formal qualification, 23 per cent that some of it was, and 48 per cent that none of it was.

6.35 Thirty-two per cent of SME employers had provided managers with some training or development to improve their leadership and management skills in the last 12 months. This proportion varied from 28 per cent of micro businesses, to 49 per cent of small businesses and 67 per cent of medium sized businesses. This type of training was most likely to occur in business services (40 per cent) and 'other services' (46 per cent).

¹³ In the 2010 SBS because of constraints on the overall interview length, only approximately half of respondents were selected (at random) for this question

Business Capability: Technology

- 6.36 Eight-seven per cent of SME employers had broadband for their business. This varied from 85 per cent of micro businesses, to 96 per cent of both small and medium sized businesses.
- 6.37 Least likely to have broadband were those in the transport, retail and distribution sector (20 per cent without) and 'other services' (18 per cent). Twenty-one per cent of SME employers in the West Midlands did not have broadband.
- 6.38 SME employers were asked whether they used the internet for a range of business purposes. The larger the business the greater the likelihood of the internet being used, the exception being for paying taxes online, where medium sized businesses were less likely to do this than smaller ones, possibly because they are more likely to use external accountants for this task.

Table 6.7: Uses for the internet^{xxxix} - by Size				
Base = all SME employers selected for section	All SME employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	1901	750	763	388
	%	%	%	%
Paying taxes online	70	70	73	65
Seeking general business advice	51	49	60	63
Selling goods and services through a website	39	37	45	50
Promoting your goods and services through a website	67	64	81	88
Advice on regulation	57	55	67	76
None of these	8	9	4	1
Figures in bold are statistically significant at the 95% confidence level against the overall finding				

- 6.39 Most likely to use the internet for business support were those in production (60 per cent). They were also more likely than average to use the internet for selling goods through a website (60 per cent) and promoting themselves through a website (80 per cent).
- 6.40 Construction businesses were less likely than average to engage in e-commerce (29 per cent).
- 6.41 Business services were the most likely to get advice on regulation through the internet (66 per cent). They were also above average for seeking general business advice (56 per cent), and promoting goods and services through a website (74 per cent).

7 Access to finance

Whether sought finance in the last 12 months

7.1 Twenty-six per cent of SME employers tried to obtain finance for their business in the 12 months preceding interview. This is a small but statistically significant rise on the 23 per cent who sought finance in the ASBS 07/08 and 06/07.

Table 7.1: Whether Sought Finance in the Last 12 Months ^{xxxii} – Trends by Sector							
Base = all SME employers	All SME Employers	Primary	Production	Construction	TRAD	Business Services	Other Services
SBS 2010. n=	3817	64	527	315	1157	827	927
	%	%	%	%	%	%	%
YES – ANY	26	45	24	28	28	22	25
- Once	17	38	17	17	20	14	13
- More	9	7	7	11	8	8	12
NO	72	54	73	71	71	76	72
ASBS 2007/08. n=	7783	159	1339	742	2989	1724	830
YES – ANY	23	31	25	23	22	21	29
- Once	16	20	18	16	16	14	14
- More	7	11	7	7	6	7	15
NO	76	69	74	77	77	78	70
ASBS 2006/07. n=	8949	232	1932	888	3827	1554	516
YES – ANY	23	36	25	26	22	20	26
- Once	16	24	18	19	16	12	13
- More	7	12	7	8	6	8	13
NO	75	63	74	74	76	78	73

Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research; * = a figure of less than 0.5% but more than zero

7.2 By sector, those in primary industries were most likely to have done this (45 per cent), and those in business services were the least likely (22 per cent).

7.3 Compared to ASBS 07/08 those in construction and transport, retail and distribution were significantly more likely to have sought finance.

Table 7.2: Whether Sought Finance in the Last 12 Months^{xxxiii} – Trends by Size				
Base = all SME employers	All SME Employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	3817	1528	1530	759
	%	%	%	%
YES – ANY	26	25	33	40
- Once	17	17	21	22
- More	9	8	13	17
NO	72	74	63	53
Don't know/refused	2	1	4	6
ASBS 2007/08. Un-weighted (n) =	7783	3529	2950	1304
YES – ANY	23	21	32	40
- Once	16	15	19	23
- More	7	6	13	17
NO	76	78	66	56
Don't know/refused	1	1	2	3
ASBS 2006/07. Un-weighted (n) =	8949	3721	3666	1562
YES – ANY	23	21	32	39
- Once	16	15	20	20
- More	7	6	13	18
NO	75	78	66	57
Don't know/refused	1	1	2	5
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research				

- 7.4 By size, medium-sized businesses (40 per cent) were much more likely to seek finance than small (33 per cent) or micro businesses (25 per cent). However, in comparison with ASBS 07/08 the increase in demand for finance is only statistically significant for the micro businesses (up four percentage points).
- 7.5 By region, finance was most likely to have been sought by SME employers in Northern Ireland (37 per cent).
- 7.6 Thirty-two per cent of newer businesses sought finance, compared to 22 per cent of those trading for ten years or more.

Reasons for applying/not applying for finance

- 7.7 Fifty-six per cent of those SME employers that applied for finance did so to gain working capital or to alleviate cashflow difficulties. Twenty-one percent wished to invest in capital equipment or vehicles, 10 per cent wanted to buy land or buildings, and nine per cent to improve buildings

Table 7.3: Reasons for Applying for Finance^{xxxiv} - Trends			
Base = all SME employers who applied for finance in the last 12 months	SBS 2010	ASBS 2007/08	ASBS 2006/07
Un-weighted (n) =	1193	2247	2625
	%	%	%
Working capital, cashflow	56	43	35
Capital equipment or vehicles	21	27	31
Buying land or buildings	10	10	14
Improving buildings	9	8	7
Research & Development	2	4	3
Buying another business	2	2	2
Marketing	2	1	1
Business expansion/growth	1	3	4
Training/Staff Development	1	2	2
Management buy out	1	2	2
Other	2	3	3
Don't know/refused	*	2	2
Figures in bold are statistically significant changes between the 07/08 ASBS and the 2010 SBS; * = a figure of less than 0.5% but more than zero			

- 7.8 Compared with the previous ASBSs there is a very real change in the reasons for wanting finance. More businesses in the SBS 2010 needed finance in order to smooth their cashflow, and fewer have sought to invest in equipment and vehicles.
- 7.9 Of those that sought finance, working capital was more likely to be required by micro businesses (58 per cent) than the small (48 per cent) and medium-sized ones (47 per cent). Working capital was most likely to be needed in the construction (66 per cent) and business services (62 per cent) sectors. Sixty-seven per cent of those seeking finance in both London and the South East sought it for working capital.
- 7.10 Acquisition of capital equipment was most likely to be a reason for wanting finance in the production sector (30 per cent of those seeking finance). Those seeking finance in the transport, retail and distribution sector were more likely than average to want to buy land or buildings (15 per cent).
- 7.11 Of the majority of SME employers that did not seek finance, the predominant reason was that the finance was not needed. This was the main reason given by all sizes and sectors.

