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# Quarterly Survey of Small Business in Britain

*Special topic: business advice and information*



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*Special topic: business advice and information*

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# Acknowledgements

The Open University Business School enterprise research team would like to thank the many SME owners and managers who invested time and effort in completing our questionnaire. Our aim in this report is to represent their views and experiences as accurately as possible. In doing so, we hope to provide a useful, timely and objective source of evidence about small and medium-sized firms that can be used to inform future policy and practice. We are also pleased to acknowledge Barclays Bank and ACCA (Association of Chartered Certified Accountants) for providing sponsorship and organisational support. It is important to note that the *Quarterly Survey* is editorially independent and any opinions expressed may not necessarily reflect those of The Open University or other organisations.

From this issue of the Quarterly Survey, we have a **new report format**. The former 'performance', 'problems' and 'prospects' sections have been replaced by a concise and impartial summary of recent data on SMEs and the UK economy. The remainder of the report is devoted to this quarter's special topic, which allows us to examine the issues in greater detail than previously. You will find more special topic questions, additional comments from our regular respondents and in-depth case studies to complement the analysis. We hope you find the new format useful and would welcome your feedback.

## Research and sponsorship opportunities

Would your organisation like to propose a special topic or commission a custom research report on a topic related to SMEs, entrepreneurship or innovation? The *Quarterly Survey* offers a number of cost-effective research opportunities. For example, a recent *Quarterly Survey* report (Q1, 2012) examined issues related to illness, retirement, and succession planning. It revealed that half of the UK's small and medium-sized businesses had changed their plans in response to current economic problems. Media coverage focused on evidence that many business owners were delaying their retirement beyond the age of 65. Our findings were also featured on BBC Breakfast television as part of a studio interview:

### FINANCIAL TIMES

'Business owners delay retirement' (Hugo Greenhalgh, 8<sup>th</sup> June 2012)

### The Daily Telegraph

'Tough trading hits entrepreneurs' retirement plans' (James Hurley, 16th June 2012)

For an informal discussion, please contact the Editor at: [richard.blundel@open.ac.uk](mailto:richard.blundel@open.ac.uk)

# Summary

## SMEs and the UK economy

Several indicators suggest increasing business confidence, matching the rise in national GDP. The slow-down in new business formation has been offset by a faster tailing-off in business closures. Established businesses have taken on more employees, contributing to a net rise in employment. There has been a growth in output, particularly amongst 'higher order' services such as finance and technology. SMEs in London and the South of England were more confident than those in the North of England and Scotland. The overall level of business confidence remains high for the next quarter.

## Business advice and information

This quarter, we examine the experiences of SMEs seeking business advice and information. There have been many changes in this area in recent years, including the transition of Business Link into a web-based service on [www.gov.uk](http://www.gov.uk), the emergence of new forms of provision, including the network of Local Enterprise Partnerships (LEPs), and the growth in commercial online information services. The key survey findings are accompanied by further commentary and a set of case studies:

- Three quarters of SME respondents (75%) used one or more sources of business advice or information in the last year. Accountants are the most commonly cited source of helpful advice or information, identified by 50% of businesses. 'Customers, suppliers and other business people' are second (37%), and banks take third place (31%). By contrast, only 17% identify 'Government-funded services' as a helpful source.
- Smaller businesses make less use of business advice and information services. For example, 26% of respondents in the £5m+ turnover band make use of business advisors, but only 9% with a turnover below £100,000. Similarly, 44% of respondents with a turnover of £5m+ identified 'your bank', compared to 22% in the less than £100,000 turnover band.
- Growth-oriented SMEs make much use of a wider range of information and advice services. For example, businesses with plans to 'expand significantly' were more than twice as likely to use five or more services (20%), compared to those with no growth plans (9%).
- About one in seven firms (15%) think access to advice and information has become easier in the last year while 9% find it more difficult. However, most SMEs (74%) have seen little change.
- The 'top five' specialist areas where SME owners and managers have actively sought business advice and information are: regulations and compliance (28% of respondents), accounting (28%), sales and marketing (27%), financing (22%) and information technology (17%).
- Face to face communication channels are the most popular ways to deliver business advice and information, identified by more than two thirds (69%) of respondents. Government websites are second (55%), followed by commercial websites (43%) and telephone help-lines (42%).
- Fewer than one in ten (8%) of respondents say that their business has experienced specific problems due to difficulties in obtaining the business advice and information they need, and only a small minority (1%) identified these as 'major' problems. However, these figures may understate the potential impact of inappropriate or poor quality advice and information and the potential benefits that could be achieved through improved services.

## Contents

<b>SMEs and the UK economy</b>	4
Economic trends and SME performance	4
Review of other SME survey findings	5
Conclusion	7
<b>Business advice and information</b>	8
Introduction	8
Sources of advice and information	9
Ease of access to business advice and information	11
Specialist information and advice requirements	12
Best ways of delivering information and advice	15
Scale and impact of problems	17
Conclusion	18
<b>Case studies</b>	20
Introduction	20
Case study A: CME Personnel Consultancy Ltd.	20
Case study B: Secure Engineering Ltd.	22
Case study C: Imagine Photographic	24
<b>APPENDIX</b>	26
How the survey is carried out	26
The history of the Quarterly Survey	27
Questionnaire – Q3 2013	29

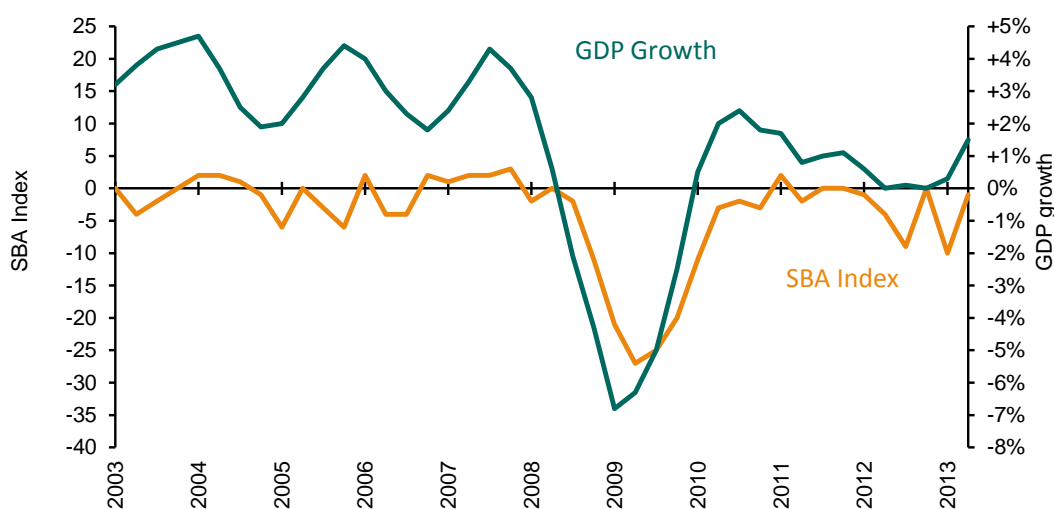
# SMEs and the UK economy

This section reviews the current state of the UK economy and the performance of its small and medium-sized firm population over the period covered by this report. It is based on our analysis of a number of prominent SME research studies and UK macroeconomic data. In most cases these varied sources present broadly similar messages, with output continuing to grow. There are also increasing signs of optimism regarding future growth prospects, but with some sectoral and regional variation (e.g. more confidence being expressed by higher order services businesses and by firms located in London and the South of England). It should also be borne in mind that summary statistics of this kind necessarily mask large differences in the experiences of individual firms.

## The UK economy and SME performance

Our review begins with a comparison between GDP figures, which provide an indicator of overall economic performance, and recent data from the **Barclays Small Business Activity (SBA) Index**. The SBA data, which is derived from the banking activity of over 200,000 small firms (Chart 1) has fluctuated since early 2012 while the UK's GDP growth rate has remained relatively stable over the same period, until a sharp year on year rise in the second quarter of 2013. Between the first and second quarters of 2013 the SBA rose from -10 to -1. The ONS has reported a quarter on quarter increase in GDP of 0.7% in the second quarter of 2013. This represents an annual increase of 1.5% as compared to the equivalent quarter in 2012<sup>1</sup>

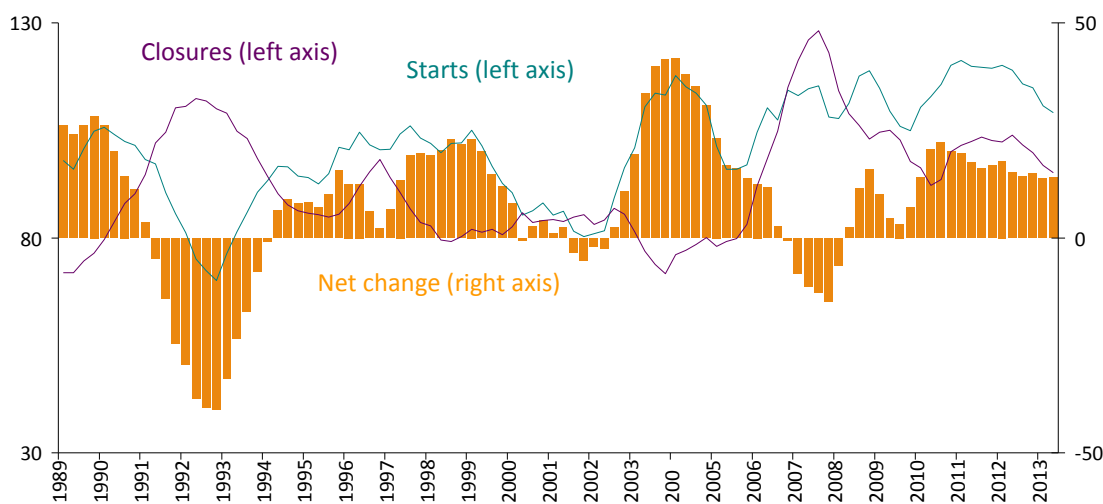
Chart 1: Barclays Small Business Activity Index versus GDP (latest quarter on corresponding previous quarter)



<sup>1</sup> Data in this section relates to Q2 2013. Sources: SBA Index supplied courtesy of the Business Economics & Research Team, Barclays. UK GDP change data obtained from the Office for National Statistics (ONS), available at: <http://www.ons.gov.uk/ons/rel/naa2/second-estimate-of-gdp/q2-2013/stb-second-estimate-of-gdp--q2-2013.html>. Second estimate UK GDP data was released on 23<sup>rd</sup> August 2013.

The **Barclays Stock and Activity Index** (Chart 2) estimates the number of ‘mainstream’ businesses, based on the number of business customers held with them and an estimate of their market share. These figures suggest a continuation of the unbroken trend for net increase in the business stock in England and Wales over the past five years. However, whilst the rate of new business starts has remained well above that of closures, there was a marked tailing off in both new starts and closures in 2012. However, the ‘net starts’ figure seems to have stabilised during the first two quarters of 2013. The latest ONS labour market statistics, published in September 2013, also point to a slow-down in the previous growth trend in self-employment, with a net seasonally adjusted decline of -27,000 to 4.17 million between May and July, but with the net increase of 98,000 employees in this period pointing to growth in existing businesses.<sup>2</sup>

Chart 2: Mainstream businesses in England and Wales, starts and closures and net change (thousands), four quarter moving averages. Source: Business Economics, Barclays



## Review of other SME survey findings

The **Federation of Small Business ‘Voice of Small Business Index’<sup>3</sup>** for the third quarter of 2013 reported that: “Following the optimism in the previous two quarters of 2013, confidence rose to the highest level seen since the Small Business Index began in 2010.” It indicates that confidence had reached +33.5%, up from 15.9% reported in Q2, with confidence rising in most sectors and regions. Confidence is greatest in London, with re-emerging signs of the North-South divide as confidence is rising considerably faster in the South than in the North. Financial and business services and technology firms are exhibiting most confidence. Growth intention for the next 12 months continued to rise, up to 54.2% from 50.6% in Q2. More firms are hiring rather than firing staff, the first time that there has been a net positive balance +3.7% reported since early 2010, and there is a continued rise in export activity expected in the next three months, up to 25.5% from 15% in Q2.

<sup>2</sup> Labour Market Statistics, September 2013 (11<sup>th</sup> September), Office for National Statistics at: <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/september-2013/statistical-bulletin.html?format=print>

<sup>3</sup> FSB Voice of Small Business Index, Q3 2013: <http://www.fsb.org.uk/small-business-index>

The **Charterhouse Research Business Confidence Index (CRBCI)**<sup>4</sup>, representing 2,978 UK businesses ranging from start-ups to £1bn sales turnover surveyed between June and August 2013, presents mean scale scores on an index where higher scores represent a high percentage of businesses that are confident in terms of the state of the UK economy. This revealed the highest quarterly rise, from 44 to 53, since the CRBCI Index began in the third quarter of 2011 and the first quarter in which more businesses were positive than negative; 43% were either fairly or extremely confident compared to 26% that were either fairly or extremely negative. Larger businesses with over £1m sales turnover were most confident, with a mean score of 58. New business start-ups, established within the last year, were also more positive with a mean score of 55. Confidence is greater in Wales, the Midlands and South of England with a mean score of 54, compared to the North of England and Scotland which has a mean score of 51.

The **British Chambers of Commerce (BCC) Quarterly Economic Survey**<sup>5</sup> reported all of its national domestic balances for orders and sales had improved in Q3. These balances were also above their long-term historical averages and slightly higher than those recorded in 2007. For example, the BCC's national manufacturing employment balance rose nine points, to +29%, the highest figure recorded in this survey. The BCC's service employment balance rose by five points to +20%, its highest level since Q3 2007. Cashflow balances also continued to rise, with the manufacturing sector up 18 points (+22%) and the services sector 11 points higher (+12%).

The **CBI Quarterly SME Trends Survey** was not available at the time of publication. However, the **CBI Manufacturers Survey**<sup>6</sup>, published on 5<sup>th</sup> August 2013, provides a more subdued, mixed message: "Optimism about the business situation rose among small and medium-sized manufacturers for the first time since April 2012, despite weak activity over the past quarter." The signs are that despite slight negative balances recorded for orders -7%, exports orders -4%, and output -6% which has remained negative for five consecutive quarters, overall confidence rose for the first time in over a year to +9%, with positive balances recorded for increased orders +9% and export orders +5% during the next quarter.

The **English Business Survey (EBS)**<sup>7</sup> is still classified as 'experimental official statistics' and advises against comparisons across months. The survey uses balance statistics but they are not directly comparable to other data reported in this section, or to findings of the other SME surveys reviewed in this section. For example, it is based on individual workplaces rather than firms (though as the EBS points out, 97% of all enterprises are based on a single workplace). In addition, the EBS excludes the smallest non VAT and PAYE registered businesses, which may represent 55% of all SMEs.

The most recent EBS data for June 2013, published on 29<sup>th</sup> August, is positive with a net balance of +29% reporting higher output, slightly down on April's +33%, but well up on the annual comparative figure of +11% for June 2012. Small +36% (10-49 employees) and medium +34% (50-249 employees) sized businesses continue to perform better than micro businesses +12% (1-9 employees), as highlighted in our last report. Expectations for future output growth over the next three months were similarly buoyant with a balance of +29%, but with micro-

<sup>4</sup> CRBCI, published on 30<sup>th</sup> September 2013: <http://www.charterhouse-research.co.uk>

<sup>5</sup> British Chambers of Commerce Quarterly Economic Survey, Q3 2013, published on 8<sup>th</sup> October 2013: <http://www.britishchambers.org.uk/policy-maker/policy-reports-and-publications/q3-2013-quarterly-economic-survey.html>

<sup>6</sup> CBI Manufacturers Survey, published 5<sup>th</sup> August 2013: <http://www.cbi.org.uk/media-centre/press-releases/2013/08/optimism-rises-among-smaller-manufacturers-bust-activity-remains-weak/>

<sup>7</sup> The English Business Survey for June 2013, published 29<sup>th</sup> August: <https://www.gov.uk/government/publications/english-business-survey-statistical-release-june-2013>



businesses being less optimistic +20%. There was also increased reporting of employment growth which has risen to the highest balance +12% recorded since the survey began in October 2011<sup>8</sup>. Again, there is a similar balance of +11% of businesses that are expecting employment growth during the next three months, but with London firms most confident and those in the North East least confident.

## Conclusion

Our review of the most recently available UK SME data indicates increasing business confidence, matching the rise in national GDP. This conclusion is underpinned by several indexes, which are registering their highest levels of confidence in recent years. Whilst there has been a slow-down in new business formation, there has also been a faster tailing-off in closures and established businesses have taken on more employees, contributing to a net rise in employment. There continue to be signs of positive output growth, but with manufacturing firms lagging behind those engaged in services, particularly those 'higher order' services such as finance and technology. From a regional perspective, SMEs located in London and the South of England appeared more confident than those in the North of England and Scotland. In addition, relatively larger businesses tend to be more confident than their smaller counterparts. The overall level of business confidence remains high for the next quarter, with signs from several sources of positive prospects for manufacturing businesses, both in terms of output and exports.

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<sup>8</sup> Another set of EBS data, which tracks the "percentage of overstretched staff" also suggests that staff utilisation rates have been rising over the last quarter for most sizes of business.

# Business advice and information

This quarter, we examine the experiences of SMEs seeking business advice and information. This area has seen many changes in this area in recent years, including the transition of Business Link into a web-based service, the emergence new forms of provision including the network of Local Enterprise Partnerships (LEPs) and the growth of a variety of commercial online information services. The main telephone survey findings are complemented by additional qualitative findings obtained from our online survey respondents and three in-depth case studies.

## Introduction

In recent years, there have been a number of changes to advice and support services for small and medium-sized firms. Challenging economic conditions, technological innovations and new initiatives by small firms' organisations, universities and commercial providers have also helped to transform this policy landscape. The stated purpose of many recent interventions has been to promote firm-level growth and resilience by ensuring that SMEs can compete more effectively in international markets and against larger counterparts. Intervention has often involved actions that seek to address specific market failures, such as 'skills gaps' and the under-supply of particular types of service<sup>9</sup>. In England, one of the major changes involved the abolition of Regional Development Agencies (RDAs) in 2010 and their replacement by a network of Local Enterprise Partnerships (LEPs). In September 2012, the All Party Parliamentary Group on Growth recommended that the UK government, 'should give LEPs time to work without imposing radical changes to the fundamentals of the system or introducing time-consuming bureaucratic requirements'<sup>10</sup>. However, small firms researchers have continued to argue that more detailed evaluation of such policies is required in order to assess the quality and appropriateness of services provided, while also taking into account the distinctive requirements associated with factors such as firm size, ownership structure, growth potential and industry sector<sup>11</sup>. This report examines the experiences of SME owners and managers over the last 12 months to see how the recent changes have affected their businesses.

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<sup>9</sup> For example: Huggins, R. and Williams, N. (2009) 'Enterprise and public policy: a review of Labour government intervention in the United Kingdom.' *Environment and Planning C: Government and Policy*, 27, 1: 19-41; Mole, K.F. and Bramley, G. (2006) 'Making choices in nonfinancial business support: an international comparison.' *Environment and Planning C: Government and Policy*, 24, 6: 885-908; Jarvis, R. and Rigby, M. (2011) 'Business Advice to SMEs: Human Resources and Employment.' (Research Report 123). London: ACCA..