Table 7.4: Reasons For Not Applying for Finance in the Last 12 Months^{xxxv}				
Base = all SME employers who did not apply for finance in the last 12 months	All Applied for Finance	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	2624	1146	1001	477
	%	%	%	%
Not needed it	82	81	85	83
Did not want to take on additional risk	5	6	2	1
Thought would be rejected	4	4	4	1
Thought it would be too expensive	4	4	1	2
Other reason	3	3	4	3
Don't know	2	2	4	11
Figures in bold are statistically significant at the 95% confidence level against the overall finding				

- 7.12 The 'other services' were less likely to give this as a reason than other sectors (77 per cent), and they were more likely than average to say they did not want to take on additional risk (eight per cent).
- 7.13 Overall 4 per cent spontaneously said that they thought it would be too expensive. This proportion was higher among those aged less than four years (17 per cent).

Type of finance sought

- 7.14 Of those that applied for finance, 40 per cent applied for a bank loan and 35 per cent a bank overdraft. Nine per cent each sought a grant or leasing/HP, and six per cent a mortgage for property purchase or improvement.
- 7.15 Compared with the ASBS 07/08 there was a significant increase in the proportion seeking a bank overdraft, which is consistent with the increased demand for working capital.
- 7.16 Of those seeking finance, bank loans were the most preferred finance tool for those in production (48 per cent) and transport, retail and distribution (47 per cent).

Table 7.5: Type of Finance Sought^{xxxvi}			
Base = all SME employers who applied for finance in the last 12 months	SBS 2010	ASBS 2007/08	ASBS 2006/07

Un-weighted (n) =	1193	2247	2625
	%	%	%
Bank loan	40	44	46
Bank overdraft	35	26	22
Grant	9	7	6
Leasing or hire purchase	9	10	11
Mortgage	6	7	8
Loan from family/business	3	*	1
Factoring/invoice discounting	2	1	2
Government guaranteed loan	2	3	1
Equity finance	1	2	2
Other	10	11	12
Don't know/refused	2	2	4
Figures in bold are statistically significant changes between the 07/08 ASBS and the 2010 SBS * = a figure of less than 0.5% but more than zero			

7.17 Bank overdrafts were significantly more likely to be sought in construction (58 per cent), whilst those in 'other services' were more likely than average to seek grants (35 per cent of those seeking finance).

7.18 Start-ups seeking finance were more likely than average to seek a bank loan (49 per cent).

7.19 Of those that sought bank finance, only four per cent had their bank discuss with them whether their loan was eligible for cheaper finance from the European Investment Bank. This was more likely to happen for the small (seven per cent) and medium sized (six per cent) businesses that sought bank finance.

Amount of finance sought

7.20 Seventeen per cent of those seeking finance sought less than £10,000, with only 5 per cent seeking more than £1 million. The mean average amount of finance sought was just under £250,000, with the median just above £41,000. The sums of money sought were very similar to those seen in the previous two ASBS's.

Base = all SME employers who applied for finance in the last 12 months	SBS 2010	ASBS 2007/08	ASBS 2006/07
Un-weighted (n) =	1193	2247	2625
	%	%	%
Less than £10,000	18	12	12

£10,000-£24,999	23	24	20
£25,000-£49,000	14	14	14
£50,000-£99,999	11	12	13
£100,000-£249,999	11	14	14
£250,000-£499,999	6	6	6
£500,000-£999,999	4	3	4
£1 million or more	5	4	5
Don't know/refused	9	11	13
Mean Average	£240,450	£221,400	£237,150
Median Average	£41,000	£40,250	£46,150
Figures in bold are statistically significant changes between the 07/08 ASBS and the 2010 SBS			

7.21 The mean average varied by the type of finance sought. For bank loans this was £306,000, for bank overdrafts £119,000 and for grants £137,000.

Difficulties obtaining finance

7.22 Thirty-five per cent of those that tried to obtain finance were unable to obtain any from the first source they approached. Seven per cent of SMEs seeking finance obtained some from the first source but not all of the money they required, whilst nine per cent obtained all they needed but with some problems. This equates to 51 per cent of SMEs seeking finance having difficulties obtaining finance from the first source approached in the last 12 months – 13 per cent of all SME employers.

7.23 This proportion is more than twice that seen in ASBS 07/08. Whilst medium sized businesses generally had fewer difficulties obtaining finance than the micros, the proportion of medium sized businesses applying for finance experiencing a difficulty has nearly trebled since 07/08, from 13 to 36 per cent.

7.24 Difficulties were most commonly encountered in construction (60 per cent) and the transport, retail and distribution (56 per cent) sectors. Sixty-four per cent of those who sought finance in London had difficulties, whilst 43 per cent of the start-ups that sought finance were unable to obtain any from the first source approached.

7.25 Difficulties were encountered for all types of finance sought. However, those who sought bank overdrafts were more likely to encounter difficulties than those who sought bank loans (56 per cent compared with 48 per cent).

Base = all SME employers who applied for finance in the last 12 months	All Applied for Finance	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	1193	383	529	282
	%	%	%	%
ANY DIFFICULTY	51	54	44	36
- Unable to obtain any finance	35	37	27	23
- Obtained some but not all the	7	6	7	6

finance required				
- Obtained all the finance required but with some problems	9	9	9	7
NO DIFFICULTY	47	45	52	59
Don't know/refused	2	1	4	5
ASBS 2007/08. Un-weighted (n) =	2247	765	961	521
ANY DIFFICULTY	25	27	22	13
- Unable to obtain any finance	14	16	9	5
- Obtained some but not all the finance required	4	4	6	3
- Obtained all the finance required but with some problems	7	7	7	4
NO DIFFICULTY	73	72	76	86
Don't know/refused	2	2	1	2
ASBS 2006/07. Un-weighted (n) =	2625	814	1206	605
ANY DIFFICULTY	23	25	20	12
- Unable to obtain any finance	13	15	9	4
- Obtained some but not all the finance required	4	5	4	3
- Obtained all the finance required but with some problems	6	6	8	5
NO DIFFICULTY	75	74	77	86
Don't know/refused	2	2	3	2
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research				

- 7.26 Thirty-five per cent of all that applied for finance were unable to obtain any from the first source approached. This is equivalent to nine per cent of all SME employers. The equivalent proportion of all employers in both ASBS 07/08 and 06/07 was three per cent.
- 7.27 Thirty per cent of those that obtained some but not all of the finance required from the first source approached received less than 25%, 18 per cent received between 25% and 49%, 32 per cent received between 50% and 74%, whilst 12 per cent received 75% or more. The mean average was 45%.
- 7.28 Of those that had sought bank finance and had difficulties obtaining it, 14 per cent discussed with their bank whether a loan backed by a government guarantee was suitable for their business.