<sup>10</sup> All Party Parliamentary Group on Local Growth (2012) 'Where next for LEPs? Report of an inquiry into the effectiveness to date of Local Enterprise Partnerships.' Available at: [www.appglocalgrowth.org](http://www.appglocalgrowth.org)

<sup>11</sup> See, for example, Storey, D.J. (2008) 'Evaluating SME policies and programmes: technical and political dimensions.' In Casson, M., B. Yeung, A., Basu, and N. Wadson (eds.) (2008) *The Oxford Handbook of Entrepreneurship*. Oxford: Oxford University Press (248-278); Greene, F.J., (2009) 'Assessing the impact of policy interventions: the influence of evaluation methodology.' *Environment and Planning C: Government and Policy*, 27, 2: 216-229. Policy evaluation issues are also of particular concern in developing countries. For example: Obeng, B.A. and Blundel, R.K. (2013) 'Evaluating enterprise policy interventions in Africa: a critical review of Ghanaian small business support services.' *Journal of Small Business Management* (in press).

## Sources of advice and information

It is clear that most SMEs are actively seeking business advice and information on a regular basis (Chart 3) (n.b. the question allowed multiple responses). Overall, three quarters of respondents (75%) made use of one or more sources of business advice or information in the last year<sup>12</sup>. One half of all the businesses surveyed (50%) identified their accountants as a source of helpful advice or information<sup>13</sup>. This figure is consistent with previous findings, though the earlier data was based on responses from regular (i.e. online) respondents only<sup>14</sup>. Customers, suppliers and other business people were in second place, reflecting the importance of peer groups, supply chain partners and members of the business community as sources of helpful advice for many SMEs (37%)<sup>15</sup>. Banks were the third most commonly cited source, identified by almost one third of businesses (31%). This result appears somewhat at odds with the more critical accounts of business banking relationships in recent times. The figure is also somewhat higher than that recorded in our earlier research, a difference that may reflect the greater representation of medium-sized firms in the current sample. Formal business networks were the next most common source (22%), a category that included organisations such as the Chambers of Commerce, trade associations, CBI, Federation of Small Businesses and Forum of Private Business. Just over one in five businesses (21%) identified ‘family and friends’ as a helpful source. A comparatively small proportion of businesses (17%) identified ‘Government-funded services’, a broad category that included organisations such as UKTI, Business Link, Scotland’s Business Gateway, HMRC, other government departments and web-sites, Local Enterprise Partnerships and local council services. This figure is lower than that recorded in our previous reports (i.e. 2007: 34%; 2009: 29%; 2012: 25%). A possible explanation, when viewed in conjunction with the qualitative evidence, is that respondents are discounting this source due to negative experiences with particular Government-funded services<sup>16</sup>. A similar proportion (16%) had obtained helpful advice or information from ‘other business advisors’, a category that included coaches and mentors.

There were considerable size-related variations in the patterns described above (Table 1). The proportion of respondents that received helpful advice or information was generally higher amongst the relatively larger businesses. This tendency applied to every source except for ‘family and friends’, where the proportions were somewhat lower in the £1-5m and £5m+ turnover bands, and for ‘media and small business websites’ where there was very little variation across the range. The biggest variation was for ‘business advisors’, which was identified by more than a quarter (26%) of respondents in the £5m+ turnover band but less than one in ten (9%) of those with a turnover below £100,000. There were also size-related differences in the ‘your bank’ category, which was identified by 44% of respondents with a turnover of £5m+, but only 22% of

<sup>12</sup> This compares to a recent study of business support in England (CEEDR Middlesex University/ BMG Research 2011), which found that two fifths (40 per cent) of all SME employers used formal external assistance over the last three years. Over a quarter of all SMEs (29 per cent) used private sector support and one fifth (20 per cent) used public sector support (see footnote 17 for full reference). The findings presented in this section are based on a sub-sample (781 out of a total of 1,044 respondents) that had used one or more business advice or information services during the past 12 months. The remaining 263 respondents stated that they had not used any services in this period.

<sup>13</sup> The exact wording of this question is given in Chart 3; the full questionnaire is reproduced in the Appendix.

<sup>14</sup> See, for example: Gooderham P.N., Tobiassen A., Doving E. and Nordhaug O. (2004) ‘Accountants as a source of business advice for small firms.’ *International Small Business Journal*, 22, 5: 5-22.

<sup>15</sup> There is an established literature on organisational learning and capability development by SMEs through their engagement in supply chains. For example: Blundel, R.K. and Hingley, M. (2001) ‘Exploring growth in vertical inter-firm relationships: small-medium firms supplying multiple food retailers.’ *Journal of Small Business and Enterprise Development*, 8, 3: 245-265; Macpherson, A. and Wilson, A. (2003) ‘Enhancing SMEs’ capability: opportunities in supply chain relationships?’ *Journal of Small Business and Enterprise Development*, 10, 2: 167-179; Bessant, J., Alexander, A., Tsekouras, G., Rush, H. and Lamming, R. (2012) ‘Developing innovation capability through learning networks.’ *Journal of Economic Geography*, 12, 5: 1087-1112.

<sup>16</sup> We examine experiences of specific services in greater detail in the remaining sections of this report.

Chart 3: “From which of the following has your business received helpful advice or information over the past 12 months?”

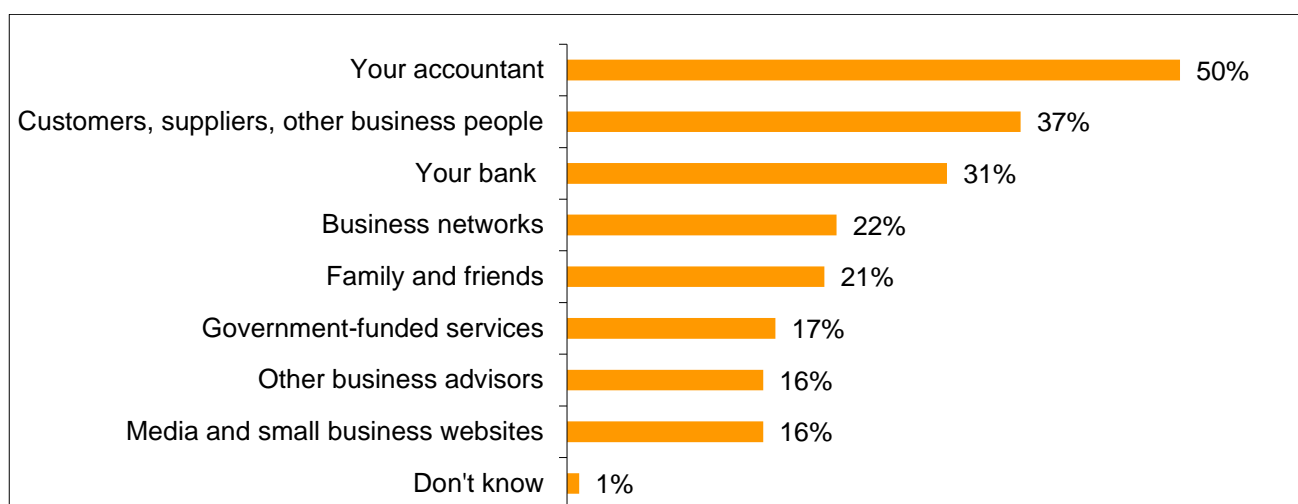


Table 1: “From which of the following has your business received helpful advice or information over the past 12 months? – by turnover band

	Your accountant	Customers, suppliers and business people	Your bank	Business networks	Family and friends	Government-funded services	Business advisors	Media and small business websites
Less than £100,000	40%	29%	22%	16%	24%	12%	9%	14%
£100,000-£249,999	44%	36%	20%	14%	23%	13%	8%	17%
£250,000-499,999	50%	39%	29%	17%	18%	23%	14%	18%
£500,000-£999,999	50%	37%	30%	20%	27%	12%	16%	14%
£1m-£5m	61%	41%	39%	31%	16%	21%	22%	18%
£5m+	55%	42%	44%	26%	17%	20%	26%	15%
All	50%	37%	31%	22%	21%	17%	16%	16%

those in the less than £100,000 turnover band. The ‘Government-funded services’ pattern was more uneven, but also suggested size-related variations, with one in five (20%) of the largest (£5m+ turnover) firms receiving helpful advice or information, compared to just 12% of the smallest. It also appears that the more growth-oriented SMEs are making much more use of information and advice services, as compared to their less ambitious counterparts. We took the number of options selected for this question as an approximate indicator of the total number of

services used during the year (i.e. this assumes that at least one service was used for each specialist area). The analysis suggests that there are big differences in the quantity of business advice and information sought. For example, businesses with plans to ‘expand significantly’ were more than twice as likely to use five or more services (20%), compared to those with no growth plans (9%). These findings are consistent with a recent survey on barriers to business support for SMEs in England<sup>17</sup>, which identified a highly significant link between the increasing volume of use of external assistance and higher growth orientation.

## Ease of access to advice and information

We asked respondents whether it had become easier or more difficult to obtain business advice and information over the last 12 months. About one in seven firms (15%) reported that access had become easier while a smaller proportion (9%) had found it more difficult. However, almost three quarters of businesses (74%) either saw little change or did not need any advice or information over this period (Chart 4)<sup>18</sup>. These figures suggest a modest improvement over the equivalent figures in our 2012 report, where 10% of respondents reported that ease of access had improved and 9% thought it had become more difficult<sup>19</sup>. The proportion indicating that it had become harder to get business advice or information varied by size band. The figures ranged from 4.1% of firms in the more than £5 million turnover band to 14.0% of those in the £100,000 to £249,999 band. We asked our regular respondents to comment on the reasons for their answers to this question. Those who had found it easier to obtain business advice and information over the last year commented on the overall increase in information, particularly in an online form, including the UK Government’s new centralised web presence<sup>20</sup>:

*‘Better information on the internet and the amount of information that can now be obtained through this route.’*

*‘Government’s drive to reduce the number of [government] websites and gradually migrate business information into .gov.uk.’*

*‘In a word - internet.’*

By contrast, those who had found it more difficult to obtain information and advice referred to the loss of the former Business Link network, including its face-to-face services. One respondent also raised concerns over the capacity of Local Enterprise Partnerships (LEPs) to fill the gap:

*‘Business link closed down, no government support/advice.’*

*‘Losing real people at Business Link was a big step backwards.’*

*‘Information finding has become fragmented. The LEPs will not help this as the majority of companies/organisations do not know they exist ...’*

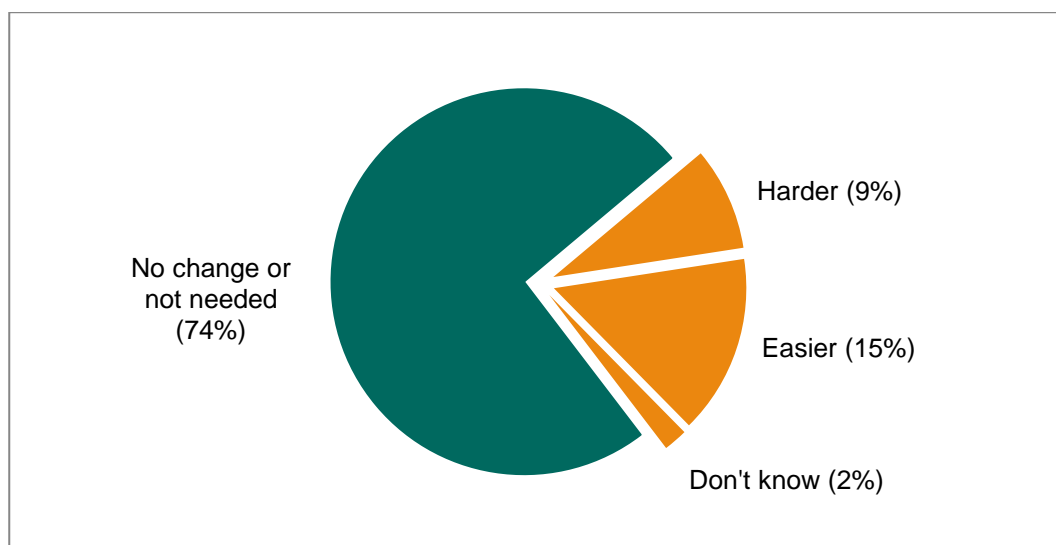
<sup>17</sup> CEEDR, Middlesex University/BMG Research (2011) ‘Research to understand the barriers to take up and use of business support: Report for the Department for Business Innovation and Skills’. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/32250/11-1288-research-barriers-to-use-of-business-support.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32250/11-1288-research-barriers-to-use-of-business-support.pdf)

<sup>18</sup> This category includes a small number of businesses (2%) that responded ‘don’t know’.

<sup>19</sup> While the relevant sample sizes are both in excess of 1,000 respondents, it is important to allow for some variability in the underlying samples when assessing the scale of these differences.

<sup>20</sup> These respondents complete the survey questionnaire online and are therefore likely to be predisposed to making use of online sources.

Chart 4: “Over the past year, has it become easier or harder to get the business advice or information that you need?”



### Specialist information and advice requirements

The 'top five' specialist areas identified by SME owners and managers were: regulations and compliance (28% of respondents), accounting (28%), sales and marketing (27%), financing (22%) and information technology (17%) (Chart 5). Respondents were given a list of 11 broad areas and respondents could select more than one in order to reflect their actual requirements over the last 12 months. The figures are somewhat lower for relatively smaller businesses. For example, amongst those businesses in the £100,000-£249,999 turnover band, 16% identified regulations and compliance and 20% identified accounting. However, this profile suggests that the accounting profession will continue to play an important role in providing services to SMEs irrespective of any simplification of financial reporting requirements for small firms or a further extension of the audit exemption threshold<sup>21</sup>.

Though this overall pattern was reflected across most industry sectors, there were a few striking variations in demand for the 'top five' types of business information and advice (Table 2)<sup>22</sup>. For example, only 14% of SMEs in the construction sector identified a requirement for sales and marketing advice. By contrast, information and advice in this area was identified by more than a third (34%) of respondents in the Hotels and Restaurants sector, and 32% of those in Business Services. SMEs operating in Transport, Storage and Communications reported particularly high requirements for information and advice on Financing (35% compared to 22% overall). Similarly, a relatively high proportion of construction firms identified a need for information and advice on Accounting (35%) as compared to the overall figure (28%).

<sup>21</sup> There have been suggestions that the current audit exemption thresholds may be further reduced in response to the 2013 EU Accounting Directive. For further information see: [www.gov.uk/audit-exemptions-for-private-limited-companies](http://www.gov.uk/audit-exemptions-for-private-limited-companies); <http://www.accountingweb.co.uk/article/changes-ahead-small-companies/543856>

<sup>22</sup> The Agriculture, Forestry and Fisheries data also suggest several distinct variations. However these should be treated with some caution due to the size of the relevant sub-samples.

Chart 5: “In which of the following broad areas has your business been actively seeking either specialist advice or information over the last 12 months?”



Table 2: “In which of the following broad areas has your business been actively seeking either specialist advice or information over the last 12 months?” – ‘Top five’ areas, by sector

	Regulations and compliance	Accounting	Sales and marketing	Financing	Information technology
Agriculture, Forestry and Fisheries	28%	22%	17%	17%	28%
Construction	33%	35%	14%	24%	17%
Manufacturing	25%	26%	29%	20%	20%
Retail	24%	29%	27%	20%	15%
Wholesale	23%	22%	26%	18%	16%
Hotels and Restaurants	28%	23%	34%	20%	15%
Transport, Storage and Communication	33%	23%	22%	35%	22%
Business Services	29%	31%	32%	20%	20%
Health, Education, Leisure, Other	33%	30%	29%	24%	19%
All (unweighted)	28%	28%	27%	22%	18%

We asked our regular respondents for some concrete examples of their specialist requirements. The following selection from their responses illustrates the diversity of information and advice needs, both in terms of subject area, scope and depth of knowledge required. However, a common theme is the need to draw on specialist knowledge and experience that is not readily available from within the business:

*'Accounting - new "patent box" tax regime.'*

*'Advice on exporting to Libya.'*

*'Better use of buying groups so that we can achieve best discounts/rebates within our supply chain.'*

*'Changes in childcare regulations.'*

*'Choice of new tablet device to allow us to work on the move.'*

*'Expand our knowledge of Social Media to promote our business to a wider audience.'*

*'In providing new office accommodation, (new product development) advice for energy efficient design (environment management) was sought.'*

*'Information Technology - our current accounts and manufacturing packages are dated (DOS based!!) and need to be replaced. New package will be a significant investment and we need to get it right.'*

*'Recruitment of a Senior Manager - own resources had limited time and experience.'*

*'Regulation and compliance: Changes to HMCE / PAYE (i.e. RTI) and Pensions.'*

In reviewing these verbatim comments, it is also striking to note how some SME information and advice needs are much more open-ended than others. The following examples illustrate some of the more difficult to define business problems:

*'To ensure our staff were trained to their optimum level.'*

*'Planning for the future.'*

*'I felt we needed a point of focus to encourage the staff to pull in the same direction on the sales front.'*

By contrast, other respondents indicated that they already had a very clear idea about both the type of information and advice required and the best specialist provider to approach:

*'We are not property developers, but we realise that there is value locked up in our former office premises which we are keen to maximise as owners. So we sought specialist knowledge from an estate agent whom we have used to let the building previously (free advice) and now are using an architect to draw up plans to develop the building.'*

The inherent variety created by these different information and advice requirements raises important questions over the ways in which it can best be provided. The next section looks at issues related to the popularity of different communication channels, including their capacity to handle those more complex and less easily-defined business problems.

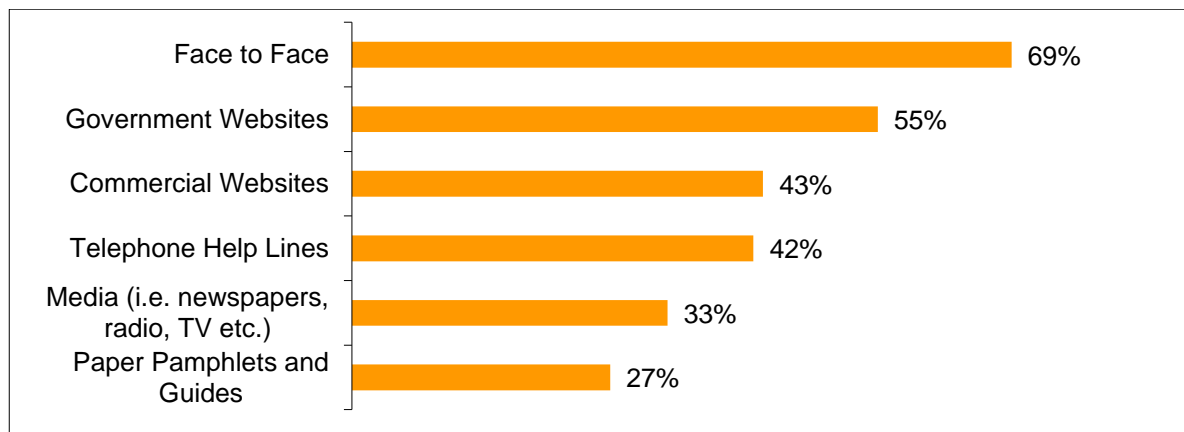


## Best ways of delivering information and advice

There has been a great deal of debate recently around the most appropriate communication channels for small business information and advice. For example, the proliferation of on-line sources of business information and advice has been questioned on the basis that it goes against the perceived preferences of many SME owners and managers for longer term, trust-based relationships with their advisors<sup>23</sup>. The increasing reliance on short term 'transactional' approaches has also been seen as running counter to research evidence in favour of more intensive business support models<sup>24</sup>. These findings are echoed by another recent study on the digitisation of public business support provision which identifies a continuing reliance upon personalised face-to-face and telephone modes of delivering support, especially by private sector service providers. This, in turn, is thought to reflect a continuing strong preference for these communication channels amongst SME owners and managers<sup>25</sup>.