7.29 Of those that did not obtain any finance from the first source they approached, or who only got some of the money they needed, about a quarter (27 per cent) went on to get all the finance they needed from another source. Overall therefore, the proportion of SMEs seeking finance and the outcomes are as follows:

- 68 per cent (18 per cent of all SME employers) obtained all the finance they required
- 6 per cent (2 per cent of all SME employers) obtained some but not all
- 21 per cent (5 per cent of all SME employers) did not obtain any of the finance sought

Table 7.8: Eventual outcome of application for finance^{xxxix} – Trends by Size				
Base = all SME employers who applied for finance in the last 12 months	All Applied for Finance	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	1193	383	529	282
	%	%	%	%
OBTAINED ALL THEY NEEDED	68	67	68	76
- From first source	56	55	61	66
- From another source	11	12	6	10
OBTAINED SOME, BUT NOT ALL	6	6	6	7
OBTAINED NONE	21	22	19	11
Don't know/refused	5	5	7	6
ASBS 2007/08. Un-weighted (n) =	2247	765	961	521
	%	%	%	%
OBTAINED ALL THEY NEEDED	89	88	89	94
- From first source	80	79	84	90
- From another source	8	9	6	4
OBTAINED SOME, BUT NOT ALL	2	1	3	1
OBTAINED NONE	8	9	6	3
Don't know/refused	2	2	1	2
ASBS 2006/07. Un-weighted (n) =	2625	814	1206	605
	%	%	%	%
OBTAINED ALL THEY NEEDED	87	86	91	94
- From first source	81	79	85	91
- From another source	7	7	6	3
OBTAINED SOME, BUT NOT ALL	2	2	2	2
OBTAINED NONE	9	10	5	3
Don't know/refused	2	2	3	2

Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research

7.30 The proportion obtaining all the finance they needed in SBS 2010 was significantly less than that seen in ASBS 07/08 (89 per cent), and 06/07 (87 per cent).

7.31 Of those that were unable to gain any finance from any source in 2010 (5 per cent of all SME employers) 18 per cent got into serious finance difficulties, 8 per cent had to put plans on hold, 9 per cent had to defer plans but eventually went ahead with them, and for 6 per cent there was no impact. Nearly half (47 per cent) have yet to find out the consequences of not being able to get any finance.

7.32 The table below shows the reasons given for the difficulties in obtaining finance *from the first source approached*. Most commonly respondents claimed no reason was given for this. Thereafter, insufficient security was cited as the most common reason, followed by the riskiness of the sector, the current credit climate and poor business credit history. A number of those encountering difficulties mentioned that they themselves rejected the terms of the finance offered, because they considered the terms too harsh.

Table 7.9: Reasons for Difficulties Arranging Finance^{xi} - Trends		
Base = all SME employers who had difficulties arranging finance in the last 12 months	Small Business Survey 2010	ASBS 2007/08
Un-weighted (n) =	531	474
	%	%
No reason given	24	12
Insufficient security	20	13
Business sector too risky	9	8
Recession/current credit climate	6	*
Poor business credit history	6	6
Didn't meet criteria	5	5
Rejected terms of finance offered	5	2
No credit history/not been in business long enough	2	8
Applied for too much	2	4
Business too small/too new	2	2
No security	2	4
Other	14	36
Don't know/refused	10	4
Figures in bold are statistically significant changes between the 07/08 ASBS and the 2010 SBS		
* = a figure of less than 0.5% but more than zero		

7.33 Insufficient security was more commonly a reason for having problems obtaining finance for micro businesses (22 per cent), whilst the riskiness of the sector was more commonly cited by medium sized companies (20 per cent).

Understanding of the way in which banks assess business credit risk

7.34 Of those that applied for finance in the last 12 months, fifty-six per cent said that they understand the way in which banks assess business credit risk well: 20 per cent very well, 35 per cent quite well. Forty-one per cent do not understand it well: 26 per cent not very well, and 16 per cent not at all well.

Table 7.10: Extent to which Understand the Way in Which Banks Assess Business Credit Risk^{xii} – by Size				
Base = all SME employers who applied for finance in the last 12 months	All Applied for Finance	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	1193	383	529	282
	%	%	%	%
UNDERSTAND WELL	56	52	66	80
- Very well	20	18	27	32
- Quite well	35	34	39	48
DO NOT UNDERSTAND WELL	41	46	30	17
- Not very well	26	28	18	11
- Not at all well	16	18	12	6
Don't know	3	2	4	3
Figures in bold are statistically significant at the 95% confidence level against the overall finding				

7.35 As one might expect, the medium-sized businesses were more likely to understand it well than the small and micros. Those in 'other' services were the least likely to understand it very well (just 14 per cent).

Relationship with bank

7.36 Sixty-four per cent of all SME employers claimed that they had a good relationship with their bank: 36 per cent very good, and 28 per cent fairly good. Relationships with banks seem to improve the larger the SME.

Table 7.11: Relationship with Bank^{xlii} – by Size				
Base = all SME employers	All SME Employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	3817	1528	1530	759
	%	%	%	%
GOOD	64	63	69	74
- Very good	36	35	41	46
- Fairly good	28	27	28	28
Neither Good Nor Poor	21	22	17	12
POOR	14	14	12	8
- Fairly poor	9	9	7	5
- Very poor	5	5	4	3
Don't know/refused	2	1	3	5
Figures in bold are statistically significant at the 95% confidence level against the overall finding				

7.37 By sector, those in transport, retail and distribution were the most likely to say they had a poor relationship with their bank (16 per cent), whilst by region it was those in London and the North West (17 per cent each). It was those in Wales that were most likely to claim a good relationship (68 per cent).

7.38 Those that have been trading for ten years or longer were more likely than average to claim a good relationship (68 per cent, compared to just 52 per cent of those trading for under four years). Only 50 per cent of those who applied for finance in the last 12 months had a good relationship.

7.39 Just under a quarter of SME employers made a complaint to their bank in the last three years. This was less likely to occur for medium-sized businesses (19 per cent). Those in business services were most likely to have made a complaint (28 per cent), and complaints were more forthcoming in the South East (30 per cent) and the North West (also 30 per cent) than in other regions. Least likely to complain were those in Scotland (17 per cent), Wales (20 per cent), the South West (19 per cent) and the North East (11 per cent).