We asked our respondents to identify what they regarded as the forms in which business advice and information can be best supplied (Chart 6) (n.b. the question allowed multiple responses). Face to face channels were the most commonly cited, being identified by more than two thirds (69%) of respondents. In this survey, we distinguished Government websites, such as the recently centralised **www.gov.uk** site, and the many commercial websites that offer services oriented towards SMEs, such as **smallbusiness.co.uk** and **newbusiness.co.uk**. Government websites were the second most commonly identified communication channel (55%), with commercial websites in third place (43%). These findings are broadly comparable with previous research, though the popularity of websites is lower than in our own recent surveys, while face to face approaches are somewhat higher<sup>26</sup>.

Chart 6: "In which forms do you think business advice and information can best be supplied?"



<sup>23</sup> Recent studies have examined the role of trust and confidence in SME's relationships with business advisers. See: Jarvis R. and Rigby M. (2012) 'The provision of human resources and employment advice to small and medium-sized enterprises: the role of small and medium-sized practices of accountants.' *International Small Business Journal*, 30, 8: 944-956; Schizas E., Jarvis R., and Daskalakis N. (2012) 'SMEs and their advisors: measuring trust and confidence.' ACCA Research Report no. 127.

<sup>24</sup> Mole, K.F., Hart, M., Roper, S. and Saal, D.S. (2011) 'Broader or deeper?: exploring the most effective intervention profile for public small business support.' *Environment and Planning A*, 43, 1: 87-105.

<sup>25</sup> North, D., Baldock, R., and Mole, K. (2013) 'Some implications of the digitisation of public business support provision.' Paper presented at the *International Small Business and Entrepreneurship (ISBE) Annual Conference*, Cardiff 12<sup>th</sup>-13<sup>th</sup> November.

<sup>26</sup> For the past decade we have asked our regular (online) respondents in which forms they think business advice and information can best be supplied. A summary of earlier results can be seen in our Q2 2012 report (Table 4). The current findings are based on data from a larger sample comprising both online and telephone survey respondents.

Further analysis of these findings revealed surprisingly small differences in the overall pattern of preferences expressed by businesses of different sizes (Table 3). However, it seems likely that these apparent similarities mask variations in the ways that respondents from businesses of different sizes make use of these different communication channels.

Table 3: “In which forms do you think business advice and information can best be supplied?” – by turnover band

	Face to Face	Government Websites	Commercial Websites	Telephone Help Lines	Media (i.e. newspapers, radio, TV etc.)	Paper Pamphlets and Guides
Less than £100,000	69%	52%	42%	40%	32%	33%
£100,000-£249,999	66%	46%	41%	41%	30%	31%
£250,000-499,999	68%	55%	41%	43%	29%	22%
£500,000-£999,999	66%	49%	39%	38%	25%	15%
£1m-£5m	71%	58%	45%	42%	38%	28%
£5m+	69%	65%	51%	48%	37%	26%
All	69%	55%	43%	42%	33%	27%

In order to get beneath the surface, we asked our regular respondents to provide examples of ‘good’ and ‘bad’ ways of supplying business information and advice. This question produced some strongly worded comments. Several governmental and publicly-funded services were seen as examples of good practice, including the Advisory, Conciliation and Arbitration Service (ACAS) and HMRC’s telephone help line. Respondents also commented on the value of their own trade associations as sources of impartial specialist advice. While most comments related to online and face to face channels, there were some positive comments about conventional printed guidance, provided that the material was clear and concise:

*‘ACAS has always seemed good when I’ve needed the type of information they offer. The website is easy to use & comprehensive. There are download leaflets with more information - and there is a telephone helpline. They also offer training.’*

*‘Despite their bad name, I have always received excellent advice from the HMRC telephone line - their patience is amazing!’*

*‘Some of the free government tender websites are good. Private tender websites (paid-for) less so, apart from being costly.’*

*‘Some government backed agencies, such as UKTI, have excellent staff and proved helpful.’*

*‘Best source is our own trade Association (Booksellers Association) - relevant, straight-forward and non-pressured.’*

*‘Easy to follow guides to specific problems like staff problems.’*

The main targets of negative commentary included HMRC's website, which was seen as difficult to navigate, and some small business advisors – usually because they were seen as lacking the necessary knowledge or experience:

*'The HMRC website is almost impenetrable, with too much emphasis on security and not enough on easy access. It has been a nightmare trying to get information.'*

*'Too many government websites are badly laid-out and are riddled with jargon. Finding what you need can be a nightmare. Just look at HMRC's site – "user unfriendly" just isn't in it.'* [n.b. verbatim comment – wording suggests that this website is far from being 'user-friendly']

*'Good: face-face meetings. Bad: written materials not geared to specific needs.'*

*'Telephone help lines, inexperienced staff with limited product knowledge.'*

*'All ways can be good or bad. [I am] fed up with low grade 'business advisors' who think that 20 years as a middle manager in a large company means they know how to run a small business. But a mentor - or even one short conversation with someone who has faced similar challenges to me in either my market or running a business is really valuable.'*

As highlighted in the final quotation, any communication channel can prove to be effective or ineffective in conveying business information and advice. In the case of websites, much depends on the way the interface has been designed and in the quality of the content that is hosted, including its currency and relevance to SME audiences<sup>27</sup>. With more direct and personalised forms of communication, the key factors include the knowledge, experience and facilitation skills of the advisors or mentors involved – and their capacity to develop a trust-based relationship with the business owner or manager.

## Scale and impact of problems

We asked respondents whether difficulties with access to advice or information had caused their business any problems in the last 12 months. The bulk of respondents (90%) reported no problems of this kind, as compared to 86% in the previous (Q2 2012) report. Fewer than one in ten businesses (8%) said they had experienced problems of any kind. Most of these businesses reported only minor ones (i.e. 7% of the total). Only a small minority of respondents (1%) identified 'major' problems arising as a direct consequence of access issues. While this result might be taken as a sign that all is well in the world of small business advice and information, a short review of responses to the earlier questions suggests that this is not the case. As we noted in the previous report, many business owners pride themselves on their independence, so it is perhaps to be expected that relatively few would make a direct connection between access to advice or information and business problems. When prompted to identify a specific example, most of our regular respondents who had experienced problems referred to regulatory changes. The key issue here seems to be that advice providers have not been providing timely updates. This creates problems because the business is unaware that the regulatory environment has changed or is insufficiently prepared to make the necessary adjustments to its working practices:

*'Not being advised of regulatory changes even though I am a member of relevant professional organisations.'*

<sup>27</sup> There are many new developments in online support. For example, HMRC now offers a number of free digital services for SMEs such as a free record-keeping app, SME webinars and its own YouTube channel.

*'It is just the time it takes to keep up with all the regulation changes. In the gas industry "they" are forever changing the rules. Sometimes this brings no real change, for example calling a piece of equipment by a new name. In another example, sometimes work which was formerly okay becomes not okay. And so it goes on.'*

Analysis of this data also suggests that smaller, younger and more entrepreneurial businesses may be facing greater problems as a result of difficulties in accessing the business information and advice that they need. However, it is difficult to draw firm conclusions at this stage due to the size of the relevant sub-samples.

## Conclusion

SMEs need high quality business advice and information in order to help them deal with the diverse challenges they face. This requirement applies, whether the business has significant growth targets, more modest ambitions, or is simply trying to keep afloat in troubled times. From a policy perspective, there is a strong case for improving the quantity and quality of provision. Research evidence suggests that well-designed interventions can help to strengthen the small firm population, address specific market failures and help smaller firms compete more effectively against international rivals and larger firms<sup>28</sup>. In recent years there have been major changes in business support provision, driven by changes in public policy, technological innovations, and the broader impacts of current economic conditions. This report has examined the different ways that SME owners and managers have experienced these changes and presented their views on how business support provision could be improved.

In reviewing the findings, it is important to distinguish the range of requirements that are grouped under the heading 'business advice and information'. A recent study<sup>29</sup> has mapped out the key dimensions – the type of support (ranging from 'transactional' to 'transformational'), and the way it is delivered. **Transactional support** involves, 'more generic information and codified knowledge'. In this case, there may be considerable scope to improve its delivery through online technologies (e.g. through well-designed web interfaces and search tools). By contrast, **transformational support** involves, 'more strategic advice and tacit knowledge', which is typically facilitated by longer-term, personal relationships. The continuity and trust-building in these longer-term relationships was a common theme in responses to this survey. The following quotation relates to professional bodies and Government-funded initiatives, but similar comments were made about other types of service organisation, including banks and private sector business advisors:

*'Professional organisations prove to be reliable and continuous sources of advice and routes to new business opportunities. Government-sponsored initiatives less so. [They are] well-intended, but lack staying power.'*

Another theme was that the mode of delivery needs to be appropriate both to the specific needs of the SME and the type of support that is being provided. This means making informed choices about the best communication channel, or combination of channels (e.g. online services;

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<sup>28</sup> See, for example: Huggins, R. and Williams, N. (2009) 'Enterprise and public policy: a review of Labour government intervention in the United Kingdom.' *Environment and Planning C: Government and Policy*, 27, 1: 19-41; Mole, K.F. and Bramley, G. (2006) 'Making choices in nonfinancial business support: an international comparison.' *Environment and Planning C: Government and Policy*, 24, 6: 885-908.

<sup>29</sup> North, D., Baldock, R., and Mole, K. (2013) 'Some implications of the digitisation of public business support provision.' Paper presented at the International Small Business and Entrepreneurship (ISBE) Annual Conference, Cardiff 12th-13th November.

telephone help-lines; face to face meetings), the frequency of the interactions and their degree of intensity. For example, the communication that occurs during a face to face discussion with a long-standing and trusted advisor is likely to be much richer than in an isolated telephone call to an anonymous representative. Trust and the legitimacy of advisors is a key issue in this context, and one that may be underestimated by some service providers<sup>30</sup>. Transactional support has a valuable role to play in communicating certain types of business advice and information. For example, an online search tool can provide a quick and cost-effective solution for clearly defined questions that can be answered with an equally clear, concise and unambiguous response. However, as the following quotation suggests, there is still a strong case for traditional face-to-face support when dealing with less well-defined questions or problems:

*'The written word can so often be mis-interpreted unless exhaustively explained - in which instance the reader can lose the will to live. Face to face interviews can reconcile questions rapidly and effectively. I have 20 years of experience as a Management Consultant and I never fail to be amazed at how obtuse some people can be – at all levels of responsibility.'*

In the next section, we explore the issues raised here in the **three case studies**. These cases provide a deeper insight into the special topic. They explore how individual SME owners and managers get the necessary business advice and information, their views on the current state of business support provision, and the improvements they would like to see in the future. While the support requirements vary greatly between the three businesses, each expresses strong preferences for well-established and trusted sources, including: professional institutes and other specialist providers (**Case A**); a university-based executive development programme (**Case B**); and a combination of coaching and informal peer-to-peer mentoring (**Case C**).

Lastly, it is important to acknowledge that the sheer quantity of business advice and information available, coupled with the proliferation of service providers, may itself represent a barrier to effective implementation. Irrespective of the quality of the advice or information, its value depends ultimately on the 'absorptive capacity' of key people in the business (i.e. the rate at which they can absorb new information, particularly in the form of technological knowledge and skills, in order that it can be applied in practice)<sup>31</sup>. As one of our regular respondents concluded:

*'I have had no trouble obtaining advice on most business issues. The hardest part is sorting out how to use the advice.'*

<sup>30</sup> See, for example: Kautonen, T., Zolin, R., Kuckertz, A., Viljamaa, A., (2010) 'Ties that blind?: how strong ties affect small business owner-managers' perceived trustworthiness of their advisors.' *Entrepreneurship and Regional Development*, 22, X: 189-209; Schizas E., Jarvis R., and Daskalakis N. (2012) 'SMEs and their advisors: measuring trust and confidence.' ACCA Research Report no. 127.

<sup>31</sup> The concept of 'absorptive capacity' in SMEs has been examined in several studies including: Liao, J., Welsch, H. and Stoica, M. (2003) 'Organizational Absorptive Capacity and Responsiveness: An empirical investigation of growth-oriented SMEs.' *Entrepreneurship Theory and Practice*, 28, 1: 63-85; Gray, C. (2006) 'Absorptive capacity, knowledge management and innovation in entrepreneurial small firms.' *International Journal of Entrepreneurial Behaviour & Research*, 12, 6: 345-360; Spithoven, A., Clarysse, B., and Knockaert, M. (2011) 'Building absorptive capacity to organise inbound open innovation in traditional industries.' *Technovation*, 31, 1: 10-21.

# Case studies

## Introduction

These case studies are based on a series of interviews conducted by Deneise Dadd of The Open University. They examine in greater depth issues discussed in our special topic section on business information and advice. The interviews were conducted during September 2013 and are based on a sub-sample of respondents to the *Quarterly Survey of Small Business in Britain*. The interview material has been complemented by some additional evidence related to the organisations and their industry context. We are grateful to all of our interviewees for taking the time to be involved in this project. This case material can be reproduced for educational purposes provided that the source is fully acknowledged.

## Case study A: CME Personnel Consultancy Ltd.



One of the critical challenges facing small businesses, especially when they start to taking on employees, is ensuring that they have complied with all the statutory employment requirements. These include providing employees with accurate payrolls, submitting Pay As You Earn (PAYE) and National Insurance (NI) returns to HMRC by their stated deadlines and ensuring that all employees have written employee contracts that cover their terms and conditions of employment. This can be a time-consuming endeavour, particularly when it is outside of the skills and expertise of the business owner. As a result, business owners often rely on specialist providers like CME Personnel Consultancy Ltd to help them meet their legal obligations.

Caroline Elsey, the managing director of CME Personnel Consultancy, was made redundant from Chase Manhattan Bank (now part of JP Morgan) in 1987. Having gained 17 years' experience in various payroll and personnel roles, Caroline decided to use the redundancy package to launch her own small business. Her original desire was, and still remains, to help other small business owners meet their legal obligations to their employees. It was the beginning of what she describes as an, "enjoyable yet challenging" journey over the following 25 years.

Caroline now employs five people from her offices in the Essex town of Leigh-on-Sea. Together they provide payroll services for over 110 businesses on weekly, bi-weekly, four-weekly and monthly basis and engage directly with HMRC on their behalf. CME also offers a range of personnel services, which includes employment contracts and handbooks as well as personnel policies and procedures. They serve a wide variety of clients who have between 1 to 120 employees but tend to specialise in smaller businesses such as pubs, restaurants and children's nurseries. One of the key benefits CME offers is keeping their clients up-to-date on relevant payroll and personnel issues. This allows small businesses to stay focused on their core functions, while CME deals with the legislative and regulatory requirements. Over the years CME have won many awards, including the Evening Echo (Community) Award (1997, 1998 and 2003) and the Institute of Payroll Professionals Payroll Outsourcer of the Year (2007). CME also gives back to their community by supporting Essex Wildlife Trust, Leigh Luncheon Club, Leigh Rockets (an under 16 football team) and Colchester Zoo.

We spoke with Caroline about her experiences of gaining access to business advice and other kinds of information. The former ‘Business Link’ organisation, a national network of business advisors that was coordinated by the UK’s Department for Business, Innovation and Skills, used to be one of Caroline’s most valued sources. When Business Link was operational, she had her own advisor and now reflects, “I thought they were wonderful and it’s a shame they’ve gone”. At one point she was also a self-employed advisor for Business Link, specialising in personnel matters. Although she is aware that the Gov.uk website has now replaced Business Link’s online services, Caroline does not think that the quality of service is the same. She now goes to a variety of organisations when she needs business advice and information, depending on the specific requirements. For example, if she needs general business advice, then it is likely that she would approach the Federation of Small Businesses (FSB). For payroll advice, she would go to her professional institute, the Chartered Institute of Payroll Professionals (CIPP). Similarly, for personnel services, she would consult specialist providers such as the Advisory, Conciliation and Arbitration Service (ACAS) or the Chartered Institute of Personnel and Development (CIPD). Caroline says that she generally prefers to access these kinds of information online, because it is easier, and that they usually point her in the right direction.

We asked Caroline to share a particular experience of trying to access information or advice online. Her chosen example was of trying to get more information on Real Time Information (RTI). RTI is a new initiative launched by the HMRC that changes the way that UK businesses report PAYE. Instead of reporting PAYE on an annual basis, businesses now report each time their employees are paid. It was introduced in April 2013, along with the phased introduction of pensions auto-enrolment into the workplace<sup>32</sup>. Accessing information about RTI proved to be challenging as HMRC’s budget for face-to-face training has been cut. Caroline recalls on-going problems with submission of the Employer Payment Summary (EPS) for a number of clients. She explains that this submission is, “where companies reclaim statutory payments from the state as HMRC are unable to pick up these figures from the data submitted on the regular Full Payment Summary”. Caroline accessed a combination of sources, including social media, in order to find answers to various technical questions regarding the new process. For example, she notes that, “I used LinkedIn with a couple of the professional groups I belong to there.” She adds that, “...there has been a lot of discussion on LinkedIn; my Institute [CIPP] have got involved in it as well [and] Revenue [HMRC] is trying to help...” Although she believes that this matter has now been resolved, Caroline admits that, “we’re still waiting for the Revenue to confirm that our understanding is correct.”

At the end of our discussion, we asked Caroline for her own recommendations for improving the way that business advice and information is provided. She acknowledges that, “there is just so much out there now” but that it really comes down to communicating this information more effectively to small businesses. Providers need to ensure that the information is both available and easily accessible. She concludes by stating, “If there is a source of information that is out there and that can help us, we need to know about it.”

**Company website:** [www.cmepersonnel.co.uk](http://www.cmepersonnel.co.uk)

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<sup>32</sup> For more information on the HMRC’s real time information initiative go to: <http://www.hmrc.gov.uk/payerti/>. For an introductory briefing on auto-enrolment, see: ‘Automatic enrolment into a workplace pension: key facts.’ London: Department for Work and Pensions. Available at: <http://www.dwp.gov.uk/docs/auto-key-facts-enrolment-booklet.pdf>.



SECURE ENGINEERING

## Case study B: Secure Engineering Ltd.

Secure Engineering Limited is a closed circuit television company that installs security cameras, alarms and other related equipment. The company provides design, consultation, management, installation and maintenance services to government, utilities industries, local authorities, and industrial and commercial customers. In the eyes of their customers, the purpose of Secure is *“Giving you peace of mind, making your sites safe and reliably secure with high performing and quality integrated security and surveillance systems”*. Their product range includes the latest security cameras, image data storage technology, low energy site lighting, perimeter intruder detection systems, traffic monitoring, access control and Automatic Number Plate Recognition (ANPR) systems.