Table 7.12: Any Complaint Made to Bank in the Last Three Years^{xliii} – by Size				
Base = all SME employers	All SME Employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	3808 ¹⁴	1522	1529	757
	%	%	%	%
ANY	24	25	23	19
- Poor service	10	10	10	9
- Excessive fees/penalties	9	9	7	4
- Mistakes on account	4	4	4	2
- Rejected for finance	1	1	2	2
- Other	3	3	3	4
NO COMPLAINTS	74	74	73	75
Don't know/refused	2	1	4	6
Figures in bold are statistically significant at the 95% confidence level against the overall finding				

7.40 There were no differences according to the age of the business or, perhaps surprisingly, whether finance had been sought in the last 12 months.

7.41 Poor service was given as the main reason for the complaint, followed by excessive fees or penalties. This particular complaint was more common among micro businesses than small or medium-sized ones.

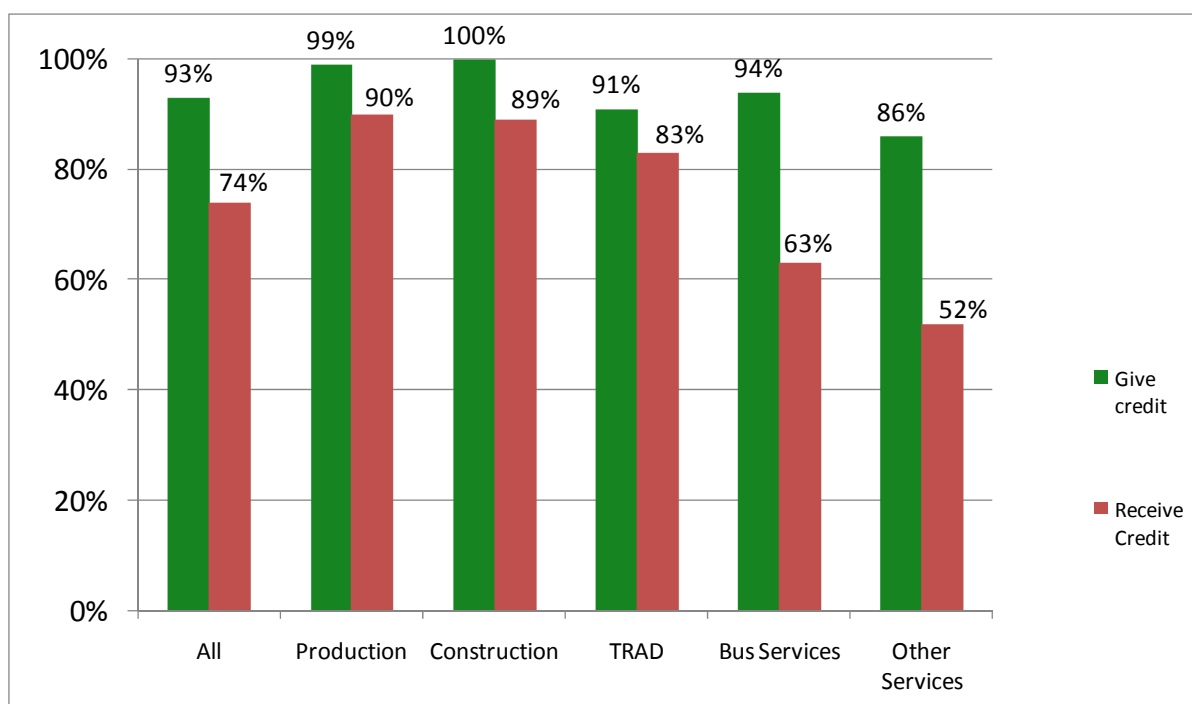
¹⁴ This question was not included in the pilot, hence a slightly smaller base size from the total for all SME employers

Credit and Payment¹⁵

7.42 Ninety-three per cent of SME employers gave some form of credit to their customers, this being the same proportion seen in the 07/08 ASBS. By sector, those in the 'other' services and those in transport, retail and distribution were less likely to give credit. This is because they are less likely to sell to other businesses or the public sector than other industry groups.

7.43 Seventy-four per cent of SME employers got credit from those they buy from. This was less likely to be the case for service industries, a higher proportion of which do not buy from others.

Figure 7.1: Whether Give/Receive Credit



Base: All SME Employers selected to answer question (1934)

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7.44 Of those that received credit, just under half (47 per cent) considered this very important for their business's growth, with a further 27 per cent considering it quite important. There were no significant differences in the answers given here according to the size of the SME, but those in construction (68 per cent) and transport, retail and distribution (51 per cent) were more likely than average to consider it very important.

¹⁵ Because of time constraints on the questionnaire, this section was only asked of approximately half of the respondents, selected at random.

Table 7.13: Whether have a problem with customers paying later than required^{xliiv} – Trends by Size				
Base = all SME employers	All SME Employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	1934	767	759	408
	%	%	%	%
ANY PROBLEM	53	52	58	60
- Big problem	19	19	22	17
- Small problem	34	33	37	43
NO PROBLEM	40	41	36	33
Not relevant – do not give credit	7	7	5	4
ASBS 2007/08. Un-weighted (n) =	7783	159	1339	742
ANY PROBLEM	49	47	57	58
- Big problem	18	17	23	21
- Small problem	31	31	35	37
NO PROBLEM	44	45	37	37
Not relevant – do not give credit	7	7	6	5
ASBS 2006/07. Un-weighted (n) =	8949	232	1932	888
ANY PROBLEM	48	46	56	59
- Big problem	17	16	20	20
- Small problem	31	30	35	39
NO PROBLEM	41	42	37	32
Not relevant – do not give credit	11	12	7	8
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research				

- 7.45 Those in Wales (57 per cent) and Northern Ireland (68 per cent) were more likely to think that receiving credit was very important for business growth than those in Scotland (54 per cent) and England (45 per cent). Only 32 per cent of SME employers in London that receive credit considered it very important.
- 7.46 Nineteen per cent of all SME employers considered late payment a big problem, with a further 34 per cent considering it a small problem. Therefore, it was a problem for 53 per cent overall. Medium sized businesses were more likely to think it was a problem than small or micros, with 60 per cent saying it was a problem.
- 7.47 Compared to the previous surveys late payment was a greater problem. The increase in the overall proportion saying that late payment was a problem on ASBS 07/08 is four percentage points, which although seemingly only a slight increase is significant.
- 7.48 By sector late payment was much more of a problem in construction (78 per cent) and business services (66 per cent) than it was in transport, retail and distribution (38 per cent), production (43 per cent) or 'other services' (32 per cent).
- 7.49 London is more likely to have had a problem with late payment than anywhere else in the country (a problem for 62 per cent). Businesses aged four years or less were less likely to

experience late payment problems than older ones, but this was largely due to their being less likely to give credit in the first place.