Clifford Corne established the business in 1988, and was later joined by his partner, Linda. They have since grown the business to 14 employees, assisted by up to four subcontractors, at their offices in East Sutton, near Maidstone, Kent, and are currently recruiting additional members of staff. Clifford and Linda’s vision for the business is *“to build a sustainable business, and become the most respected security and surveillance systems company as recognised by our customers, our staff and our industry”*. Clifford and Linda shared that they were currently going through a “growing up” process and how important it was to access the right forms of advice and support to help them through this specific phase of development. We began by asking Linda about how the company obtains business advice and other kinds of information. Linda recalled that they would typically obtain advice from their accountants, other colleagues, their bank manager and Business Link. In the early days, this provided Clifford and Linda with an input into the financial and sales functions of the business, however as the firm grew they have become increasingly challenged with wider productivity and performance issues *“A sole focus on finance and sales will not enable us to fulfil our vision, we need to work with and develop other parts of the business in parallel”*.

For the last six years Secure have accessed other forms of business support through an applied research centre at the University of Kent, The Centre for Employment, Competitiveness and Growth (cECG). Linda explains that as part of these activities they are contributing to an ongoing programme of research, Promoting Sustainable Performance, which aims to understand how businesses grow *“we have had researchers come into our business and question us on what we do and why we do it, it’s been a real eye opener!”* Linda continues to highlight that this applied research centre has subsequently translated these research findings into tools with support from practitioners from Telos Partners Ltd, Presented under the banner of “Business Improvement and Growth (BIG)” this provides business owners with easy-to-understand concepts and techniques that have a direct impact on the way they work *“We have been able to benefit, practically, by being challenged in the way we work and supported to change habits that develop over many years, and this has had a direct impact on business performance”*.

Clifford and Linda revealed that they had both attended an executive development programme for ambitious owner-managers at the Kent Business School called “The BIG Journey”<sup>33</sup>, a programme that works within the constraints of everyday business priorities. This programme has challenged them both to balance the managing of the day-to-day with a need for clarity in purpose and vision for longer term growth *“we are now spending time with the team on strategic development activities and getting a handle on what we want our future to be, and working towards it”*. Since having completed the programme,

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<sup>33</sup> The University of Kent’s Business Improvement and Growth (BIG) Journey is described as, “an executive development programme for ambitious owner-managers who want to improve and grow their business”. It comprises six two-day modules supported by personal in-company coaching - See more at: [www.kent.ac.uk/kbs/business/sme/](http://www.kent.ac.uk/kbs/business/sme/)



Clifford and Linda are now part of the “BIG Network” that provides a continued level of support to business owners as they become challenged by the implementation of their strategic growth plans. As part of this process they have invested in the development of their employees through an in-company support process *“This year, using the team at the University, we have developed an in-company workshop programme for our management team, and it’s really helped us to share, break down and collectively progress the necessary actions”*.

Linda candidly admits that she prefers to meet with other like-minded peers to obtain business advice and information: *“on a personal front, I need to speak to other people who have been there and done it”*. She continues to share how the programmes she has accessed have provided access to work groups with other business owners in which there is an opportunity to discuss and resolve issues central to performance: *“it was very interesting because we we’re all businesses from all parts of the country and we’ve all had pretty much the same sorts of problems, it didn’t matter what sort of business it was, we all had similar things to discuss and help each other out with”*. Their discussions were wide ranging and included a new business owner coming to grips with his recently acquired business (as a result of the previous owner’s sudden death) and another business that was changing its pricing strategy to become more competitive. They also discussed how they were affected by the recession and how they were managing to deal with it. For Linda, this peer-to-peer interaction was a particularly valuable aspect of the experience: *“We all had something to add ... it helps us to know that we’re not the only people experiencing that [issue]”*.

To conclude, we asked Linda if she had any recommendations for the people who provide business advice, or those accessing advice *“get involved with academics. We paint a picture in our minds of ivory towers and the fact that academe is not relevant to everyday business, but so much of what goes on inside Universities is relevant and can be used for future business performance...it’s been really, really useful and an interesting journey”*. Linda also highlighted the importance of the connection between small businesses and Universities *“all businesses want to attract and retain good, quality people, and many of them exist within institutions...they are our future!”* Linda concludes by offering an insight to her experience with the University of Kent, one that has *“been a two-way information exchange”* and emphasises that in their experience both parties have learnt, and continue to learn from each other for mutual benefit. She believes that other providers of business advice and information should engage with academics in a similar way. Her passion for this sort of information exchange was evident as she told us about a recent seminar<sup>34</sup> through the Institute for Small Business and Entrepreneurship (ISBE) where she shared this experience: *“We were the real business in the room and we were able to relay how we’d actually experienced it, as the people who’ve paid for such courses and got the benefit out of it”*.

**Company website:** [www.secureeng.co.uk](http://www.secureeng.co.uk)

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<sup>34</sup> Partnering to Deliver SME Growth: Developing HE as ‘Institutional Anchors’ through Research-Led Business Support - See more at: <http://www.isbe.org.uk/Partnering-to-Deliver-SME-Growth#sthash.ECgCgaki.dpuf>



## Case study C: Imagine Photographic

Andrew Plant is a professional photographer with more than twelve years' experience. He has been trading as Imagine Photographic for over three and a half years. Initially, he worked mainly on commercial projects, such as 360° projects, advertising and public relations, in addition to commercial video production and design. These projects are carried out in his Dorset studio and on location at the client's premises or elsewhere. Imagine Photographic also provides aerial photography for its clients, covering most of Southern England, and have combined with Bournemouth Flying Club to offer photographers and pilots a unique experience. He is currently expanding into more retail projects and in the last six months has partnered with another photographer.

We began by asking Andrew about his experiences of accessing advice and other kinds of information for his business. He recalls that when he first set up his business he was dealing with the Business Link, which at that time provided a route into a network of commercial business advisors. He says that he was very fortunate because his former employer paid for a business coach as part of a redundancy package. Andrew is still in touch with his business coach, who is now also one of his clients. He sees the coach's contribution as having been a positive experience but points out that the advice did come at a cost: *"So that helped, that was a big help, but it was effectively a paid service, it was not supplied by government or local authority or anything like that"*. Andrew believes that getting business advice through face-to-face meetings and visits is the best way because, *"they can see you where you're working, they can meet you, get to know you and everything like that"*. However, he acknowledges that telephone advice could also be helpful in combination with the face-to-face interactions. Andrew also joined his local chambers of commerce and has become an active member. He says that over the years he has built up his own network that provides a source of peer-to-peer learning. As he says, *"so I get to see other local businesses and most of them have had the same sorts of experiences that I've had and the same problems, you get to speak with them."*

Conducting online searches for business advice and information has also proved valuable for Andrew. However, he feels that most of this information is not aimed at the right target audiences. He comments that, *"it's aimed at people who want to start their own business, but [...] the grants and things like that are for people who've been sort of out of work for two years, [or those who are either] under 21 or over 55"*. By contrast, he thinks there is relatively little information or advice available online for people who do not fit into these narrow categories, including those who may already have some finance available and who want to start a business. Based on his experience, *"there wasn't anything out there. Yes, there were a few free training courses, but they weren't really much more than what you could have found by reading some articles on the Internet."* He also found that there was hardly any advice or information available for businesses that are further along in their lifecycle, for example those in the critical 18 months to two-year period. As Andrew says, *"they've got over the first hard bit, setting the business up, they are now approaching the bit where most businesses fail – it's year three, the make or break sort of thing."*

Andrew is of the view that most of the advice available online is supplied by the banks and accountants, people with a financial background and therefore focused on the financials. He is not convinced that they necessarily understand the other aspects of running a business, such as the nuances of customer service. The issue of motivations for running a business is one where Andrew has particularly strong views. He expresses them in the following terms: *"If I went purely on the financials I would have given up the work by now! Running a business is a lifestyle issue it's not just money, it is doing something that I love to do. I enjoy going to work now. In fact, I have to be dragged home and told to switch the laptop off, and things like that, because I've chosen to do it. I'm not earning mega bucks; hopefully I will one day but"*

*that's not the sole purpose of why I did it. I did it because I enjoy doing it". Andrew suggests that business advice and information providers should work closely with the local chambers of commerce and publicise themselves more. "Business people don't have time to go looking for things, they might need it but if it's not at their fingertips, they'll move on and look somewhere else".*

Andrew also told us how a private networking group has helped him by operating in a similar way to a more formal mentorship programme. Around two years ago he met a photographic printer, a local businessman, at a trade show. They began chatting and realised they shared similar experiences and now describe themselves as, "*business buddies*." They meet over coffee or lunch every two or three weeks to exchange experiences. Andrew says "*we talk about what we're doing in the business, what ideas we have, how we can go about moving those forward and everything like that.*" From time to time, they also work together or send each other new business opportunities. Andrew describes how having this independent sounding board has been incredibly useful for him: "*I may come up with an idea and, being of a creative mind, creative business, some of my ideas are a bit crazy. I've got somebody independent to approach and say... 'I've come up with this idea what do you think then' for them to go, 'yes, but' or 'yes, that's great' or something like that.*" Andrew points out that it was important that his business buddy was not a competitor or someone who might steal his ideas. Since both "buddies" are at similar levels in their businesses they share the same sorts of issues and can help each other overcome them. In concluding our discussion, Andrew reflected on the important role played by sole traders and micro-businesses, and made the case for providing them with better business information, advice and support: "*There are a lot of small one-man or two-men businesses out there and there is little or no support for them, yet there are more of them than anything else. They have the potential of growing the economy. Imagine if every one-man business in the country took one person on, we wouldn't have an economic problem!*"

**Company website:** [www.imagine-photographic.com](http://www.imagine-photographic.com)

## How the survey is carried out

This is the 116th survey report completed since the *Quarterly Survey of Small Business in Britain* was created in 1984. The small and medium-sized firms that respond to the survey are drawn from a large telephone omnibus survey and a parallel online survey. The aim of the sampling strategy is to provide a fair representation of the SME population while also enabling the research team to explore the inherent complexity and richness of business life today. It should be noted that the survey sample is not a panel, nor is it fully random. The online survey continuously recruits new members to reflect the national distribution of small firms but also seeks to retain respondents over the longer term in order to support the more in-depth questions and case studies, and to provide insights into the changing experiences of SME owners and managers over a more extended period.