Legal Action

7.50 Twenty-eight per cent of SME employers had ever taken a customer to court for not paying their debts. Five per cent had taken legal action against anyone under the late payment legislation in the last 12 months. The larger the size of the business, the more likely this is to have happened.

Table 7.14: Whether taken customers to court for non payment^{xiv} – trends by size				
Base = all SME employers that offer credit	All SME Employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2010. Un-weighted (n) =	1804	706	711	387
	%	%	%	%
Ever	28	26	40	49
In last 12 months under late payment legislation	5	4	11	16
ASBS 2007/08. Un-weighted (n) =	7301	3269	2791	1241
Ever	31	28	46	55
In last 12 months under late payment legislation	5	4	8	12
ASBS 2006/07. Un-weighted (n) =	8140	3301	3401	1438
Ever	34	31	47	56
In last 12 months under late payment legislation	5	5	9	12
Figures in bold are statistically significant at the 95% confidence level against the overall finding for that wave of research				

7.51 Over the years the proportion that had ever taken a customer to court for non payment has actually declined, from 34 per cent in ASBS 06/07 to 28 per cent now. This has happened for all sizes of business. At the same time, the proportion taking legal action in the last 12 months has remained static.

7.52 By sector, those in production (39 per cent), construction (36 per cent) and business services (33 per cent) were the most likely to have ever taken a customer to court, and those in the 'other services' (12 per cent) and transport, retail and distribution (24 per cent) were the least likely to have done so.

7.53 Those in Northern Ireland (47 per cent) and the South West (35 per cent) were the most litigious, with those in London (22 per cent) and the East of England (21 per cent) the least.

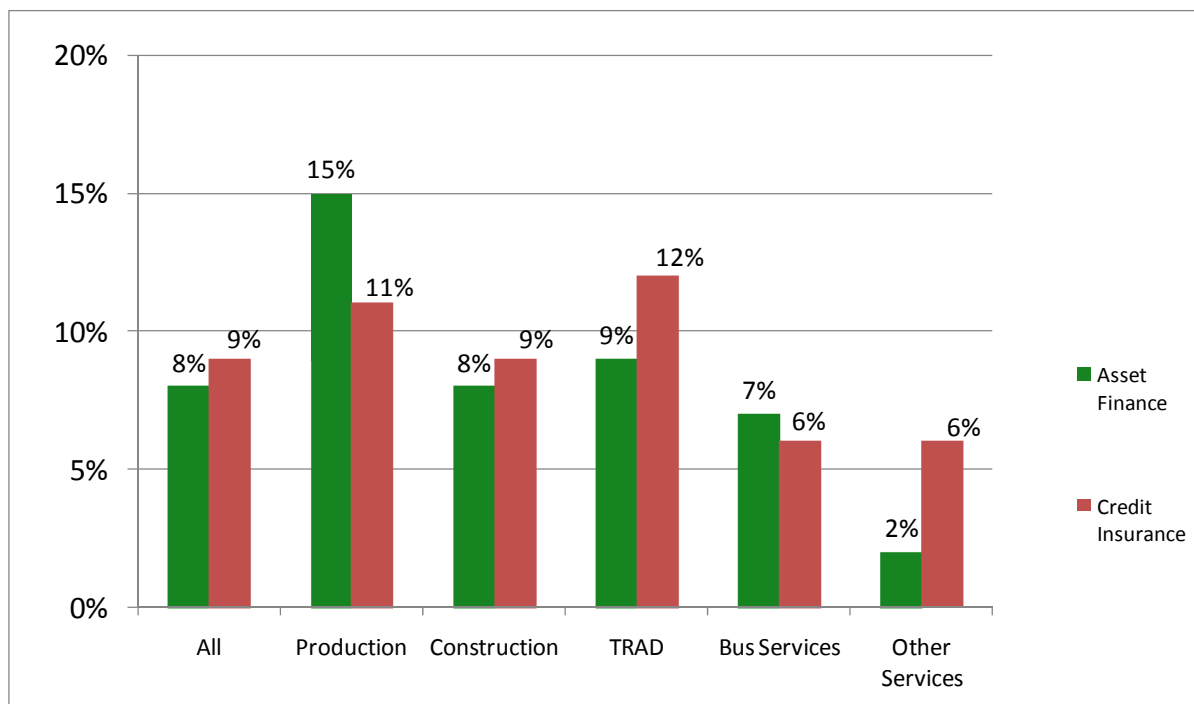
7.54 Only 10 per cent of those trading for less than four years have ever taken anybody to court, compared to 33 per cent of those trading for ten years or longer.

Payment protection products

7.55 Eight per cent of SME employers used asset backed finance such as factoring or invoice discounting. This was most common in the production sector (15 per cent) and least common in 'other services' (two per cent).

7.56 Asset backed finance was used by 21 per cent of medium sized businesses, 13 per cent of small businesses and seven per cent of micros. It was most commonly used in the East Midlands (15 per cent) and those trading more than 10 years (nine per cent). Fifteen per cent of those who applied for finance in the last year used asset backed finance.

Figure 7.2: Whether Use Asset Backed Finance or Trade Credit Insurance



Base: All SME Employers selected to answer question (1934)



7.57 Nine per cent of SME employers have used trade credit insurance in the past 12 months. This being most common in the transport, retail and distribution sectors (12 per cent), and least common in business and other services (six per cent). A further three per cent have had trade credit insurance in the last year, but not at the time of interview.

7.58 Twenty per cent of medium sized businesses have used trade credit insurance, 14 per cent of small ones and 8 per cent of micros. Micro businesses are more likely to have used it in the last year but given it up (four per cent) than the small and mediums.

7.59 Trade credit insurance was more commonly used in Scotland (15 per cent) than elsewhere.

8 Obstacles to the success of the business

Biggest obstacle to success of business

- 8.1 When prompted, a third (33 per cent) of 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 (16 per cent and 10 per cent respectively). Economic conditions were most likely to be put forward as the main obstacle by those operating in the construction sector (39 per cent).

Table 8.1: Main Obstacle to the Success of the Business^{xlvi} - Trends			
Base = all SME employers	SBS 2010	ASBS 2007/08	ASBS 2006/07
Un-weighted (n) =	3,817	7,783	8,949
	%	%	%
The Economy	33	16	10
Cashflow	11	9	10
Competition	10	14	15
Obtaining finance	8	3	3
Taxation, VAT, PAYE, NI, rates	8	12	12
Regulations	7	12	14
Figures in bold are statistically significant changes between the 07/08 ASBS and the 2010 SBS			

- 8.2 Difficulties associated with obtaining finance were also a more widespread issue than in 07/08 and 06/07, reported as the biggest obstacle by eight per cent, compared with three per cent in both in the two earlier surveys.
- 8.3 Competition, taxation and regulations were each less likely to be nominated as the biggest barrier to success than in previous years. Just seven per cent of SME employers cited regulations as the main obstacle to the success of their business; markedly lower than in previous surveys.

Overall incidence of obstacles to success of business

- 8.4 Many 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 ones in 2010 were:
- the economy (81 per cent of SME employers)
 - competition (58 per cent)
 - taxation, VAT, PAYE, national insurance, business rates (50 per cent)
 - cash flow (49 per cent)
 - regulations (47 per cent)
 - obtaining finance (39 per cent).
- 8.5 As well as being the most commonly cited obstacle overall, the economy was also the most frequently mentioned barrier across all sectors and sizebands.
- 8.6 Taxation was more likely to be cited as an issue by micro and small employers (50 per cent and 51 per cent respectively) than by medium-sized employers (40 per cent), as was cash flow difficulties (50 per cent for micro employers and 45 per cent for small employers, compared with 32 per cent for medium-sized businesses).
- 8.7 Conversely, medium-sized employers are significantly more likely to report regulations as an obstacle to success (57 per cent, compared with 52 per cent of small employers and 45 per cent of micro employers).

Regulations as an obstacle to success of business

- 8.8 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.
- 8.9 Health and safety regulations were the most commonly cited obstacles, reported by a third of all those citing regulations as a barrier to success (little changed from 2007/2008, and rising to 53 per cent among Construction sector SMEs).
- 8.10 These were followed by tax-related and sector-specific regulations (mentioned by 20 per cent and 16 per cent respectively). The proportions mentioning these have increased since the 07/08 survey by three and four percentage points respectively.
- 8.11 Employment regulations were more likely to be cited by medium-sized employers (26 per cent). The proportion mentioning these has declined by three percentage points since the 07/08 survey.
- 8.12 The proportions of businesses citing planning is higher (at seven per cent) than was the case in 07/08. Seven per cent also cited environmental regulations as an obstacle, a lower proportion than in 07/08.

Table 8.2: Regulations considered to be obstacles to business success^{xlvii} - Trends			
Base = all SME employers considering regulations an obstacle to business success	SBS 2010	ASBS 2007/08	ASBS 2006/07
Un-weighted (n) =	1,917	4,907	5,701
	%	%	%
Health and safety	35	32	37
Tax-related	20	17	15
Sector specific	16	13	12
Employment	14	17	16
Planning, development, etc.	7	5	7
Environmental	7	10	11
No specific regulations or all regulations	11	11	13
Figures in bold are statistically significant changes between the 07/08 ASBS and the 2010 SBS			

8.13 Employers were also asked about the ways in which specific regulations act as an obstacle to business success.

8.14 Most commonly, regulations impact in relation to:

- requiring time and effort in deciding how to comply (35 per cent of all SME employers citing regulations as an obstacle)
- costs of making changes to ensure compliance (28 per cent)
- paperwork and administrative procedures (24 per cent)
- uncertainty about whether or how regulations apply to the business (10 per cent).

Taxation/VAT/PAYE as an obstacle to success of business

- 8.15 Employers who reported taxation, VAT and PAYE as a barrier to business success were asked about the specific types they considered to be problematic.
- 8.16 Across all sizes and sectors (with the exception of primary), VAT was the most commonly cited taxation that acts as an obstacle to success.
- 8.17 Business rates were particularly problematic for SME employers operating in the production and transport and retail and distribution sectors (cited by 28 per cent and 23 per cent respectively of those regarding taxation as an obstacle). Corporation tax, PAYE and national insurance were all more likely to be causing particular difficulties to businesses in this sector than the general population of SME employers (26 per cent, 23 per cent and 20 per cent compared to 19, 18 and 15 per cent respectively).

Table 8.3: Types of taxation/VAT/PAYE considered to be obstacles to business success ^{xlviii} – By Sector							
Base = all SME employers considering tax etc. an obstacle	All SME Emps.	Primary	Production	Construction	TRAD	Business Services	Other Services
SBS 2010. Un-weighted (n) =	1,812	23	238	176	634	377	364
	%	%	%	%	%	%	%
VAT	47	21	45	54	48	43	51
Business rates	19	11	28	13	23	16	15
Corporation Tax	19	42	19	17	14	26	11
PAYE	18	5	17	19	15	23	18
National Insurance	15	12	15	12	13	20	18
Income Tax	10	8	13	10	12	10	7
Figures in bold are statistically significant at the 95% confidence level against the overall finding							

Cash flow as an obstacle to success of business

- 8.18 Managing cash flow was perceived as an obstacle to business success by 47 per cent of SME employers (the same as the proportion in 2007/08).
- 8.19 Among those with cash flow difficulties, the most common causes mentioned were fluctuations in income whilst outgoings remaining steady, with 77 per cent citing this as a problem (with no variation by size of employer). Late payment from individuals was mentioned by three in five (60 per cent), with the same proportion mentioning late payment from businesses (60 per cent).

Table 8.4: Causes of cash flow difficulties^{xlix}						
Base = all SME employers who see cash flow as an obstacle	All SME Emps.	Production	Construction	TRAD	Business Services	Other Services
SBS 2010. Un-weighted (n) =	1,687	248	170	509	358	376
	%	%	%	%	%	%
Income fluctuates while outgoings are steady	77	75	78	78	74	78
Late payment from individual customers	60	67	72	46	73	40
Late payment from other businesses	60	72	76	46	73	33
High levels of working capital required	49	52	56	57	39	40
Timing of tax payments	42	34	48	42	47	34
High levels of investment required	41	44	46	48	40	37
Early payment required by suppliers	39	41	43	66	55	39
Individual customers expect credit	39	49	40	39	41	21
Difficult/expensive to get credit from suppliers	26	27	17	38	16	21
Outgoings fluctuate while income is steady	24	19	21	26	21	26
Figures in bold are statistically significant at the 95% confidence level against the overall finding						

- 8.20 Late payment is a particular issue for SMEs operating in construction, business services and production. Meanwhile, in the transport, retail and distribution sector, employers were particularly likely to report issues associated with suppliers requiring early payment (66 per cent, against an average of 39 per cent).