The survey combines the questionnaire responses of our regular online sample (i.e. owners and managers of small businesses who had previously volunteered to take part) with responses from telephone interviews conducted on our behalf by BDRC as part of their Business Opinion Omnibus survey<sup>35</sup>. The link to the online questionnaire was emailed to regular respondents on 14<sup>th</sup> July 2013 and a reminder email was sent to non-respondents on 15<sup>th</sup> August 2013. In total, 182 of these regular participants responded, with 166 valid usable responses in total. A total of 878 telephone interviews were carried out in two monthly waves. In the first wave, a total of 437 telephone interviews were conducted between the 1<sup>st</sup> and 10<sup>th</sup> July 2013. In the second wave, a further 441 telephone interviews were conducted between the 5<sup>th</sup> and 15<sup>th</sup> August 2013. This generated an overall total of 1,044 responses. The online survey was conducted using *Qualtrics* survey software. The two sets of survey data were combined, checked and analysed using the *SPSS* statistical package.

There are some differences in the composition of the two sub-samples. For example, the telephone survey does not include firms with a turnover below £50,000 and few of the online survey respondents have more than 50 employees. The telephone survey sample includes more firms established since 2006, compared to that obtained from our regular online respondents. There are also some sectoral differences (e.g. there is higher proportion of telephone respondents in the business services and manufacturing sectors, but somewhat lower proportions in health, education, leisure & other and hotels & restaurants).

For tables by number of employees, we have adopted the BIS definition of a firm with no employees. This is where a self-employed sole proprietor or partners work on their own with no employees, or where a limited company has a single employee director (n.b. a firm with one sole proprietor and one employee is counted as a one employee firm, but a company with two employees is counted as a two employee firm).

The survey has reported in each issue on changes in sales and employment and on the ranking of most important problems experienced by small firms. Barclays Bank also provides its latest estimates of small business closures and starts, and their Small Business Activity Index, which are used as indicators of recent performance.

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<sup>35</sup> The telephone survey is part of BDRC's Business Opinion Omnibus and draws a sample of SME owners and other senior managers. Further details are available at: <http://www.bdrc-continental.com/research-specialisms/business-omnibus/>

# The history of the Quarterly Survey

Policy recognition of the economic, political and social importance of small firms in Britain traces its roots back 40 years to the publication of the Bolton Report in 1971. Chaired by John Bolton, a successful and publicly-spirited industrialist, the Bolton Report also marks the conception of the *Quarterly Survey of Small Business in Britain*. Frustrated by the lack of accessible and consistent good quality data on Britain's small business sector, the research director and principal author of the Report, Graham Bannock, strongly recommended that a regular survey of the small business sector be established in order to inform researchers and policy makers. With a mix of some public and mainly private sector funding and after a long gestation period, the *Quarterly Survey* was eventually born in 1984 under the direction of its inspirer, Graham Bannock. Making up for lost time, the *Quarterly Survey* has produced a report on the state of Britain's small businesses every quarter ever since.

In the beginning, with entrepreneurship as an academic discipline in its infancy, the focus of the special topics each quarter was very much led by the concerns of financial institutions, interested government departments and bodies such as the Bank of England, Companies House, House of Commons Library, National Audit Office and so on. As academic, political and public policy interest in entrepreneurship and small business management grew, so too did the focus and reach of the *Quarterly Survey*. With this broadening of interest also came a significant shift in location when then Open University Business School Dean, Andrew Thomson, offered to host the *Quarterly Survey* in 1989. Some 20 years later, with an increase in enterprise activities across the University, the Dean at the time Professor James Fleck welcomed the *Quarterly Survey* formally into the Open University as a core element in its enterprise research.

The *Quarterly Survey* has been used widely as an economic barometer since it began in 1984. It has been and remains an important resource for SME academics, policy-makers and professional support practitioners (such as accountants, bankers, consultants and lawyers). It reveals quarterly and longer term trends on entrepreneurship and key small business issues. It also provides benchmarks for gauging SME regional, sector and size-related performance. The survey findings are regularly reported in the national press and other media. In addition, each quarterly report contains a feature section on a selected small business issue. Recent features have included the impact of the 'credit crunch'; how entrepreneurial and non-entrepreneurial small firms differ in their approaches to growth and the recession; sources of advice on business and regulation compliance; environmental performance and changing use of information and computing technologies.

The *Quarterly Survey* is the longest established report focused entirely on small businesses in Britain. It owes its survival and success to its historic knowledge of the SME sector; its dedicated and loyal research/production team, and the long term support from the Open University and from its main sponsors - ACCA (Association of Chartered Certified Accountants) and Barclays Bank. Together we have helped forge a worthy legacy of the Bolton Report.

Emeritus Professor Colin Gray

A full set of historical tables is available on request, and will continue to be available as a resource for researchers. For more information on the survey, please contact [oubs-enterprise@open.ac.uk](mailto:oubs-enterprise@open.ac.uk)

## Recent special topics

### 2013

- Q1 Mobile and web based services
- Q2 Job creation and contracting out

### 2012

- Q1 Retirement, succession & illness
- Q2 Business advice & education
- Q3 Education, training & skills development
- Q4 SMEs and the British Business Bank

### 2011

- Q1 ICT, smartphones, cloud computing
- Q2 Capital allowances
- Q3 Focus, employment, 'greening' business
- Q4 Post-recession trends

Next quarter's topic: ***resilience and recovery***

# Survey questionnaire - Q3 2013

## This is the text of the online questionnaire

USE OF DATA The details requested are for the purpose of carrying out research into small firms and will not be passed to third parties for the purpose of unsolicited advertising or any other unauthorized purpose. The Open University strictly adheres to the Data Protection Act, and this information will be treated in confidence.

1. What is the legal status of your business?  
Private (limited) company; Partnership; Self-employed sole trader / sole partnership; PLC; Other
2. In which of the following ranges is your firm's annual turnover (excluding VAT):  
Less than £50,000; £50,000 - £99,999; £100,000-£249,999; £250,000-£499,999; £500,000-£999,999; £1m-£5m; £5m-£10m;  
£10m-£20m; Over £20m
3. Are the owners of the business..?  
Male; Female; Joint Male/Female
4. Including yourself, how many people work in the business including both full and part-time workers?
5. How many years have you been running a business?
6. How many years has your present business been trading?
7. Please describe in a few words the precise nature of your business
8. Please enter your Business Postcode:
9. Entrepreneurial firms are more competitive, growth-minded and innovative than other firms. Where would you put your firm on a scale of 1 to 10? - 1 = not at all entrepreneurial, 10 = extremely entrepreneurial.  
1; 2; 3; 4; 5; 6; 7; 8; 9; 10

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The following questions are about your recent experience of obtaining business advice or information of various kinds.

- 10a From which of the following has your business received helpful advice or information over the past 12 months?  
Government-funded services (like UKTI, Business Link, Scotland's Business Gateway; Welsh Government, nibusinessinfo.co.uk, HMRC, other government departments and web-sites, Local Enterprise Partnerships, Business Coaching for Growth, local council services); Business networks (like Chambers of Commerce, Trade Associations, the CBI, Federation of Small Businesses, Forum of Private Business etc.); Customers, suppliers and other business people; Your accountant; Your bank; Other business advisors (consultants, coaches, etc.); Family and friends; Media (small business websites, newspapers, trade journals, TV, radio, etc.); None/I have not sought advice in the last 12 months; Don't know.
  - 10b Please give an example, based on one of the sources you have selected, to explain how it was helpful to your business?
  - 11a In which of the following broad areas has your business been actively seeking either specialist advice or information over the last 12 months?  
Manufacturing or service delivery; Sales and marketing; New product development; Supply chain management; Accounting; Financing; Regulations and compliance; Information technologies; Environmental management; Exporting; Education, training and skills; Other human resources management; Other (please specify).
  - 11b Please give an example, based on one of the areas you have selected, to explain why this specialist advice or information was needed?
  - 12a Over the past year, has it become easier or harder to get the business advice or information that you need?  
Easier; No real change; Harder.
  - 12b If you responded, EASIER or HARDER, what do you see as the main reasons for this change?
  - 13a Have difficulties with access to advice or information caused your business any problems in the past 12 months?  
Yes - major problems; Yes - minor problems; No - no problems; Don't know.
  - 13b If YES, please give an example of the kind of problem it has caused?
  - 14a In which forms do you think business advice and information can best be supplied? (Tick all you believe a worthwhile use of resources)  
Face-to-face contact with an advisor; Telephone help-lines; Government websites; Commercial websites; Paper pamphlets and guides; Through the media (newspapers, radio, TV etc.)
  - 14b Please give an example from your own experience of either 'good' or 'bad' ways of supplying business advice and information.
- 
- 15a What are your current business growth targets over the next three years?  
No growth targets; Remain at present size; Reduce size; Sell your business; Merge with another business; Expand Moderately; Expand significantly; Other (please specify)
  - 15b Please comment on the reasons for your answer.
  - 16 Please enter any comments you have on the issues raised in the questionnaire

Publicity opportunity: If you would welcome the publicity of being featured as a small business case study in a press release or web article for this or future surveys then please give your name and telephone number and we may contact you: Name/Telephone.

If this is the first time you have participated in a survey and would like to be contacted on a quarterly basis with an invitation to participate in future surveys, please fill in your details: Title; First Name; Last Name; Email address.

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