9 Usage of business support and Government services

Sources of business advice sought

- 9.1 Over the year prior to the survey, half (49 per cent) of all SME employers had sought external advice or information on matters affecting their business.
- 9.2 Of those seeking advice, 40 per cent went to more than one source. The average number of sources consulted was 1.56.
- 9.3 Forty-six per cent of micro-sized employers had sought such advice, though this rose to 59 per cent of small employers, and 68 per cent of medium-sized employers.
- 9.4 By sector, SME employers operating in business services and 'other services' were particularly likely to have sought advice (55 per cent in each case).
- 9.5 The most commonly used sources of advice were accountants (consulted by 37 per cent of those seeking advice), and consultants (20 per cent, rising to 31 per cent among medium-sized organisations). Twelve per cent had sought advice through Business Link local services, with six per cent doing so via the Businesslink.gov.uk website (half of those using the website had also sought advice through Business Link local services). One in ten SME employers had sought advice from a solicitor or lawyer, though this rises to 26 per cent among medium-sized businesses.
- 9.6 Construction and transport, retail and distribution employers were particularly likely to have sought advice from an accountant (52 per cent and 42 per cent respectively), whilst those operating in business services were more likely than average to turn to a consultant (25 per cent), and those in 'other services' were particularly likely to consult a solicitor or lawyer for advice (17 per cent).

Table 9.1: Sources of external advice consulted in last 12 months¹ – by sector¹⁶						
Base = all SME employers who have sought advice	All SME Emps.	Production	Construction	TRAD	Bus. Services	Other Services
SBS 2010. Un-weighted (n) =	2,129	298	178	539	476	604
	%	%	%	%	%	%
Accountant	37	36	54	42	34	24
Consultant	20	20	22	14	25	21
Business Link local services	12	10	10	16	13	9
Solicitor/lawyer	10	9	9	11	8	17
Trade/business association	7	9	11	8	5	7
Bank	6	7	1	9	5	6
Other specialists, e.g. HR/Marketing	4	5	4	4	4	8
Businesslink.gov.uk website	6	6	5	6	6	4
Other businesses in industry	4	6	3	2	4	4
HMRC	3	*	5	3	4	1
Business networks	2	5	3	2	2	3
Chamber of Commerce	3	6	3	2	3	*
BIS	3	3	3	4	4	1
An Enterprise Agency	3	*	4	2	1	1
Local Authority	3	2	*	5	*	9
A friend/family member	3	3	*	4	4	3
Websites (general)	3	2	*	5	5	1
Surveyors/Estate Agents	3	2	3	2	3	4
Health and Safety Executive	2	2	5	1	1	1
Other Governmental Organisations ¹⁷	2	1	*	1	2	3
An RDA	1	3	*	1	1	2
Federation of Small Businesses	1	3	*	3	1	1

Figures in bold are statistically significant at the 95% confidence level against the overall finding;
* = a figure of less than 0.5% but higher than zero

9.7 Where advice had been sought, this most commonly related to:

- financial matters (27 per cent of those seeking advice)
- business growth (19 per cent)
- tax/NI law and payments (16 per cent)
- employment law/redundancies (14 per cent)
- regulations (nine per cent)

¹⁶ This question differs from that used in the ASBS surveys, hence comparisons are not possible.

¹⁷ E.g. ACAS, VOSA, LSC, Carbon Trust

- health and safety (six per cent)

9.8 SME employers were most likely to *mainly* access advice and information face-to-face (59 per cent of those seeking advice) or over the telephone (27 per cent), whilst just seven per cent predominantly sought advice via websites, and just 6 per cent did so through email communications. Over a third (35 per cent) turned to online information sources as their *first* port of call before then investigating further through other channels.

Business Mentors

9.9 During the course of the 12 months prior to the survey, one in ten SME employers (11 per cent) had used a business mentor, i.e. someone with business expertise who provides ongoing support with the development and running of their business.

Table 9.2: Whether used business mentor in last 12 months ⁱⁱ – by sector							
Base = all SME employers	All SME Emps.	Primary	Production	Construction	TRAD	Business Services	Other Services
SBS 2010. Un-weighted (n) =	3,817	64	527	315	1,157	793	961
	%	%	%	%	%	%	%
Yes	11	4	11	10	8	12	17
No/don't know	89	96	89	90	92	88	83
Figures in bold are statistically significant at the 95% confidence level against the overall finding							

9.10 SME employers that have been in operation for fewer than 10 years are most likely to seek support from a business mentor (14 per cent, compared with nine per cent of those that have been in business for 10 or more years).

9.11 By sector, SME employers operating in 'other services' are most likely to call upon a business mentor for support (17 per cent), whilst those in transport, retail and distribution were the least likely (eight per cent).

9.12 By size, 10 per cent of micro businesses had used a business mentor in the last 12 months, compared to 15 per cent of both small and medium-sized businesses.

Awareness and usage of Business Link

- 9.13 A series of questions were asked of all SME employers in England regarding the Business Link service, and of Welsh employers regarding the Flexible Support for Business service provided by the Welsh Assembly Government.
- 9.14 Overall, 42 per cent of English and Welsh SME employers claimed that they were aware of “a publicly-funded service providing access to information and advice for businesses, including a national network of local operators” (42 per cent in England, compared with 37 per cent in Wales).
- 9.15 Of those English SMEs claiming awareness of this service, half (50 per cent) correctly identified that Business Link was the service being referred to; in Wales, however, just 17 per cent spontaneously recalled Flexible Support for Business or the Welsh Assembly Government.
- 9.16 When the remaining businesses (reporting awareness of the business support service, but not correctly identifying its name) were prompted, 86 per cent of those in England said that they had heard of Business Link, though just 22 per cent in Wales had heard of Flexible Support for Business.
- 9.17 This equates to 89 per cent of all SME employers in England being aware of Business Link (on either a spontaneous or prompted basis), compared with 25 per cent of those in Wales in relation to Flexible Support for Business.

Experience of accessing government business support services

9.18 All SME employers were asked about the extent to which they regard the range of government services available for businesses as being easily accessible, and then whether they would like government support but struggle to find out what is available.

Table 9.3: Views on the accessibility and availability of government services and supportⁱⁱⁱ		
Base = all SME employers	“I find government services easily accessible”	“I would like government support to develop my business but struggle to find out what is available”
SBS 2010. Un-weighted (n) =	3,817	3,817
	%	%
Agree strongly	15	27
Agree slightly	22	18
Neither agree nor disagree	27	22
Disagree slightly	13	15
Disagree strongly	16	14
Don't know	7	5
TOTAL AGREE	37	45
TOTAL DISAGREE	29	29
NET AGREE - DISAGREE	12	16

9.19 Whilst 37 per cent of SME employers felt that government services are easy to access, 45 per cent would like to make use of government support but have difficulties finding out what is available to them.

9.20 Micro-sized businesses were most likely to be struggling to determine what government support might be available, with 45 per cent agreeing that this is the case, compared with 43 per cent of small businesses and 38 per cent of medium-sized businesses.

9.21 By sector, Construction employers face the greatest difficulties finding out what government support is available and appropriate, with 51 per cent expressing agreement in respect of this statement.

Working for the public sector

- 9.22 Only a relatively small minority of SME employers had either expressed an interest in, or bid for, contracts advertised by the public sector, with 12 per cent having bid in the previous 12 months, and five per cent expressing an interest but not ultimately bidding.
- 9.23 Medium-sized employers were considerably more likely to have expressed interest in or bid for public sector contracts (40 per cent), compared with 28 per cent of small employers and 16 per cent of micro-sized employers.
- 9.24 By sector, construction and business services businesses stand out as being most likely to have involvement with contracts issued by the public sector (30 per cent and 25 per cent respectively).
- 9.25 Thirty per cent of SME employers had actually undertaken work for the public sector during the course of the 12 months prior to the survey. Again, medium-sized businesses were more likely to have done so (46 per cent), in comparison to 41 per cent of small businesses and 27 per cent of micro-sized businesses. Similarly, construction sector employers are again most likely to have worked on public sector contracts (47 per cent).
- 9.26 It is worth noting, however, that where business has been done for the public sector, this was more likely to have been as part of a larger supply chain (53 per cent) than businesses acting in the capacity of prime contractor (42 per cent).

Table 9.4: Main customer within public sector^{liii} – by sector							
Base = all SME employers who have done business for the public sector	All SME Employers	Primary	Production	Construction	TRAD	Business Services	Other Services
SBS 2010. Un-weighted (n) =	1,437	17	178	175	314	324	429
	%	%	%	%	%	%	%
Local Authorities	53	33	55	65	51	43	59
Health Service	19	*	21	14	20	21	20
HE/FE institutions	12	15	12	12		13	8
Departments of State (excl. MoD)	10	51	4	5	7	17	7
Ministry of Defence	3	0	4	*	5	3	*
Figures in bold are statistically significant at the 95% confidence level against the overall finding							

- 9.27 The majority of SME employers that had done work for the public sector had done so for a Local Authority (53 per cent). Nineteen per cent had done work for the Health Service and 12 per cent had done work for Further or Higher Education institutions. Three per cent had undertaken contracts for the Ministry of Defence, with a further 10 per cent doing so for other Departments of State.

9.28 Differences by size of employer are relatively slight, though there is more variation by sector, as the table above demonstrates.

Survey conducted and report written by IFF Research.

April 2011

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ENDNOTES: QUESTIONNAIRE REFERENCES

- ⁱ Q1: **How many sites in the UK does your business operate from, including your head office?**
- ⁱⁱ Q4: **What is the legal status of your organisation?** READ OUT AS NECESSARY
- ⁱⁱⁱ Q4: **What is the legal status of your organisation?** READ OUT AS NECESSARY
- ^{iv} Q153: **Is your business VAT registered?**
- ^v Q5: **And how many years has this firm been trading? This includes under all ownerships and all legal statuses.**
- ^{vi} Q164: **How many partners or directors are there in day-to-day control of the business now, including yourself?**
- ^{vii} Q158: **Is your business a family owned business? (A family business is majority owned by members of the same family)**
- ^{viii} Q166: **How many of your [TEXT SUBSTITUTION: NO OF DIRECTORS AT Q164] partners/directors are women?** Q167: **Is more than 50% of the business owned by women?**
- ^{ix} Q37: **Do you think of your business as a social enterprise, by which I mean a business that has mainly social or environmental aims?**
- ^x 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)?**
- ^{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} 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)?**
- ^{xiv} Q149: **Compared with the previous 12 months, has your turnover in the past 12 months increased, decreased or stayed roughly the same?**
- ^{xv} Q149: **Compared with the previous 12 months, has your turnover in the past 12 months increased, decreased or stayed roughly the same?**
- ^{xvi} Q151: **In the next 12 months do you expect your turnover to increase, decrease, stay roughly the same?**

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- ^{xvii} Q151: In the next 12 months do you expect your turnover to increase, decrease, stay roughly the same?
- ^{xviii} Q35: Taking into account all sources of income in the last financial year, did you generate a profit or surplus?
- ^{xix} 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, I.E. Q35 '2-4': when you generate one] to owners/shareholders?
- ^{xx} Q161: Do you anticipate the closure, or a full transfer of the ownership of your business in the next 5 years?
- ^{xxi} 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?
- ^{xxii} Q49a: Do you expect to fund your business growth using internal finances or from external finance providers?
- ^{xxiii} Q50: Does your business plan to do any of the following over the next two to three years?
- ^{xxiv} Q50: Does your business plan to do any of the following over the next two to three years?
- ^{xxv} 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.
- ^{xxvi} 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?
- ^{xxvii} Q88: Have you introduced new or significantly improved processes in the last twelve months?
- ^{xxviii} 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?
- ^{xxix} Q32: What are the barriers that prevent your business exporting?
- ^{xxx} 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?
- ^{xxxi} Q143: Does your business use the Internet for any of the following?
- ^{xxxii} 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?
- ^{xxxiii} 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?
- ^{xxxiv} 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?

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

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

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

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

^{xxxix} 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?

^{xl} 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?

^{xli} Q77: To what extent would you say you understand the way in which banks assess business credit risk?

^{xlii} Q65: How would you describe your business's relationship with its bank? Please answer on a scale of 1 to 5, where one signifies the relationship is very poor and 5 that it is very good.

^{xliii} Q78: Have you made a complaint to your bank in the last three years? IF YES: What did you complain about on the last occasion?

^{xliv} Q80: Do you have a problem with customers paying you later than you require them to in your normal terms of business?

^{xlv} Q82: Have you ever taken a customer to court for not paying their debts? Q84: Have you taken legal action against anyone under the late payment legislation in the last 12 months?

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

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

^{xlviii} Q63a: Which types of taxation, VAT, PAYE, national insurance, business rates etc. do you consider to be obstacles to the success of your business?

^{xliv} Q60: You mentioned earlier that cash flow is an obstacle to the success of your business. Which, if any, of the following do you consider to be causes of this cash flow difficulty?

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

^{li} 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?

^{lii} Q130: Thinking about the range of government services available for business that are delivered locally and nationally, to what extent do you agree or disagree with the following statements?

^{liii} Q133: What part of the public sector was your main customer?

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